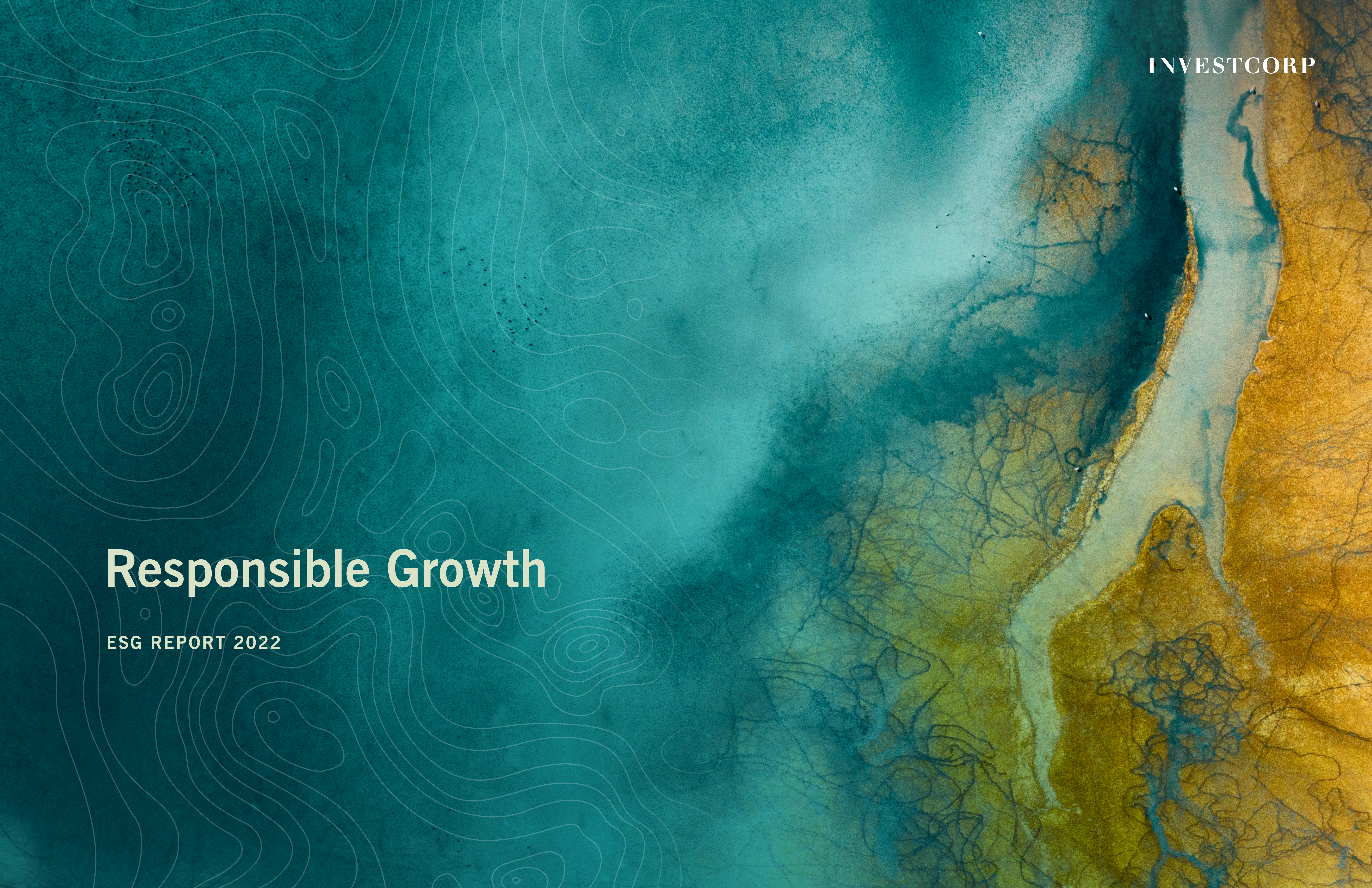

INVESTCORP

Responsible Growth

ESG REPORT 2022

ABOUT THIS REPORT

Sustainable value creation is a strategic priority for Investcorp, both in our capacity as a business enterprise and as an investor. Much has changed since the publication of our last report, and we acknowledge that we all have a brief window of opportunity to secure a sustainable future for everyone.

In this year's report, we have outlined the progress made on our core commitments to build high-performing sustainable businesses, to leverage the diversity of our firm to drive greater social impact, and to deploy our resources and capital to accelerate decarbonization both within the firm and across our investment portfolio.

This report underscores our commitment to be a leader in responsible investing, and we hope that it reflects the breadth of our efforts, our achievements to date, and the challenges that lie ahead of us.

Note: This report primarily relates to our activities throughout calendar year 2022, but please note that our disclosures on workforce representation and greenhouse gas emissions relate to the period 1 July 2021 – 30 June 2022 (which is Investcorp's audited fiscal year).

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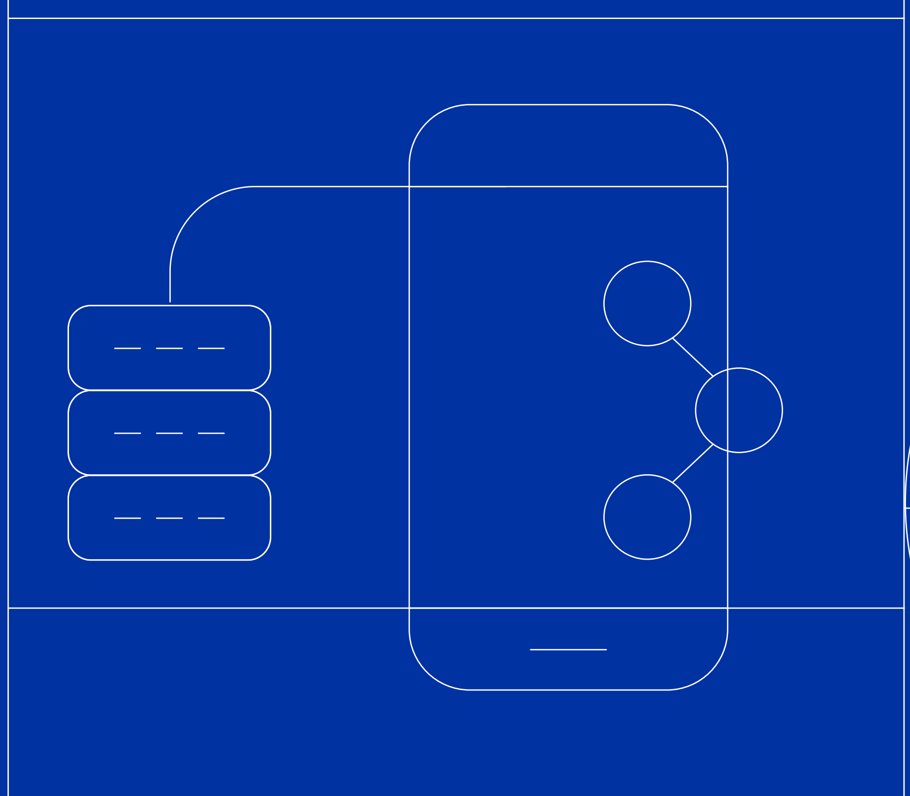
To Our Partners



To Our Partners

Last year was a pivotal year for Investcorp as we celebrated our 40th anniversary, marking four decades of strong and sustainable growth across all our businesses.

In this context, I am pleased to present to you our Environmental, Social, and Governance (ESG) report, this time under the heading 'Responsible Growth'. This year's report sets out our progress to date in our efforts to reduce our environmental footprint, enhance our social impact, strengthen our governance practices, and engage with our portfolio companies to do the same.

To create sustainable, long-term value for all our stakeholders, it is essential that we continually adapt and evolve in the face of a rapidly changing and uncertain world. As the global economy takes steps to shift towards a greener and more just future, our role in that journey is to be responsible partners and stewards of capital. There is a two-way process of learning at the heart of this – and it is incumbent on us to partner with our clients to develop a broader understanding of how ESG issues are influencing markets and wider economic trends, and how their trajectories will affect everything from asset prices to consumer behavior.

As a global investor with a broad view of commercial activities across sectors and geographies, we are in a privileged position to understand the implications of these rapidly evolving challenges and opportunities. We have sought to channel this understanding into an approach to Responsible Growth anchored in three key priorities.

First, we are committed to building high-performing businesses through thoughtful sustainability governance practices, ongoing collaboration with our stakeholders, and the leveraging of data to inform decisions. Data enables us to generate insights that can help us support our companies in navigating the challenges and risks of climate change, optimizing business operations, and pursuing new avenues for responsible growth. Indeed, our own ambitions are rooted in the enabling power of data to help us understand transition pathways better and ensure our implementation efforts are both feasible and effective.

We therefore went to considerable lengths this year to collect data on a range of ESG factors from our portfolio of investments across 13 locations, with the aim of helping both us and our investee companies better understand and manage the varying environmental, social, and economic impacts of their business activities and practices. Building on this momentum, we are currently working hard on exploring how we can enhance our data collection efforts to encompass a greater proportion of our assets, as well as technological innovations that can improve access, availability, and quality of the data we collect.

Second, we believe that driving social impact is critical for long-term economic and social development. Therefore, we will continue to advocate for more representative and inclusive work environments and support the health, wellbeing, and educational advancement of the communities with which we and our portfolio interact. We will also build on the progress we have made in increasing the representation of women and underrepresented groups across Investcorp and continue to engage constructively with the management teams of our portfolio companies to consider policies and practices that authentically prioritize diversity, equity, and inclusion.

Third, Investcorp supports financing of the energy transition as the world moves towards a zero-carbon economy. We take it as a responsibility to help our portfolio companies understand their emissions and ultimately facilitate their efforts to bring their business activities into line with global climate and sustainability goals. We will also continue to build on the progress we've made in reducing the direct climate impacts of our own operations, such as our implementation of carbon accounting software last year – an important step to digitize a central system of record for the firm's climate-related data.

It is due to the continued trust of our clients, together with the dedication and perseverance of the employees and management of Investcorp and the companies in which we invest, that we have together reached $50 billion of assets under management. As we look ahead to our goal of continuing to expand our investment activities in a thoughtful, value-oriented way, I would like to thank you all for your continued and unwavering support.

