

Investcorp Credit Management EU Limited

Public Disclosure

For the Financial Year Ended 30 June 2022

1. Company Profile

Investcorp Credit Management EU Limited (“ICMEU” or “the Firm”) is a private, UK incorporated company, authorised and regulated by the Financial Conduct Authority (“FCA”) under firm reference number: 446483.

Effective from 01 January 2022, as a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), ICMEU was classified as a Non - Small Non-Interconnected (“non-SNI”) MIFIDPRU firm under the Investment Firms Prudential Regime (“IFPR”).

ICMEU is a wholly owned subsidiary of Investcorp S.A. The ultimate parent company of ICMEU is Investcorp Holdings B.S.C.(c).

ICMEU is a UK based global credit manager with business lines comprised of:

- Sourcing European credit investments to be part of actively managed collateralized loan obligation (“CLO”) vehicles and other actively managed portfolios;
- Managing portfolios of credit investments for issuers of CLO securities, for the alternative investment fund managers (“AIFMs”) of certain alternative investment funds (“AIFs”) and for other collective investment undertakings, via investment management and sub-investment management agreements;
- Promoting investments in CLO securities in compliance with exemptions under the Prospectus Directive and in AIFs in compliance with the EU Alternative Investment Fund Managers’ Directive (“AIFMD”);
- Managing credit investments in managed accounts; and
- Acting as portfolio manager in certain CLO vehicles and, in connection therewith, holding retained risk positions in the CLO securities issued by those vehicles as required by applicable law.

2. Risk Management Objectives and Policies

In accordance with the public disclosure requirements applicable to non-SNI MIFIDPRU firms under MIFIDPRU 8 and the transitional provisions contained in rule 12.6 of MIFIDPRU TP12, ICMEU is not required to disclose the information required by MIFIDPRU 8.2 (Risk Management Objectives and Policies) for the financial year ended 30 June 2022. ICMEU will be required to comply with the MIFIDPRU 8.2 disclosures for the subsequent accounting years.

3. Governance Arrangements

Governance Structure

ICMEU has a formalised governance structure which is designed to provide oversight of the risk management of the Firm's business operations in line with systems and controls that ICMEU has in place to operate appropriately and in accordance with the necessary regulatory requirements and expectations. The ultimate responsibility for the management of ICMEU falls within the scope of the role and responsibilities of the management body of the Firm, the Board of Directors ("Board").

Due to its size, nature and complexity of the business activities, ICMEU does not have a Risk Committee, a Remuneration Committee or a Nomination Committee as part of its governance arrangements nor is it required to establish these committees as set out in MIFIDPRU 7.1.4R.

Board Oversight Arrangements & Composition

The ICMEU Board has delegated the overall responsibilities for the management of ICMEU's operational activities to the Executive Directors who conduct their roles in line with their assigned responsibilities and allocated senior management functions ("SMF").

The governance and oversight frameworks in place ensure that the Board defines, oversees and is accountable for the implementation of arrangements to ensure effective and prudent management of the firm, including appropriate segregation of duties of the Senior Management in accordance with the UK's Senior Management and Certification Regime ("SMCR") and management of conflicts of interest.

The Board is the main decision-making body of ICMEU and is formed by two Executive Directors and two non-Executive Directors, as at 30 June 2022.

ICMEU seeks regulatory approval prior to appointments to the Board under the SMCR. All Board members are registered and listed on the FCA Register.

The roles, duties, responsibilities and membership composition of the Board is formalised in the ICMEU Board Charter. Overall, the Board is responsible for approval and oversight of the strategic objectives, the risk strategy, risk management and governance of ICMEU in compliance with its regulatory obligations and providing effective oversight of senior management.

The following information relates to the appointments of directors held in both, executive and/or non-executive functions, including directorships held at external, commercial organisations as at 30 June 2022:

Name	SMF Function/Role	Number of other external directorships
Jeremy Ghose	SMF1 Chief Executive Officer SMF3 Executive Director	0
Peter Robert Goody	SMF3 Executive Director	0
Daniel Jose Lopez - Cruz	Non-Executive Director	0
Craig Lawrence Sinfield-Hain	Non-Executive Director	0

4. Board Diversity

At Investcorp, we believe that diversity leads to better outcomes for everyone, from our investors and our investment partners to our employees and our recruits. As we continue to grow and expand, people, policy and practice are the three key pillars in our Diversity, equity and inclusion (DE&I) strategy which are pivotal to building a future-proof firm.

We bring these three pillars to life by engaging with both our internal and external audiences. Internally, we conduct an inclusive hiring process that promotes diversity across all levels and teams, and we encourage inclusion through our employee resource groups, mental health initiatives and global opportunities for all employees. Our commitment to DE&I across both the firm and our portfolio companies will enhance talent retention, lead to better decision-making and unlock unique investment opportunities.

