

Investcorp Group Remuneration Policies

Remuneration Philosophy

Investcorp Holdings B.S.C.(c) (“Investcorp Holdings”) and its consolidated subsidiaries (collectively, the “Investcorp Group”) have a clear and well-defined “pay for risk-adjusted long-term performance” philosophy that pervades its culture and motivates its employees to target delivery of consistent top-quartile performance. This philosophy is exhibited in the Investcorp Group’s remuneration programs, and it is reflected in its annual remuneration decisions.

The Investcorp Group’s remuneration programs are designed to meet the four key objectives described below. These objectives are considered and applied across the entire employee population.

- **Attract and retain top talent.**

The Investcorp Group competes for talent globally with investment banks, commercial banks, alternatives firms and other companies offering financial services. The Investcorp Group’s ability to sustain or improve its position in this highly competitive environment depends substantially on its ability to continue to attract, retain and motivate the most qualified employees. In support of its recruitment and retention objectives, the Investcorp Group monitors market pay levels and it structures its incentive awards to include deferred payment and vesting, which are provisions that protect the interests of the Investcorp Group and its stakeholders.

- **Deliver pay for sustainable long-term performance on a risk-adjusted basis.**

The Investcorp Group’s incentive remuneration programs emphasise discretionary variable annual performance remuneration and long-term incentive remuneration linked to specific performance objectives. Variable annual performance remuneration is adjusted year over year to appropriately reward annual achievement of the Investcorp Group’s financial and strategic objectives. A portion of the variable annual performance remuneration is required to be deferred.

Long term incentive remuneration is future oriented and rewards performance that serves shareholders’ interests by executing on the Investcorp Group’s long term business strategy.

Both deferred annual incentives and long-term incentives promote sustained shareholder value creation over the long-term. The structure of the Investcorp Group’s remuneration programs balance the objectives of delivering returns for shareholders and providing appropriate rewards to motivate superior individual performance.

- **Align executive remuneration with shareholders’ and clients’ interests.**

The Investcorp Group awards a significant portion of variable remuneration in the form of deferrals to align employee interests with those of shareholders and clients. They comprise of share-linked awards or such other instrument referred to in a program deemed appropriate and approved by the Nomination and Remuneration Committee of Investcorp Holdings' Board of Directors ("N&RC"). Deferred share-linked awards are subject to market, cancellation and malus risk over a multi-year period. If the value of Investcorp Holdings' shares declines, the value of employees' entitlements under these awards is automatically and correspondingly reduced. The N&RC, which acts as a remuneration committee, believes that these deferred awards help motivate employees to achieve financial and strategic goals.

In addition to the deferred awards, as is the case with many other alternative asset management firms, a significant portion of Investcorp Group variable remuneration awards, is in the form of awards under investment carried interest programs relating to the investments that are made by the Investcorp Group and marketed to the Investcorp Group's clients. Payments under these programs are not made unless specified client return hurdles are achieved. Therefore, if an investment does not satisfy the client return hurdle, no payment is made to employees under these programs. Furthermore, through a netting mechanism, even if an investment satisfies the client return hurdle, these returns are netted against other investments in which losses are sustained. N&RC believes that these carried interest investment programs fully align the interests of participating employees with the interests of both the Investcorp Group's clients and, because the Investcorp Group co-invests in each investment, the interests of Investcorp Holdings' shareholders.

The alignment of interests with Investcorp Holdings' shareholders is further enhanced by the ability to defer payments under share-linked awards and investment carried interest programs if a payment would jeopardize the financial condition of the Investcorp Group.

- **Mitigate excessive risk taking and incentivize top-quartile risk-adjusted returns.**

A significant portion of the deferred remuneration awarded to the Investcorp Group's senior executives is linked to the value of the Investcorp Group. These remuneration arrangements are structured and designed to ensure that they do not encourage unnecessary or excessive risk-taking that threatens the Investcorp Group's interests or gives rise to risk that could have a materially adverse effect on the Investcorp Group.