Our efforts must be guided by a sense of responsibility as well as the input and feedback of all our stakeholders. We recognize that our continued success depends on your support and engagement, and I very much look forward to continuing to work together to achieve a more sustainable and prosperous future for all.

Sincerely,

Mohammed Alardhi
Executive Chairman

Investcorp Overview

Investcorp is a global investment manager, specializing in alternative investments across private equity, real estate, credit management, infrastructure and strategic capital. Since our inception in 1982, we have focused on generating attractive returns for our investors while creating long-term value in our investee companies and for our shareholders as a prudent and responsible investor. We invest a meaningful portion of our own capital in products we offer to our investors, ensuring that our interests are aligned with our stakeholders, including the communities that we operate within.

Equity Investments

- Private Equity
- Technology
- Strategic Capital

Real Assets

- Real Estate
- Infrastructure

Credit

- CLO
- Direct Lending
- Insurance Solutions

Investcorp at a Glance

Investing since
1982

$52bn
assets under management

Presence in
14
cities

More than
500
employees

From
50
countries

Across
6
world regions

Our Core Sustainability Commitments

Investcorp is committed to building high-performing sustainable businesses, driving greater social impact, and transitioning towards a zero-carbon economy. We recognize that we must tackle the well-known sector-wide challenge of insufficient ESG data in order to set meaningful environmental targets for our sustainability commitments and transition to a zero-carbon economy. A key impetus behind our enhanced data collection efforts is to accelerate how quickly we can progress to the point of setting environmental commitments that are ambitious, science-based, time-bound, and support industry and global sustainability targets.

Building High-Performing Businesses

Building high-performing businesses through thoughtful sustainability governance practices, meaningful collaboration with our stakeholders, and the leveraging of data to inform decisions.

Driving Social Impact

Stimulating long-term economic and social development by advocating for more representative and inclusive work environments and supporting the health, wellbeing, and educational advancement of the communities with which we interact.

Transitioning to a Zero-Carbon Economy

Addressing the direct climate impacts of our operations, supporting the transition of our assets across our core investing lines of business, and financing the energy transition as the world moves towards a zero-carbon economy.

2022 Collaboration Partners

PRI Principles for Responsible Investment

SASB INSIDE

ABU DHABI GLOBAL MARKET سوق أبوظبي العالمي

ESG Data Convergence Initiative

initiative climat international — Private equity action on climate change

Timeline of Key Milestones

2019

February

Formalization of the firm's Responsible Investment policy

December

Release of Investcorp's ESG Highlights report, committing to develop ESG practices

2020

May

Launch of diverse recruitment policy mandating diverse candidate pools for all open positions

June

Signatory to the Abu Dhabi Sustainable Finance Declaration

September

Launch of mandatory firmwide ESG training

October

Partnered with industry leading carbon accounting software provider

November

Launch of private equity-focused global carbon management program

December

Completion of ESG data collection across our Private Equity portfolio

2021

February

Signatory to the United Nations Principles for Responsible Investment

March

Signatory to ILPA's Diversity in Action initiative

April

Licensee of the Sustainable Accounting Standards Board (SASB)

2022

January

Launch of Investcorp's Employee Resource Group "I-Will"

January

Release of our comprehensive ESG Report ("Responsible Business")

January

Release of our greenhouse gas emissions assessment

May

Launch of the Nemir Kirdar Global Internship Program

2023

February

Launch of Investcorp's Employee Resource Group "Gen-I"

February

Member of the Initiative Climat International (iCI)

February

Member of the industry led ESG Data Convergence Initiative

Sustainability Highlights

Building High-Performing Businesses

40
private equity portfolio companies surveyed across 13 locations

78%
of companies surveyed have a data privacy policy in place

98%
of our European leveraged loan borrowers were ESG rated

100%
of Investcorp's European credit funds have aggregate ESG ratings that score average or above

Driving Social Impact

35% up 3pp from FY21
of Investcorp's employees in FY22 are women

50
nationalities represented across the firm

3
years in a row Investcorp ranked in the Top 10 in Equality Group's Honordex Index

48%
of investee companies surveyed have diverse gender representation on the board

93%
average submission rate of workforce gender diversity metrics

Workforce diversity is above
50%
for 20% of investee companies surveyed[1]

74%
average participation in engagement surveys for companies that conduct surveys

Transitioning to a Zero-Carbon Economy

~3x
increase in renewable energy use across our global operations

Green Mark
certification process underway for our offices in Singapore

Continued use of
100%
renewable sources of electricity in our London offices

Published our
2nd
and further enhanced carbon footprint assessment

[1] Workforce diversity includes representation based on gender and minority/underrepresented backgrounds.

Looking Forward

We are building on the progress that we have made over the past 12 months to deliver, in the years ahead, on our core sustainability commitments to build high-performing businesses, drive greater social impact, and transition to a zero-carbon economy.

Building high-performing businesses within our investing activities

Strengthening the effectiveness of sustainability governance and controls

- We continually strive to enhance our responsible investing practices across our core investment businesses and improve the effectiveness of internal controls related to Investcorp's sustainability-related activities and reporting.
- Following our successful inaugural data collection on the sustainability practices of companies from across our private equity portfolio, we are currently exploring how we can improve sustainability-related governance and set targets where possible to catalyze change.

Enriching our understanding through data-driven insights

- We will extend our data collection efforts both within the firm and from across our portfolio of investments, leveraging both qualitative and quantitative data to derive decision-useful insights that help us to design and implement initiatives that create value over the long term.
- We will review next year how we can further leverage technology to improve access, availability, and quality of the data we collect, and ensure our data reporting practices promote accountability and aid policy-useful decision-making.

Building capacity through training and collaborative partnerships

- We will continue to roll out access to sustainability-related tools, training, and resources that enable our investment professionals to better meet the evolving expectations we have of them.
- We will look to build on existing forums for collaboration within Investcorp to support knowledge sharing and encourage our teams to adapt to changing social and environmental forces as one unified team.
- We will advance sustainable and responsible investing practices across private markets through targeted collaborative partnerships with industry bodies where we aim to share our learnings with our peers and work together to co-create the future of responsible investing.

Driving social impact

Strengthening diverse recruitment and retention policies and practices

- We will build on the progress that we have made in increasing the representation of women and underrepresented groups across Investcorp, focusing on initiatives and programs that support their advancement to progressively more senior roles across the firm.
- As the data from our portfolio companies shows, policies that promote diverse recruitment and retention can have a meaningful impact on diverse representation within the workforce and serve to strengthen long-term competitiveness. We will therefore continue to engage constructively with the management teams of our portfolio companies to implement such policies.

Prioritizing diversity at the board level in our US and European investment portfolios

- Company boards should be representative of the diversity of the societies in which they operate.
- We will therefore focus specifically on promoting both gender and ethnic diversity in the boards of our US and European based portfolio companies, where we have identified the largest spreads between junior, mid and senior positions for women and other underrepresented communities.

"Our focus remains on sustainable value creation for both our business and clients. The challenges we face are not insurmountable but require both values- and value-led delivery. By constantly strengthening the way we embed sustainability considerations into our own operations and our investing activities, we are creating value for our stakeholders, mitigating emerging risks, anticipating opportunities and building a better future for all.

Rishi Kapoor
Co-CEO

Looking Forward *(cont.)*

Building on our commitment to educational advancement

- We have witnessed the positive impact that our long-standing support of various global and regional programs has had on young people and will continue to prioritize partnerships that support the educational advancement and attainment of those living in the communities in which we operate.

Transitioning to a zero-carbon economy

Executing initiatives that address our direct impact on the environment

- We have made progress over the past two years to better understand the impact that our business operations have on the environment and will build on programs that are already underway to optimize the way we use energy, account for carbon, promote a circular economy, and ultimately impact the lives and livelihoods of people and society.

Prioritizing climate action across our portfolio companies

- Our global carbon management program has enabled a number of our portfolio companies to baseline their carbon emissions, identify high-impact opportunities, and implement low-cost changes to their business practices for the benefit of people and the planet. We plan to formalize a roadmap to deploy this program across our global portfolio of private equity investments over the coming year.

Investing in the decarbonization of business and society

- The shift to a low carbon economy will require an unprecedented level of investment, but it presents a huge economic opportunity for investors globally too. We believe that the investment community can play a critical role in helping to shift ‘uneconomic’ technologies to ‘economic’ ones, and we are carefully studying how we can deploy capital to help companies and consumers to decarbonize their business activities and everyday behaviors.

While our commitments span both Investcorp and our investee companies, we recognize that our portfolio companies are at different stages of their respective sustainability journeys. Furthermore, our ability to assess and influence ESG issues in practice may vary by investment. Generally, we would expect to be able to influence future practices in relation to significant ESG-related matters for control investments more than when we plan to acquire a minority equity position, or where we act as a minority lender.

> I am proud of the way our team executes our commitment to integrate sustainability across our business and portfolio, year after year. Investcorp is full of people who are driven by making positive impact on both business and society, while delivering for our clients and shareholders. Responsible growth is inseparable from responsible business, and our efforts to date demonstrate a clear commitment to and progress towards both these goals.

Hazem Ben-Gacem
Co-CEO

02

Building High-Performing Businesses

Generating Long-term Value

Private markets-focused investment managers have observed considerable change in the global sustainability landscape over the past year, predominantly driven by shifting investor expectations, heightened regulatory activity, and sustainability politics.

In the light of this, asset managers have had to adapt and evaluate the implications of such change on multiple fronts, including impacts on long-term growth, strategic objectives, and operational imperatives.

As a global manager of alternative investments, and as a fiduciary of investors' capital, we acknowledge the need to remain disciplined but also nimble as we seek to maximize value for our investors and other stakeholders over the long term.

The consideration of environmental, social, and governance factors remains a foundational pillar for Investcorp and our clients.

Adapt and evolve or risk losing competitiveness

The assessment of certain sustainability factors in investing has long been established practice for certain types of investment strategy; real estate exposure to environmental factors, such as flood risk, is one example. However, there is now a growing trend towards systematically considering sustainability factors in all types of investment strategy, driven by a desire to not only protect businesses from value erosion through the negative economic impacts of such factors, but also to unlock their potential to create additional value.