People

Our primary goal is not only to attract individuals of different backgrounds & experiences, but also to provide them an opportunity to feel safe, grow and feel a sense of belonging within Investcorp. A values-grounded and diverse set of talent helps us become better leaders for tomorrow. Through an open, inclusive, and diverse culture, we are able to bridge gaps through mutual understanding, transparency, and dialogue.

Policy

We are creating and evolving industry-competitive policies that support our employees' well-being with healthcare, wellness, and flexibility. More comprehensive and clearer policy makes us more accountable to our goals over the long-term and creates a healthier culture.

Our recruitment policy seeks to treat all employees of the firm fairly, inclusively and avoid harassment or discrimination. We encourage diversity of gender, sexual orientation, gender identity, race, colour, national or ethnic origins, religious belief, disability, age, and educational background for each business line.

Practice

Employees undergo all types of training – teamwork, leadership, communication, networking, and DEI inclusion - on an annual basis. Workshops are held internally to strengthen awareness and inform better DEI tactics. Expanding an employee's skillsets will aid their career growth.

5. Own Funds

ICMEU's own funds (i.e. capital resources) comprise exclusively of CET 1 capital. CET 1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET 1 instrument in accordance with IFPR.

ICMEU complied with the relevant IFPR capital regulatory obligations, as at 30 June 2022.

Table OF1 - Composition of Regulatory Own Funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	230,821	
2	TIER 1 CAPITAL	230,821	
3	COMMON EQUITY TIER 1 CAPITAL	230,821	
4	Fully paid-up capital instruments	123,238	Issued share capital
5	Share premium		
6	Retained earnings	110,189	Other distributable reserves
7	Accumulated other comprehensive income	(2,606)	Fair value of financial assets at FVOCI
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
25	TIER 2 CAPITAL	N/A	
26	Fully paid up, directly issued capital instruments	N/A	
27	Share premium	N/A	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29	Tier 2: Other capital elements, deductions and adjustments	N/A	

The table below describes the reconciliation with own funds in the balance sheet as at 30 June 2022, where the assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

Table OF2 - Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements			
	a	b	c
Amount in GBP (thousands)	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross- reference to template OF1
As at period end	30 June 2022		
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Investments	163,720	
2	Tangible assets	411	
3	Deferred tax assets	842	
4	Trade and other receivables	112,779	
5	Cash & cash equivalent	15,022	
	Total Assets	292,774	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Non-current trade and other	33,020	
2	Current trade and other payables	28,933	
	Total Liabilities	61,953	
Shareholders' Equity			
1	Issued capital	123,238	4 - Fully paid-up capital instruments
2	Fair value reserve	(2,606)	7- Accumulated other comprehensive income
3	Other distributable reserves	110,189	6 - Retained earnings
	Total Shareholders' equity	230,821	

The table below provides information on the CET1 instruments issued by ICMEU.

Main features of Own Instruments	
Issuer	ICMEU
Public or private placement	Private
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (GBP thousands, as of most recent	123,238
Nominal amount of instrument	123,238
Issue price (GBP whole number)	1
Redemption price	n/a
Accounting classification	Share Capital (Equity)
Original date of issuance	20/03/2017
Perpetual or dated	Perpetual
Maturity date	n/a
Issuer call subject to prior supervisory approval	n/a
Optional call date, contingent call	n/a
Subsequent call dates, if applicable	n/a
Coupons/dividends	n/a
Fixed or floating dividend/coupon	n/a
Coupon rate and any related index	n/a
Existence of a dividend stopper	n/a
Convertible or non-convertible	n/a
Write-down features	n/a
Link to the terms and conditions of the instrument	n/a

6. Own Funds requirements

ICMEU is required to disclose the K-factor requirement (“KFR”) and the fixed overhead requirement (“FOR”) amounts in relation to its compliance with the own funds requirements (“OFR”) set out in MIFIDPRU 4.3. The amounts are presented in the table below. For the definition of each K-factor, please refer to the Appendix.

Item	Total amount in GBP (thousands)
Sum {K-AUM, K-CMH, K-ASA}	1,276
Sum {K-COH, K-DTF}	0
Sum {K-NPR, K-CMG, K-TCD, K-CON}	n/a
FOR	2,779

ICMEU is further required to disclose its approach to assessing the adequacy of its own funds in accordance with the Overall Financial Adequacy Rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R.

ICARA Process

The Internal Capital Adequacy and Risk Assessment (“ICARA”) process serves as the means of assessing key risks to which ICMEU is exposed. Further, it assists ICMEU with identifying and managing material harms that it may cause through its regulated and unregulated activities. The process further seeks to determine the level of own funds and liquidity ICMEU needs to hold.

The following are the key ICARA elements that are assessed as part of the process:

- Business strategy and growth plans.
- Comprehensive key risk and harms assessment.
- Internal assessment of own funds adequacy.
- Internal assessment of liquidity adequacy.
- Capital and liquidity planning (i.e., financial, own funds and liquidity).
- Stress testing.
- Recovery actions.
- Wind-down Plan (“WDP”).