- **Ensure compliance with regulations in each country in which the Group has a regulated presence.**

Investcorp tracks and monitors regulatory compliance for each jurisdiction that it operates in, including applicable laws/regulations, tax requirements, and any required regulatory assessments.

The Board of Directors of Investcorp Holdings is responsible for actively overseeing the design and operation of the Investcorp Group's remuneration systems.

N&RC, which is comprised of a majority of independent directors, is responsible for:

- Reviewing and approving these Remuneration Policies;
- Approving, monitoring and reviewing the Investcorp Group's remuneration systems to ensure that they operate as intended; and
- Recommending remuneration to Board members based on their attendance of meetings and performance and in compliance with the Bahrain Commercial Companies Law.

Specific Employee Remuneration Policies

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

- A fixed salary that is comprised of a base salary and in certain circumstances supplementary fixed allowances that are reviewed regularly; and
- A variable remuneration component that is based on the Investcorp Group's performance as well as line of business 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 is awarded as a mix of an upfront cash bonus and deferred long-term incentive. A significant percentage of variable remuneration is subject to vesting requirements and market and cancellation risk, with this percentage increasing depending on 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 and compliance) will 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.

Remuneration awarded across the Investcorp Group is adjusted for all types of risk, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital, and both quantitative and human judgment must play a role in determining risk adjustments. Remuneration outcomes must be symmetric with risk outcomes.

Variable remuneration is not guaranteed except in the case of hiring a new employee, in which case any guaranteed minimum variable remuneration is limited to the first year of employment.

Investcorp Group 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.

Total variable remuneration is determined so that, depending upon Investcorp Holdings' current capital position and its Internal Capital Adequacy Assessment Process, Investcorp Holdings' ability to strengthen its capital is not limited.

The size of the Investcorp Group's variable remuneration pool and its allocation takes into account the full range of current and potential risks, including:

- The cost and quantity of capital required to support the risks taken;
- The cost and quantity of the liquidity risk assumed in the conduct of the Investcorp Group's business; and
- Consistency with the timing and likelihood of potential future revenues.

The Investcorp Group's variable remuneration pool is linked to the overall financial performance of the Investcorp Group, and individual remuneration awards are linked to the contribution of an individual employee and his or her line of business to the overall performance of the Investcorp Group.

Variable remuneration awards are reduced or deferred in the event of poor financial performance by a line of business or by the Investcorp Group overall.

If the Investcorp Group or a line of business incurs losses in a year, the value of unvested portions of deferred remuneration, if in shares or share linked form, is likely to be correspondingly reduced.

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.

Director Remuneration Policies

Remuneration of non-executive directors does not include performance-related elements such as grants of shares, share options or other deferred share-related incentive schemes, bonuses or pension benefits.

The remuneration of Investcorp Holdings' Board of Directors in respect of any financial year will not exceed the maximum amount set forth in Article 188 of the Bahrain Commercial Companies Law ("Article 188"), which is 10% of Investcorp Holdings' consolidated net profits after deduction of the legal reserves and after distribution of profits of no less than 5% of Investcorp Holdings' paid-up capital. Remuneration may not be paid to Investcorp Holdings' Board of Directors in any year in which it does not have net profits unless it complies with the requirement in Article 188 to obtain the approval of the Minister of Commerce and Industry.

The remuneration awarded to an executive director will take into account any remuneration received by him or her in his or her capacity as a director.

Remuneration Policies Applicable to New Initiatives

Investcorp has applied rules and procedures based on the market practice in its largest locations and for its core products, however, in some instances, such as India, where local market conditions will differ greatly from those in the US/UK, we have allowed the local entity, for the time being, to continue to apply its existing practices to maintain market competitiveness, where we think that this also satisfies our broader risk management approach. Similarly, in certain circumstances, such as when we expand our product offering through acquisition, we may choose to hold the new business at arm's length to minimise management disruption and to allow for a smooth transition over a number of years onto Investcorp's policies and procedures.

In these instances, the structure of compensation for affected employees will differ from the norm described above, but we ensure nonetheless that it is competitive for the market in which they operate whilst still meeting our expected risk management view.