Market research indicates that companies that do not adequately address significant sustainability-related factors relevant to their respective businesses are at risk of losing market competitiveness. Consumers and businesses are increasingly aligning their spending on products and services with values and goals of climate protection and social responsibility. Governments are beginning to incentivize certain market development pathways with legislation such as the Inflation Reduction Act in the United States, which is intended to accelerate the transition to a clean energy economy.

We have seen that the same values-driven approach holds true for human capital, where talent retention has become a global issue and employees are voting with their feet in greater numbers, citing a divergence in values between themselves and their employers.

We continuously strive to provide competitive investment solutions that meet the needs of our clients. Crucial to our ability to do so is the deliberate integration of frameworks into our investment processes that help us to better anticipate, identify, evaluate, and manage those sustainability-related factors that are most relevant to creating, preserving, and enhancing underlying company value over time.

Maintain strategic flexibility to create long-term value

A challenge arises, however, in the broad and often complex nature of sustainability factors. It may not always be straightforward to comprehensively consider such factors, understand their interrelationships, and model their impact on the financial position, credit quality, or valuation of businesses. Indeed, best practices are still emerging, and a nuanced approach that tactfully leverages data while adapting to relevant sectoral and other sustainability-related legislation and regulations is now more important than ever.

Investment managers must therefore remain flexible and be prepared to act preemptively and quickly to satisfy the diverse needs of their stakeholders in the face of rapid change.

Prioritize areas of greatest relevance to achieve financial goals

The starting point for many investors is to seek to address a growing universe of ESG factors simultaneously, driven primarily by a variety of stakeholder demands. Yet this approach presents a genuine execution challenge for investment managers, and their investment assets, and may inadvertently prioritize considerations that could dilute financial objectives.

> Investors are increasingly considering ESG factors in their decisions because it helps to manage risks to both financial performance and reputation, in line with what many of our stakeholders expect of us. Compliance with ESG regulation is critical to avoiding penalties and related legal risks, but equally important is that the effective management of ESG can also lead to cost savings and operational efficiencies, and thereby directly impact financial outcomes.

Jan Erik Back
Chief Financial Officer

We believe investment managers are better served prioritizing the assessment of factors that could have the greatest impact in achieving specific goals.

In practice, this requires the combination of good quality data and a disciplined approach to factor consideration. Investment managers must draw tangible links between the most significant sustainability factors and their potential impact on the revenue generation capabilities, operating costs, and capital access needs of businesses.

Beyond Frameworks

INTERVIEW

Laura Coquis, our Global Head of Institutional Client Relationships, sat down with Habib Abdur-Rahman, Head of ESG, to discuss how we translate frameworks for action into tangible behaviors that drive lasting change.

Laura Coquis
Global Head of Institutional Client Relationships

Habib Abdur-Rahman
Head of ESG

Q Laura Coquis: There has been so much change in the world of ESG over the past year, particularly when it comes to the expectations of our investors across the world. How are you thinking about sustainability today and what do we need to do to meet the needs of our global partners?

A Habib Abdur-Rahman: Change is putting it lightly; there is an increasing sense of urgency to act now. What we're witnessing is a re-wiring of the global economy that is impacting businesses in all sectors and industries. Industry-wide efforts to consolidate ESG frameworks and reporting requirements in response to investor calls for greater standardization is a step in the right direction to bring clarity to, at times, a dissonant conversation. But standardization alone does not immediately enable stakeholders to make meaningful decisions aligned with their own objectives.

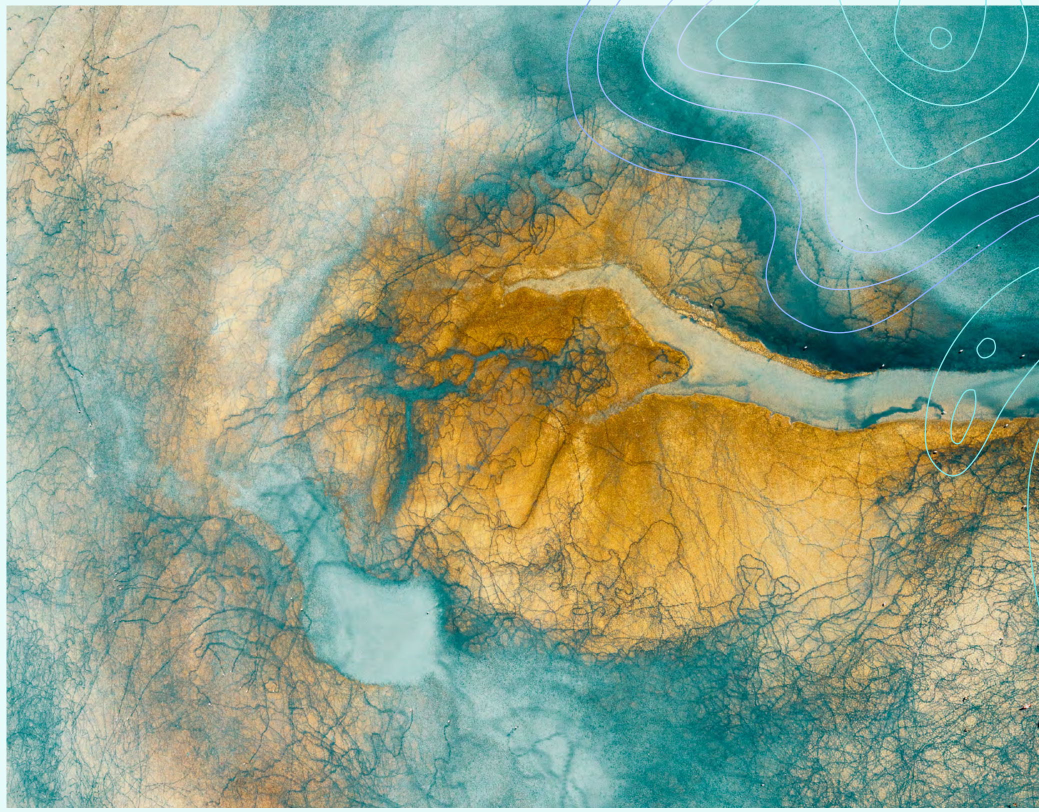
Understanding determinants and drivers of sustainability-related risks, how they interact with each other, and how they influence the overall nature of a specific risk and the probability of it materializing, are the sorts of insights that investment managers will increasingly be expected to bring to bear for clients and other interested stakeholders.

Q Laura: In my conversations with our clients, it's clear that anticipating and identifying sustainability-related risks, as well as the opportunities, is at the forefront of their minds. Yet it isn't always clear how such risks will materialize and over what timeframe in relation to the investment horizons of investment managers like us.

CARBON ACCOUNTING CAPABILITIES ARE QUICKLY BECOMING A NECESSITY, ANALOGOUS TO THE NEEDS OF TRADITIONAL FINANCIAL REPORTING TODAY

A Habib: I think the investment management world is getting better at pricing such risks, but we still have some way to go. Risks arising from climate change are being better understood today than ever before. Take, for example, the risk of stranded assets in real estate. One way to describe this risk is the interaction between hazards (such as flooding and sea-level rises), exposure of real estate portfolios to hazard-prone areas, and the vulnerability of individual assets.

In certain cases, insurers may be unwilling to provide insurance cover, or property owners may be unable to pay higher insurance premiums or deductibles and thus be forced to go without insurance coverage or even abandon assets, which increases stranded asset risk. The decline in property value in locations where assets become uninsurable may in turn cascade into higher risk of foreclosure on loans from banks. To go one step further, as lenders' credit risk grows, their lending abilities may become restricted, resulting in unintended negative consequences for businesses across sectors beyond real estate.

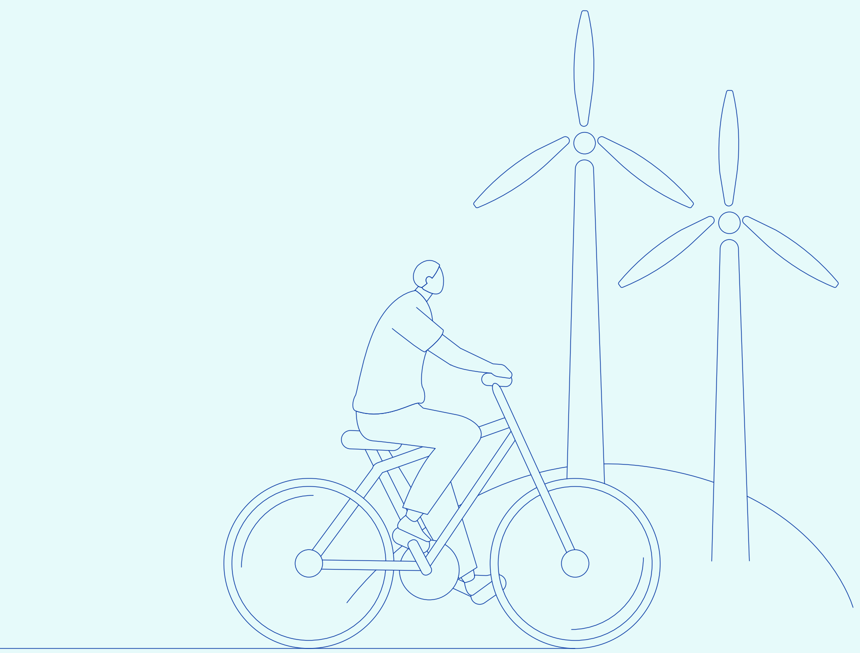


Q Laura: It sounds like a domino effect, so to speak.

A Habib: Precisely, a chain reaction. The example is intended to highlight the potential for high degrees of complexity when assessing a set of risk factors, and the trade-offs that investors need to make to achieve specific goals and outcomes. It's "systems level" thinking, and while there are obvious benefits of operating at this level, as opposed to reacting to individual events, this approach requires good data and established analytical methods to work effectively. ›

Beyond Frameworks *(cont.)*

INTERVIEW



Laura: The importance of data and analytics in aiding our understanding of the interconnected nature of sustainability issues impacting companies and their stakeholders is clearly critical. How are we building better data sets and internal capacity in this regard?