The adequacy of the ICARA process will be reviewed at least annually or more frequently, should there be any material changes to ICMEU's risk profile, business strategy or if requested by the ICMEU Board.

Overall OFAR Compliance

At all times, ICMEU must hold adequate financial resources, both in amount and quality, to ensure that it remains financially viable throughout the economic cycle with the ability to address and mitigate any potential harms that may be caused, arising from its ongoing business activities, and that it is prepared for an orderly wind-down while minimising harm to customers or to other market participants, without threatening the integrity of the UK financial system.

As a minimum to meet the OFAR, an FCA standard of determining the adequacy of its financial resources through the internal assessment of its capital and liquidity adequacy, ICMEU must meet the OFR and basic liquid assets requirement ("BLAR").

As a non-SNI firm, ICMEU has to comply with the provisions of the OFR contained within MIFIDPRU 4.3.2R by holding the highest of:

1. Its Permanent Minimum Capital Requirement ("PMR"). (Per MIFIDPRU 4.4).
2. Its FOR (per MIFIDPRU 4.5); or
3. Its KFR (per MIFIDPRU 4.6).

ICMEU complies with its PMR of £75,000 being a fixed requirement based on the permissions ICMEU has to undertake its regulated activities. The FOR, which is an amount equal to one quarter of ICMEU's expenditure from the preceding year after the distribution of its profits and deduction of certain non-fixed expenditure items, is calculated from ICMEU's audited annual financial statements.

The IFPR KFR methodology for calculating own funds requirements provides for K-Factors to be applied as relevant, based on a firm's permissions. The relevant K-Factors applicable to ICMEU is the K-AUM and K-COH. This is referred to as ICMEU's KFR.

Further, ICMEU performs an internal assessment of the own funds and liquid assets required to support its ongoing operations and to support an orderly wind-down. ICMEU also undertakes stress testing and scenario analysis as key inputs in these internal assessments of the adequacy of its financial resources. These internal assessments, alongside the OFR and BLAR, help inform the adequate level of financial resources required to be maintained by ICMEU in compliance with the OFAR.

Own Funds Adequacy and Monitoring

ICMEU's approach to ensuring that it has appropriate own funds is its alignment with the Firm's strategy and risk appetite. All identified key risks are individually assessed.

Liquid Assets Adequacy and Monitoring

ICMEU has an established liquidity RMF based on the Firm's approved liquidity risk appetite in order to ensure that:

- The regulatory BLAR is met; and
- The liquid assets threshold requirement is determined.

The Firm further assesses its compliance with liquid assets threshold requirement, which is based on the sum of BLAR and an additional liquid asset requirement determined during the ICARA process, to ensure liquidity adequacy in stressed conditions and during an orderly wind-down as part of its OFAR compliance from a liquidity perspective.

Liquidity risks at ICMEU are identified through ongoing liquidity management and monitoring, which contribute to the development of ICMEU's Liquidity RMF and formulating stress testing, scenario design and key assumptions.

7. Remuneration Policy and Practices

In accordance with the public disclosure requirements applicable to non-SNI MIFIDPRU firms under MIFIDPRU 8 and the transitional provisions contained in rule 12.8 of MIFIDPRU TP12, ICMEU continues to comply with the FCA's IFPRU Remuneration Code (the "Remuneration Code") contained within SYSC 19A, for the financial year ended on 30 June 2022. ICMEU will be required to comply with MIFIDPRU 8.6 (Remuneration Policy and Practices) for the subsequent accounting years.

ICMEU does not hold client money or assets and does not deal as principal in transactions. As such, ICMEU falls within the FCA's third (and lowest) proportionality tier. This allows ICMEU 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 disappplied by ICMEU 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).

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

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

The ICMEU'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 ICMEU'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))

ICMEU'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 ICMEU as 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))

Under IFPRU, ICMEU 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

ICMEU 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 ICMEU'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 ICMEU maintains a record of its Remuneration Code Staff and take reasonable steps to ensure that they understand the implications of their status as such.

Nineteen (19) Remuneration Code Staff have been identified in total for the 12-month financial period ended 30 June 2022. 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 2022 was:

Senior Management: £3,755,303

Other Material Risk Takers: £3,364,067

One (1) of the Remuneration Code Staff received remuneration of €1M or more for the 12-month financial period ending 30 June 2022.

- One in €1.5 M to €2.0M pay band.

8. Appendix

The Prudential sourcebook for MIFID investment firms (i.e. MIFIDPRU) of the FCA Handbook, sets out the KFR methodology for calculating own funds requirements effective from 01 January 2022. The IFPR introduced nine K-factors. The application of each K-factor is determined by a firm's regulatory permissions.

K-factor	Description
K-AUM	Assets under management
K-CMH	Client money held
K-ASA	Assets safeguarded and administered
K-COH	Client orders handled
K-NPR	Net position risk
K-CMG	Clearing margin given
K-TCD	Trading counterparty default
K-DTF	Daily trading flow
K-CON	Concentration risk