Habib: It's a difficult thing to get right because data on non-financial factors isn't always readily available, particularly within private markets, whereas public markets offer greater transparency.

Over the past year we've improved the way we collect data on our own activities as well as those of our portfolio companies. We prioritized the digitization of our carbon footprinting processes using market-leading carbon accounting software, which has helped to improve the availability, accuracy, and overall quality of the firm's energy consumption and related emissions data.

We decided to focus on carbon emissions first because we believe this will increasingly impact financial decisions, and even if the long-term implications of the transition to a zero-carbon economy are still hard to predict with any degree of accuracy, such decisions will be dependent on reliable data, robust internal processes, and transparent reporting.

Laura: Technology and digitization play a key role in enabling us to identify patterns and relationships that inform what actions or interventions may be needed to better address risks or capitalize on opportunities. But is there also a need to build internal capabilities and capacity to assist this effort?

Habib: Internal capacity building is critical for investment managers. Sustainability issues are often cross-cutting, impacting all parts of an organization. Even with the best data, the implications can often be poorly understood or inadequately addressed.

This isn't solely about knowledge building on core responsible investing principles or training on sustainability-related issues that may be relevant to specific asset classes or industries. Equally important is how this knowledge is deployed when underwriting investments, and how this is communicated to decision-makers and other interested parties.

We've found that the "tone from the top" and integration policies and guidelines are essential components for embedding responsible investing practices within companies. Equally critical to effective implementation, however, is ensuring that individuals responsible for the day-to-day operationalization of policies are properly equipped to do so, as this is where the rubber hits the road.

The launch of our firm-wide ESG training program last year, which is mandatory for all existing employees as well as new hires, was one step in a broader internal effort to equip investment professionals and support staff with the educational tools they will need to play their respective roles more effectively today and in the future.

Laura: And how are we engaging with our companies to help them build the operational capacity and capabilities they may need to address challenges arising from climate change, for example?

Habib: Addressing a challenge like climate change requires internal collaboration and leveraging external expertise. One area where we have found it useful to build greater levels of collaboration is with respect to the collection, analysis, and reporting of portfolio carbon emissions data.

Despite a global conversation on this topic across both the public and private spheres, many companies still do not know what is required, what data is needed, where to source that data, where estimates may be necessary, and how to use that data to inform decision-making.

In many cases, this has meant that companies have adopted a "wait and see" approach until final regulatory requirements and country-level interpretations are clarified, before developing the internal controls and processes they will need to comply with regulation and investor expectations.

We believe that getting ahead of this need sooner rather than later is good practice, as it will enable companies to better anticipate risks and emergent opportunities, although the level of change required can demand significant time, talent, and resources to implement.

And we're beginning to see the benefits of this approach with the launch of our dedicated global carbon management program, where we are leveraging both internal and external expertise to support our majority-owned private equity portfolio companies across the world to create emissions baselines and develop core carbon accounting capabilities.

Sustainability Governance

Strong corporate governance, underpinned by a robust internal control system, is the foundation on which successful and resilient companies are built.

The highly regulated and complex nature of our global business has meant that we have devoted a significant amount of management time over the course of the firm's history to build a governance culture that favors long-term resilience over short-term goals.

We recognize that the same principles must apply to sustainability-related matters. Close management of sustainability not only enables us to stay ahead of advancing regulations but strengthens our ability to build businesses that are resilient, strategically flexible, and competitive in an increasingly complex and challenging environment.

Sustainability governance and oversight

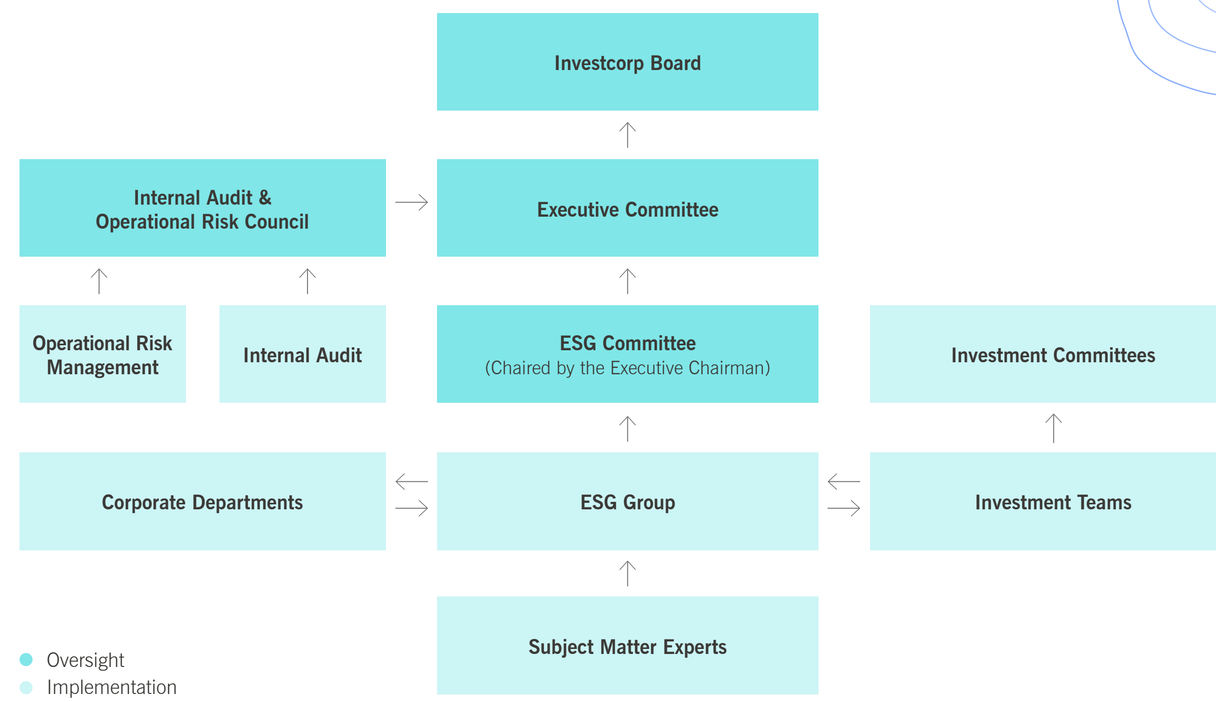
Investcorp's Executive Committee is the principal advisory committee to the firm's Executive Chairman and is responsible for overseeing the day-to-day running of the Group. The Executive Committee, together with our senior executives, reports at least annually on our ESG-related activities to Investcorp's Board of Directors. The Board provides valuable governance oversight and helps to shape the firm's ESG strategy.

Investcorp's ESG Committee provides direct oversight of the firm's ESG strategy development and integration implementation across our global business activities. Chaired by the firm's Executive Chairman, the ESG Committee comprises the firm's Co-CEOs, Chief Operating Officer, and Heads of ESG and Diversity, Equity, and Inclusion.

Investcorp's Head of ESG, who leads the ESG Group, is responsible for the design, and oversees the implementation, of Investcorp's ESG strategy across the firm's corporate and investment platforms globally. The ESG Group works closely with Investcorp's Investment Teams and Corporate Departments and is supported by subject matter experts both within Investcorp and from outside, where needed.

Investcorp's Investment Teams and Corporate Departments are accountable and responsible for implementing the firm's Responsible Investment policy, which includes identifying, evaluating, and managing ESG-related risks and opportunities on an ongoing basis.

Figure 1: Sustainability governance at Investcorp



Each of Investcorp's Investment Teams has an Investment Committee that evaluates each proposed investment and any significant ESG issues relevant to investment decisions.

The firm's Internal Audit & Operational Risk Council, together with the Internal Audit and Operational Risk Management functions, helps the Group to accomplish its objectives by bringing a systematic approach to evaluating and improving the effectiveness of the firm's governance, risk management, and control processes. In addition, it periodically reviews internal controls related to the Group's ESG policies and reporting practices as an emerging area of risk.

The Operational Risk Management function forms part of our second line of defense and is responsible for the identification, assessment, monitoring, reporting, control, and mitigation of operational risks, including sustainability-related risks. The function also reviews operational risk limits, risk appetites, policies, procedures, and risk mitigation strategies for sustainability matters.

The Internal Audit function, which is our third line of defense, provides independent, risk-based, objective assurance and internal advisory services. These activities aim to enhance and protect organizational value, including with respect to best market practices on sustainability-related frameworks and controls.

A Year of Agile Learning in Private Equity

We believe non-financial considerations will continue to grow in importance for determining company value as investors increasingly price in the financial impacts of sustainability-related externalities.

Laying the foundations

We expect that companies, by increasing their measurement and tracking of sustainability-related data, will be better positioned to understand and quantify the environmental and social impacts of their business activities and practices.

Last year we launched our first ESG data collection program, requesting 40 of our private equity portfolio companies located across 13 countries to submit data on a number of ESG topics that we identified as important to supporting value creation or reducing risk in our existing private equity portfolio. The data collection questionnaire was categorized along two key assessment parameters – policies and metrics – and our primary goal was to assess data submission rates as a proxy to assessing company engagement on each ESG topic area as opposed to directly evaluating performance. We detail our approach to transforming raw data into digestible and relevant decision-useful insights in the methodology section at the end of this report.

What we learned

While ESG data collection is relatively new for many asset managers, we were nevertheless encouraged by the level of engagement from our portfolio companies in our inaugural year of data collection. This year's results found that:

1. Companies generally have better governance-related monitoring and management processes, with data submission rates highest for issues related to Governance and Business Ethics, Data Privacy, and Health, Safety, and Wellbeing. These areas have been foundational to good corporate governance and operations and are often subject to targeted regulations across jurisdictions.
2. Management approaches for social and environmental matters vary across companies, both from a geographic as well as an industry perspective. For example, data submission rates for Diversity, Equity, and Inclusion metrics are highest in regions where there is lively public debate about societal inequalities, such as in North America.
3. Companies are often limited in terms of capacity and expertise to address complex environmental matters. This is reflected in the relatively low submission rates related to energy consumption, greenhouse gas emissions, water consumption, and waste management.
4. Companies need to better consider the interplay between multiple sustainability issues to fully appreciate the impacts of any one issue; one example is the impact that data security practices may have on a company's ability to collect diversity metrics.
5. The top three recurring material issues across the surveyed portfolio are Energy Management, Data Security, and Diversity, Equity, and Inclusion; the majority of companies surveyed have good reporting practices on data breaches and workforce diversity, but do not adequately report on energy usage.

As we iterate this process for future data collection cycles, we will be informed by the insights we gained from this year's results and will refine our approach and the questions we ask to target topics and KPIs that we believe are of most significance in terms of business risks as well as potential opportunities and outcomes.

Prioritizing management attention on material issues

Our assessment indicates that Energy Management, Data Security, and Employee Diversity and Inclusion are the top three recurring material issues across the companies we surveyed as per SASB's industry-specific materiality map. ›

Figure 2: Top recurring material issues within the private equity portfolio
Percentage of companies for which issue is material (%)

Portfolio Surveyed

40
companies in total

~40k
employees accounted

~$6bn
cumulative revenue

33%
Policies submission rate

50%
Metrics submission rate

A Year of Agile Learning in Private Equity *(cont.)*

Data submission rates vary for each of these three areas. Data Security is the best covered by portfolio companies, with an average submission rate of 80% per company, reaching up to 92% for companies in the technology and communications sector. Employee Diversity and Inclusion metrics (as opposed to policies) are the most disclosed, with only 5% of surveyed companies not reporting on workforce diversity indicators. Finally, while Energy Management is a material factor for 65% of responding companies according to SASB's industry materiality map, the majority of companies we surveyed do not adequately report on energy usage. Understanding energy consumption is a necessary first step to facilitate more complete and accurate reporting on emissions.

Navigating complexity in a changing sustainability landscape

As the landscape continues to evolve, a nuanced approach to managing sustainability practices is increasingly required to better capture the complexity of a company's ESG impact at any given point in time. For instance, while the implementation of the General Data Protection Regulation (GDPR) has undoubtedly been a positive development in safeguarding personal data, we observe that many of our European businesses report challenges driven by legal restrictions on collecting personal data about employees' race and ethnicity when the GDPR applies. Personal data of this nature is considered sensitive personal information under the GDPR, requiring enhanced data protection and greater consideration of measures to ensure that the processing of any such personal data is legitimate.

Thinking about sustainability factors holistically, and integrating feedback loops, can help companies develop a more informed understanding of ESG issues, particularly those that are material or could materialize due to interconnected dependencies. Creating feedback loops between data collection and management practices allows organizations to continually improve their understanding of potential risks, allocate resources more effectively, and ultimately contribute to achieving sustainability goals.

Balancing reporting capabilities with a need to improve sustainability practices

To enhance ESG practices within our portfolio and increase ESG reporting maturity, we plan an approach that balances a company's current reporting capabilities and capacity to engage on ESG topics with the need to gradually improve practices and disclosures over time.

To maximize the impact of our work with our portfolio companies we have set the following priorities:

1. First, we will focus on increasing submission rates for ESG topics where there are a low number of requested disclosures and a low average submission rate to ensure adequate consideration and monitoring of important ESG topics across our portfolio.
2. Second, we will focus on ESG topics for which a relatively high number of disclosures were requested but where average company submission rates were low to ensure important ESG topics are being comprehensively considered over time.

As data submission rates improve, we expect to introduce additional disclosures where we believe this could help further validate emerging insights and enable us to form a more complete picture of our portfolio's sustainability impact.

Concluding remarks

Our primary goal is to help our companies identify and manage areas with significant sustainability-related risks in a measured and considered manner. As we continue to work with our portfolio companies to streamline ESG data collection and improve overall data quality, we will gradually move towards assessing actual performance on ESG issues relative to industry benchmarks, versus our current data submission rate approach. We also expect that our participation in industry-led initiatives such as the ESG Data Convergence Initiative (EDCI), which is accelerating the standardization of ESG information across private markets, will give us access to benchmark datasets that can help further inform prioritization and target setting efforts.

Figure 3 Data submission rates for select ESG KPIs
Data submission rates (%)

* Workforce diversity refers to the percentage of women or people from underrepresented groups in the workforce.

Spotlight on European Credit

Investor attention to ESG considerations in the leveraged loan market has steadily increased over the past couple of years, driven by a growing recognition that ESG issues can pose material risks to credit investments.

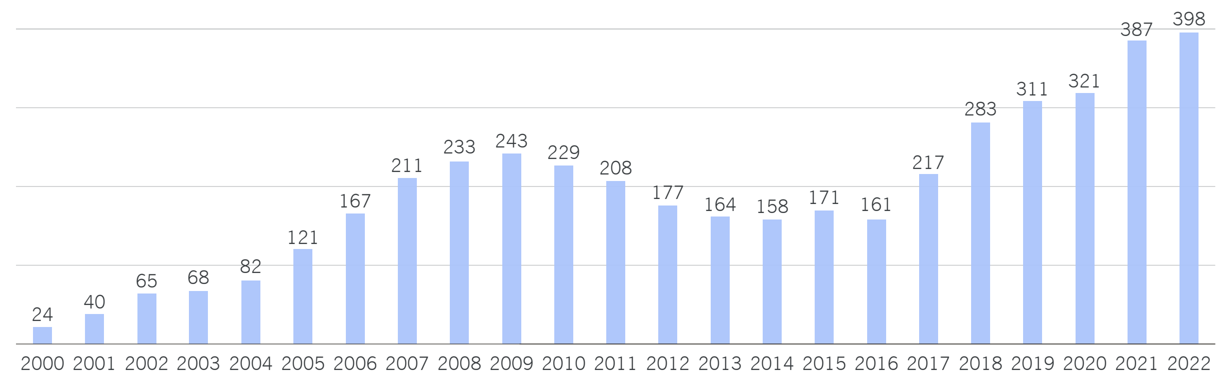
Improving transparency of ESG reporting in the European leveraged loan market

The European leveraged loan market had approximately €398 billion in loans outstanding from 553 issuers, as of December 2022.[2] The leveraged loan market in Europe is principally a private market and therefore the positive progress in ESG disclosures that we have seen in public markets is only just starting to occur in the private European leveraged loan market, albeit from a low base.

A major barrier preventing the application of public market ESG methodology to private markets is a lack of ESG data on leveraged borrowers, which tend to be privately owned middle market companies. European CLO managers, including Investcorp, are the leading investor in this asset class, and over the past decade the investor base for European leveraged loans has shifted from banks towards institutional investors: in 2010 European banks accounted for 60% of demand for European loans, whereas in 2022 that had reduced to 13%, and CLOs and credit funds now account for approximately 78% of demand.

As of the end of the last calendar year, Investcorp was the fifth-largest European CLO manager by assets under management. Given the size and track record of our European credit business, we believe we have an important role to play in helping to improve the transparency of ESG reporting in this market.

Figure 4: Western Europe leveraged loans face value outstanding[2]
EUR billions



98%

OF ALL EUROPEAN LOANS HAVE BEEN ESG SCORED

Integrating sustainability considerations into the credit investment process

Our credit business has integrated sustainability considerations into our investment decision-making process since 2011. The firm's Responsible Investment policy sets out the broad guidelines on responsible investment that are applicable to the credit business.

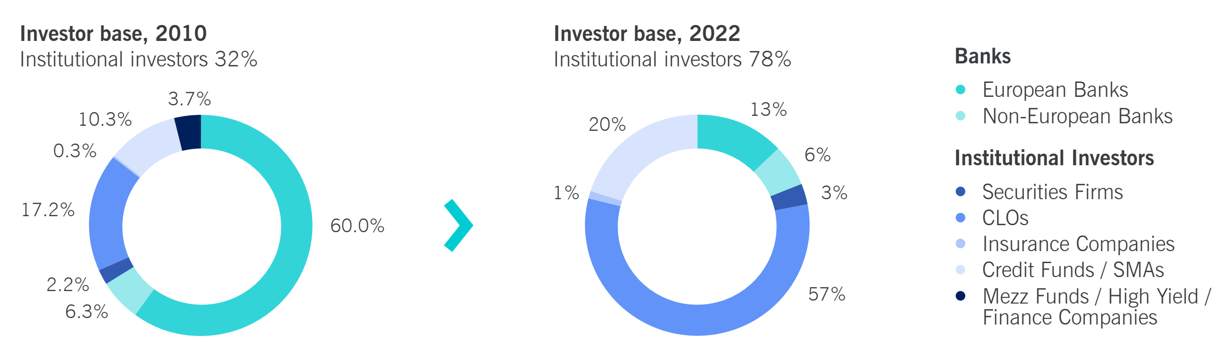
Historically, negative selection and exclusion has been a core element of our approach. For example, we apply an exclusion policy affecting issuers whose core business involves activities in breach of global conventions, or with material exposure to products that are inherently harmful (e.g., tobacco or certain hazardous chemicals), or cause significant negative environmental impact (e.g., extraction of oil and gas through tar sands and arctic drilling, or thermal coal mining or production), or can cause negative social impact (e.g., unregulated gambling or pay day lending). Over the past three years, we have rejected 18 investments where ESG was a factor in the decision.

Today, we are actively enhancing transparency by communicating the ESG performance of our funds with our investors. In 2022, together with two other European CLO managers, we worked with an external ratings agency to build out comprehensive ESG coverage of European loans.

The agency developed an ESG scoring methodology for leveraged loans that reflects the ESG alignment of a company's core business activities and instrument frameworks with internationally accepted principles, guidelines, and definitions, as well as the impact of its business activities on the environment and on society.

When assessing environmental alignment and impact, the methodology leverages science-based tools such as the EU taxonomy for environmental factors, and the United Nations Sustainable Development Goals (SDGs) as guidance for assessing social factors.

Figure 5: Investor base for European leveraged loans has shifted from banks toward institutional investors[3]
Investor base by type of investor (%)



[2] Credit Suisse Western European Leveraged Loan Index (WELLI), as of 31 December 2022.
[3] LCD European Quarterly Review Q4 2022. 2022 investor base refers to 1 January 2023 YTD investor base. European Banks include Middle Eastern banks.

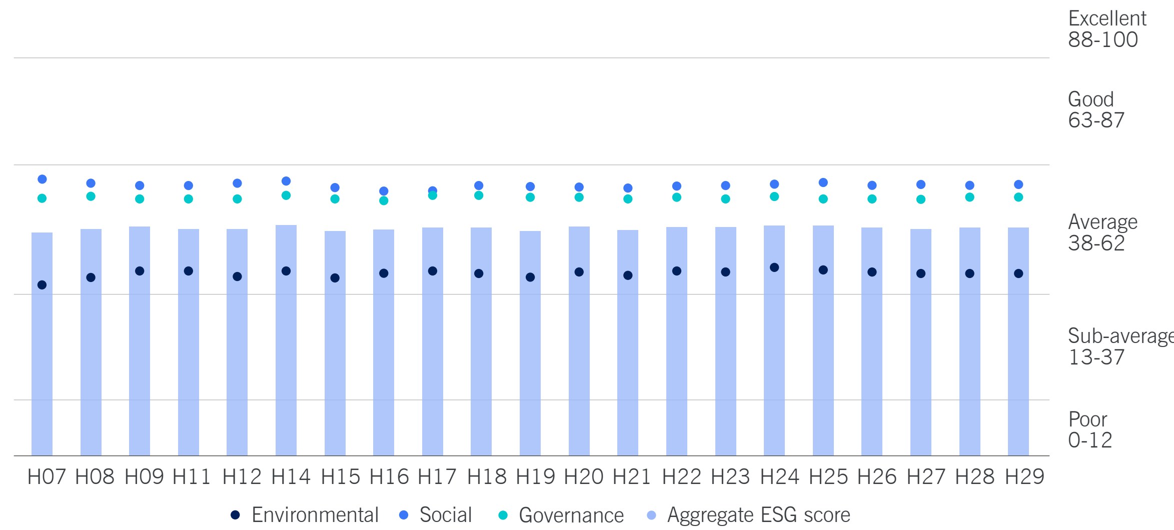
Spotlight on European Credit *(cont.)*

The output of this process is an ESG scorecard outlining the key aspects considered as part of the review process. It provides individual scores for environmental, social, and governance performance as well as an aggregate ESG score.

The challenge, as highlighted in a private market such as the European leveraged loan market, is gaining access to information on underlying companies. During the process we assisted the agency in formulating scores on approximately 98% of companies that we lend to in Europe, a total of 250 names, as of 31 December 2022.

With our support and the support of other European managers, the agency achieved 90% coverage of European borrowers, a total of 495 borrowers, as of 31 December 2022. We have now started a similar process for the US leveraged loan market, where we lend to 498 borrowers, 43% of the US market.[4]

Figure 6: Investcorp Credit Management European weighted average ESG scores by CLO portfolio ESG score (%), as of 31 December 2022



> Obtaining ESG scores in a consistent manner and based on actual company information has allowed us to provide our investors with ESG scores on a portfolio level for our various European CLOs and other European credit funds.
>
> **Barry Lane**
> Director, Credit Management

Advantages of ESG scoring

Investcorp was the first European CLO manager to report its ESG scores from the ratings agency across its CLOs. The results of this exercise are shown in Figure 6, where each score is on a scale from zero to 100, where 100 represents full alignment with ESG best practices. Any score above 37 is considered "neutral" from an ESG perspective, and all our European portfolios fall within this category from both an individual factor and aggregate perspective.

The relative consistency in scores across our portfolios reflects our diversified approach to portfolio construction, and we expect to monitor the scores of individual issuers on an annual basis or more frequently if new information becomes available.

We believe that transparency and reporting will become increasingly important to investors. Once there is a sufficient level of reporting and standardization of ESG performance, one could expect to see a premium for strong ESG performance being priced into the leveraged loan market as investors sharpen their focus on ESG factors and allocate additional capital to ESG-focused products.

For example, could there be a premium in spread and liquidity for more ESG-friendly companies and borrowers in sectors with poor ESG characteristics? (This could resemble the correlation between spreads that a borrower can achieve based on credit ratings: a borrower with a stronger credit rating will typically have deeper liquidity than a lower-rated borrower.) A case in point is whether anticipated regulation of the casinos and gaming industry will make companies operating in this industry less attractive to hold. This could result in a drop in liquidity for borrowers in this space, potentially obliging them to pay a premium to issue loans in the future.

Further transparency on disclosure, driven in some cases by regulations such as the Sustainable Finance Disclosure Regulation in Europe, together with standardized scoring, will help us to assess ESG performance and its relationship to business risks. Company disclosures around carbon reporting or governance factors such as diversity at the board level may not change our overall view of a borrower's creditworthiness; however, performance on such issues could provide important information on underlying corporate governance, for example, which could give insights into emerging areas of risk for a specific borrower.

With standardized scoring, we are now better able to compare companies that operate in similar sectors and identify companies with positive and negative trends that could impact a business's future performance.

[4] Number of loans in the S&P leveraged loan index.

Sustainability by Design

INTERVIEW

GEORG JENSEN
ESTABLISHED 1904

In August 2022, Thorbjørn Bergqvist joined Georg Jensen to drive the company's sustainability initiatives, enhance its management of ESG-related risks, and enable the company to capitalize on emerging opportunities around sustainable production practices. Andrea Davis spoke with Thorbjørn to discuss his first six months in the role and what lies ahead for Georg Jensen.

Andrea Davis
Chief Operating Officer, Private Equity, Europe

Thorbjørn Bergqvist
ESG Manager, Georg Jensen

COMPANY
Georg Jensen

YEAR INVESTED
2012

REGION
Denmark

SECTOR
Apparel, Accessories & Footwear / Building Products & Furnishings

INTERVIEWEE
Thorbjørn Bergqvist, ESG Manager, Georg Jensen

INTERVIEWER
Andrea Davis, Chief Operating Officer, Private Equity, Europe

Q **Andrea Davis:** Can you tell us about your role and responsibilities at Georg Jensen?

A **Thorbjørn Bergqvist:** As the ESG Manager, I manage Georg Jensen's efforts to integrate ESG considerations into our operations. I work collaboratively with all departments and the senior leaders of the business to manage key initiatives such as our annual sustainability reporting, greenhouse gas reporting, and emissions reduction planning. I also spend considerable time on employee branding and communication of our sustainability efforts.

In addition, I oversee Georg Jensen's CSR Committee and SDG Ambassadors Corps and contribute to our strategic sustainability efforts by providing support, guidance, and inspiration on sustainability initiatives. Having dedicated resources in this space is vital and enables Georg Jensen to make real progress towards our commitment to integrating ESG principles throughout the business.

Q **Andrea:** Having taken on a new role within the organization, what would you say are the most important things to get right, and how do you stay on top of a rapidly developing ESG environment?

A **Thorbjørn:** Being in a new function in Georg Jensen, it was important for me to firstly understand the existing sustainability practices that were in place and then identify areas for improvement so I could develop a comprehensive strategy to further integrate ESG principles throughout the business.

With ESG considerations impacting all parts of an organization, I believe effective communication and collaboration is critical to success in this space. Furthermore, staying on top of a rapidly developing ESG landscape requires ongoing monitoring of industry trends, regulatory changes, and stakeholder expectations. It is also important to maintain a forward-thinking approach and continuously evaluate and adapt our new ESG strategy, and existing business practices, to ensure alignment with Georg Jensen's ambitions, values, and goals.

Q **Andrea:** Could you share your perspective on how the company's commitment to sustainability will drive long-term value for your customers, employees, and other stakeholders?

A **Thorbjørn:** Georg Jensen's commitment to sustainability aims to have a positive impact on all stakeholders. When we prioritize sustainability, we create long-term value for our customers by offering products that align with their values and meet their evolving expectations for ethical and sustainable business practices. We've also noticed that by fostering a sense of purpose and engagement in the work we do, our commitments in this space are benefiting our employees too.

We have found that sustainability considerations help us to build stronger relationships with our stakeholders, including owners, investors, suppliers, and the wider communities in which we operate. By integrating ESG principles throughout our business, we are not only doing what is right for people and the planet, but also supporting the long-term success and resilience of Georg Jensen as a company.

Q **Andrea:** What have been the biggest challenges in driving sustainability practices across Georg Jensen's expansive network of stores and warehouses worldwide?

A **Thorbjørn:** During my time here, I would say establishing a common perspective on ESG and new practices across our global organization has presented certain challenges. Understanding the needs and positions of varying markets and functions and implementing an effective and purposeful communications strategy on ESG matters can be tricky. ›

Sustainability by Design *(cont.)*

INTERVIEW

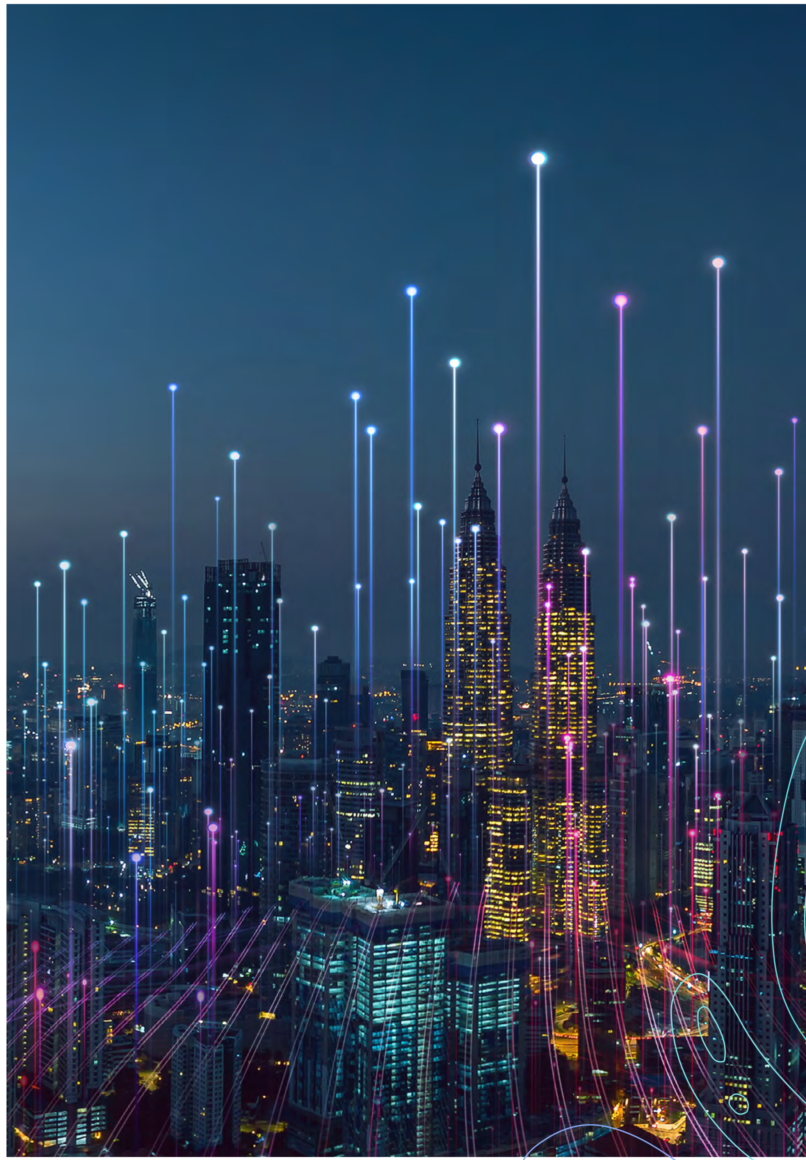
I'm happy to say that all parts of the Georg Jensen group have embraced these challenges, and together we are making great progress towards prioritizing and identifying the areas where we can make the greatest impact. We are proud of the positive contribution to the company's culture that stems from our transparent commitment to sustainability and I am confident that we will continue to see significant improvements as we move forward.

Q **Andrea:** What are you most excited about for the future? What are some of the big initiatives you have planned for the coming year?

A **Thorbjørn:** I am very excited to continue to drive Georg Jensen's commitment to sustainability and to deliver on our ambitious plans for the future. Our key initiatives for the coming years include the full transition to recycled precious metals in our jewelry production, where we have already achieved 100% recycled gold and 50% recycled silver usage. In the coming years we will expand this work to include the stainless steel used in the manufacturing of our home decoration products. In addition, we will continue integrating sustainable materials into our product packaging. Finally, we will initiate plans to reduce our greenhouse gas emissions and set targets for these reductions, both in our own supply chain and for the products and services provided by external partners.

I am confident that we will continue our work to become a best-in-class, people-centric and inclusive company. I believe Georg Jensen's ongoing success relies on its people and their unique contributions. By staying true to them, and to our values, we can keep developing amazing products for our consumers while minimizing any negative impacts on the environment.

Building Cyber Resilience



With the rapid advancement of technology and the growing interconnectedness of digital systems, cyber threats have become a significant concern for individuals, businesses, and governments alike, as malicious actors continue to seek to exploit vulnerabilities in digital infrastructure.

At the current rate of growth in online and mobile interactions, it is estimated that damage from cyberattacks will amount to approximately $10.5 trillion annually by 2025 – a 300% increase from 2015 levels.[5]

The problem is particularly relevant to smaller, fast-growing companies that are exposed to a growing number of digital touchpoints and ecosystem relationships. Cyberattacks can pose an existential threat to such companies that often does not apply to large enterprises.

Cybersecurity monitoring program

Considering this, our Private Equity team in Europe engaged with industry experts last year to better understand the nature of the cybersecurity threats facing our European portfolio companies. We subsequently launched a cybersecurity monitoring program, in partnership with a leading cybersecurity ratings company, to identify cyber vulnerabilities in our portfolio and protect against cyber threats.

By collecting externally available data on the security performance of companies worldwide, the team is provided with daily security ratings on each of our European portfolio companies, broken down by specific risk vectors, as outlined below.

Security ratings are comprised of four main data classes:

Compromised systems: Publicly observable evidence of botnet infections, malware, and other indications that a network has been compromised.

Diligence: Information about security diligence practices, such as SSL, SPF, and DKIM configurations.

User behavior: Data on user actions occurring on a company's network that can put a company's information assets at risk.

Data breaches: Information about data breach events from a variety of news sources and data breach aggregation services.

Targeted and actionable insight

This approach has enabled our teams to provide targeted and actionable insight to improve the security performance of our companies. On a regular basis, our European operating partners team reviews real-time data made available through a dashboard and creates reports to communicate a company's current security rating, highlighting potential vulnerabilities to cyberattacks. The targeted insight enables us to pin-point potential weaknesses, such as open ports to be closed, Secure Sockets Layer (SSL) certificates in need of update, or evidence of potential systems breaches requiring investigation.

This information, in combination with training provided through regular webinar sessions held by Investcorp, is used by our portfolio companies' technology teams to take targeted action to improve or maintain their protection against cyberattacks. Action could involve deploying additional tools, hiring additional resources, or in some cases, simply updating software.

6%

IMPROVEMENT IN OVERALL PORTFOLIO CYBERSECURITY RATING IN 2022

Reducing cyber risk within our portfolio

Our European portfolio achieved an average security rating within the "Intermediate" bracket at the time of the program launch and was considered well protected against cyber threats. As of December 2022, ten months since launch, our portfolio's overall security rating had improved by 6%, with the largest improvement by a single company being 13%. Nevertheless, cyber threats evolve over time and our teams continue to remain vigilant to protect our portfolio's digital assets and reduce risk from cybersecurity incidents.

Following the successful rollout of this initiative within our European portfolio, we will be reviewing its relevance for our other regional platforms where we may seek to implement similar initiatives.

[5] Steve Morgan, "2022 Cybersecurity Almanac: 100 Facts, Figures, Predictions and Statistics," Cybercrime Magazine, 19 January 2022.

03

Driving Social Impact

Our People

We understand that the road to creating a more equitable, fair, and inclusive society must begin at home, and for us that includes approximately 500 employees, working at 14 offices, across 10 countries, representing 50 nationalities.[6]

We are fortunate to have such a diverse group of people at Investcorp, and we recognize that this cannot be taken for granted, which is why we are continually enhancing the programs, initiatives, and resources that our employees need to do their best work.

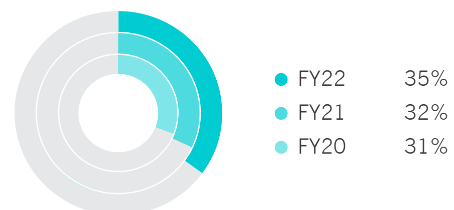
Over the last twelve months, we have continued to prioritize initiatives that seek to advance diverse representation across the firm through our targeted policy work and training programs. We have also launched forums to encourage knowledge exchange and mentorship through newly established employee resource groups for women and our younger staff.

Strengthening the talent pipeline

Meaningful change in workforce representation must begin with a governance model that enables senior leaders to make data-driven decisions that drive long-term outcomes. The firm's Employee Inclusion Council, comprised of senior staff representing our global offices, provides a forum to exchange ideas and collate employee feedback on diversity, equity, and inclusion ("DEI") initiatives and programs in what is a continual and iterative strategy development process.

Our portfolio data, as shown in greater detail in the next section of this report, highlights the importance of establishing internal policies, including diverse recruitment policies, that instigate real institutional change. We have seen

Figure 7: Firmwide women representation
Women in the workforce (%)



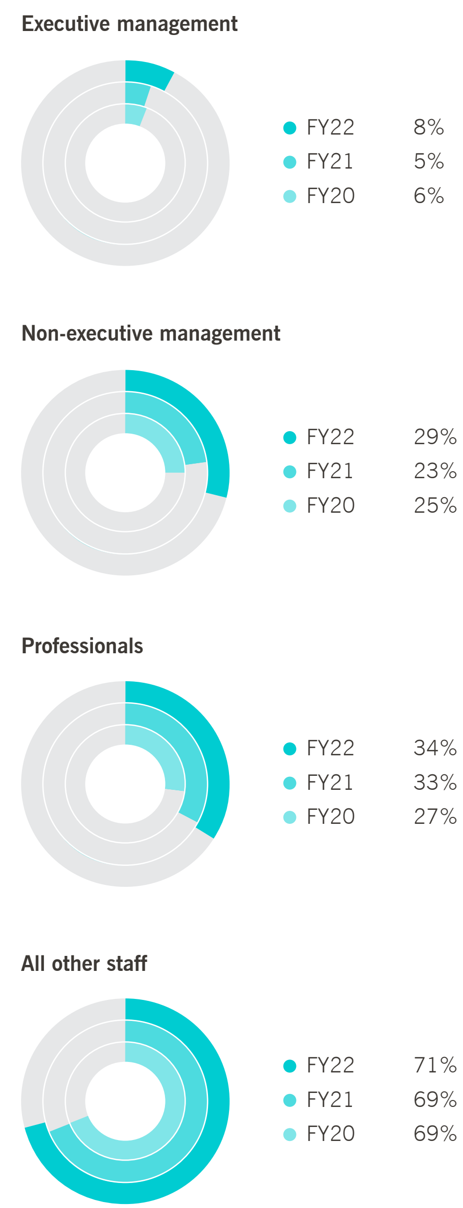
the direct impact that such policies can have on strengthening the pipeline of talent within Investcorp. Since launching our diverse recruitment policy in 2020, we have seen a rise in the proportion of women at the firm and in senior leadership positions.

Enhancing employee benefits

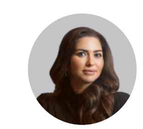
We recognize that our staff do their best work when they have the flexibility, support, and opportunity to succeed. We have developed a flexible approach to working and also provide additional support to accommodate the needs of our employees who need to balance being parents or caregivers with demanding work responsibilities. As a result, we have made a number of important changes to our parental leave policy, including:

- increased benefits for primary and secondary caregivers;
- parental coaching support for working parents;
- access to toolkits and learning resources for expecting parents; and
- greater flexibility in working arrangements for primary caregivers.

Figure 8: Representation of women by employee category
Women in the workforce (%)



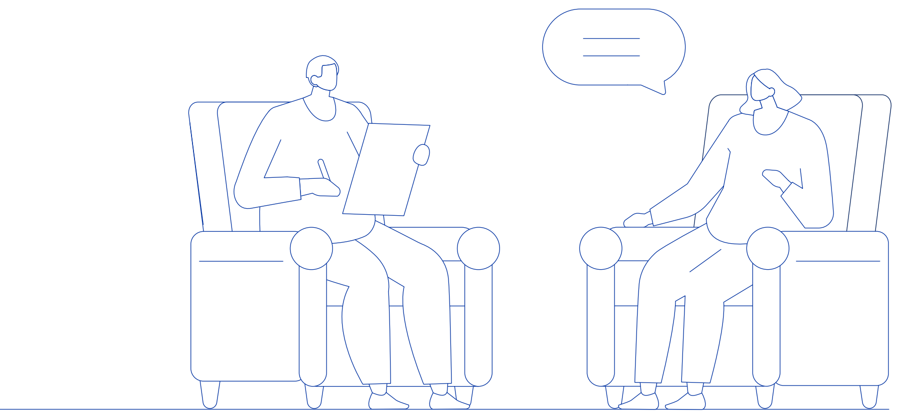
Creating an inclusive, equitable, and diverse environment is extremely impactful for the growth of the firm. We ensure that everyone at Investcorp is seen, heard, appreciated and considered.



Jordana Semaan
Global Head of DEI

[6] As of March 2023.

Our People *(cont.)*



Raising awareness through training and mentorship programs

In an increasingly diverse and globalized world, we believe that diversity training is essential to creating a more equitable and inclusive workplace and critical to remaining competitive in the marketplace. Training can help individuals understand and appreciate the perspectives of people from diverse backgrounds and can enhance people's awareness of the biases that may impede objective decision-making.

This year, we maintained the momentum of progress made in previous years through:

New joiner diversity training: Requiring all new hires to complete a diversity training program focused on tackling bias within the workplace and avoiding microaggressions. This is delivered through a dedicated e-learning course, which supplements existing unconscious bias workshops provided throughout the year.

Speaker series: Launching a speaker series featuring colleagues from across the world and other prominent figures from industry to promote personal journeys related to the achievements of women and underrepresented minorities, as well as more broadly on investing in private markets.

Mentoring programs: Continuing to be active partners with our DEI affiliates by participating in affiliate-organized roundtables, events, mentorship and training programs and launching the Investcorp "Inspire" program, our first internal mentorship program aimed at developing emerging leaders, assisting in career progression, and promoting diversity of thought.

Continuous learning: Curating a selection of informative articles, educational videos, reading lists, and upcoming events for the firm's internal intranet platform. These are aimed at celebrating international awareness campaigns and starting conversations among colleagues.

> Diversity and inclusion broaden an organization's talent pool and breed innovation through a wider collection of experiences which, when fused together, provide a fertile environment for diverse thinking. In my view, this is what drives success.

Fortune Chigwende
Head of Internal Audit

Enabling personal growth and development

Developing the next generation of leaders who understand the value of a more diverse, equitable, and inclusive workplace is a priority for Investcorp. Leadership development is fundamentally rooted in relationships that have been built over time. To this end, we recognize the importance of informal settings that foster genuine engagement and dialogue on important topics, as well as more casual conversations between peers.

Investcorp has launched two employee resource groups that will enable colleagues to connect, raise awareness of diverse groups within the firm, and offer invaluable opportunities for networking, mentoring, and exposure to different perspectives.

I-Will
The Investcorp Women's Initiative Lunch and Learn ("I-Will") provides a space for women employees at each of our offices to meet and exchange ideas, host external speakers, and participate in wellness programs together.

Gen-I
Generation Investcorp ("Gen-I") aims to empower early career professionals at the firm to pursue opportunities for professional and personal development, and provides guidance and advice on career development, upskilling, and leadership. ›

Key Mentoring Stats

8
external mentor / mentee collaborations

4
women joined the Great Career Academy training program

32
cross-functional internal mentors

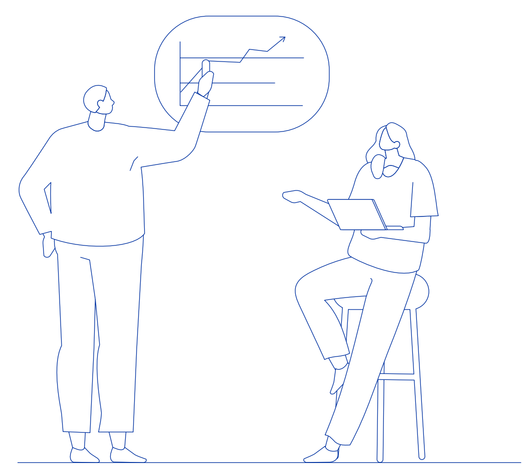
49
employee mentees

Our People *(cont.)*

Last year, we also launched the Managing Director Leadership Development Program. The aim of this program is to support promising senior staff in developing strong management skills consistent with Investcorp's management priorities and to provide an opportunity to acquire enterprise-level skills. Participants go through development coaching and training sessions focused on managing people and performance.

Promoting comprehensive employee health and wellbeing

With mental health issues on the rise worldwide, we recognize that the need for mental health support is needed now more than ever. While there is no one-size-fits-all approach to addressing mental health issues, we provide tools, resources, and more targeted support where needed, all of which can have a positive impact on the health and wellbeing of our employees.



> I think 'Diversity & Inclusion' empowers more collaboration, better decision-making, and higher performance. It is the right choice and the smart choice for Investcorp.

Kevin Zhu
Vice President, Technology

All Investcorp employees have access to a leading health and wellness application, which features a large library of content on meditation, movement, and mindfulness to help our employees reduce stress and ultimately live a happier and healthier life. Staff can also speak with professionals provided through our medical providers should they need additional support.

Mental health and physical health are closely connected, which is why we also offer employees opportunities to participate in group-based physical activities to support their physical wellbeing. All new hires are also provided with dedicated wellbeing training to ensure they are aware of the tools and resources available to help them lead healthy and productive lives.

2022 Partners

100 Women in Finance
CEO Action for Diversity & Inclusion
Synergist
ilpa
PLAYBOOK
Financial Women's Association Singapore FWA
30% Club Growth Through Diversity
Diversity Onboard
COQUAL
#10000 Black Interns
Level 20

Diversity, Equity, and Inclusion in our Private Equity Portfolio

Investcorp, like other asset managers across the world, recognizes that greater management attention is required if we want to see faster progress in creating more diverse, equitable, and inclusive workplaces.

This recognition is partly rooted in the idea that there is a collective societal responsibility to address systemic institutional biases. Yet it also acknowledges the increasing body of research showing that inadequate action on this issue can have negative impacts on talent acquisition, employee retention, productivity, innovation, and ultimately financial performance.

Increased management attention is progress, but key to operationalizing action on social issues is the availability of and access to good quality data. The data that we have collected as part of our inaugural year of surveying a core selection of our private equity portfolio companies provides good food for thought for developing new management approaches related to diversity and inclusion in the workplace, but more "policy-useful" data is needed.

It is important to note that the limited scope of last year's survey imposes an inherent limitation on our ability to draw definitive causal relationships between the underlying factors surveyed. Nonetheless, the insights highlight the importance of taking a data-driven approach to help identify and address root causes, and the benefits it affords in terms of facilitating constructive, cross-functional dialogue and policy-making.

Diversity data collection is at an inflection point

The collection of data on core DEI metrics is at an inflection point in the asset management industry and across the world. Whether the collection of such data is regarded as a "problematic necessity", as it has been characterized by some, or as an opportunity to identify and address potential discrimination, lack of equal opportunity, or pay inequity within the workforce, the direction of travel regarding the collection and disclosure of DEI data is clear.

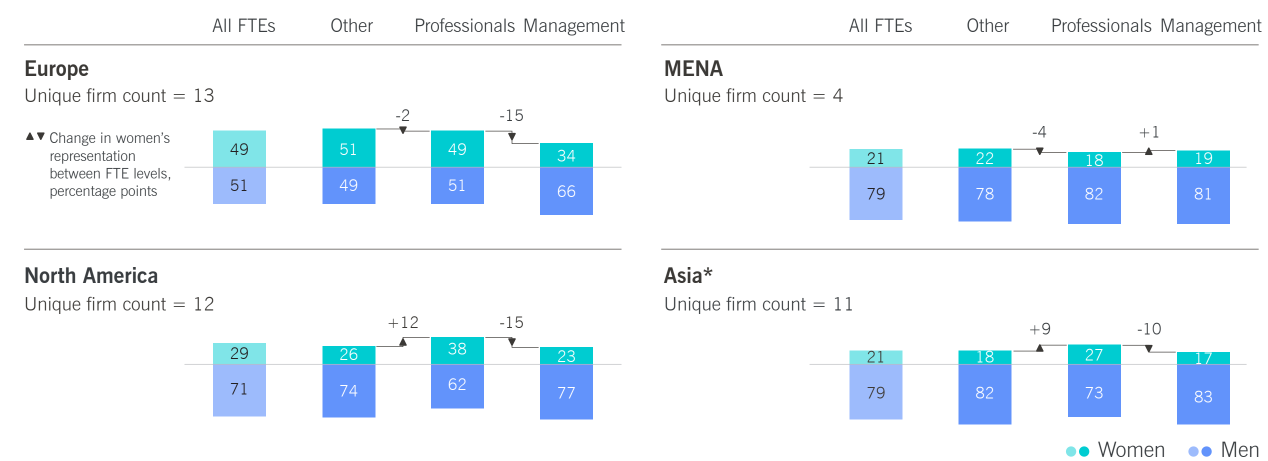
The results of our survey show that data submission rates can vary considerably for individual underlying indicators that make up the DEI category, where such differences are likely driven by regional sensitivities, cultural norms, and data collection challenges associated with processing sensitive personal information in compliance with local and/or international laws and regulations.

We acknowledge the multitude of social identities that contribute to workforce diversity and expect to broaden our analysis over the coming years as we continue to work with our portfolio companies to address diversity-related data disclosure imperatives.

Regional variances in workforce gender representation

In Europe, our portfolio companies have the highest representation of women across all employee categories, but proportional representation appears to decline in progressively senior positions. European companies show the largest spread (17 percentage points) in

Figure 9: Company pipeline by gender
Representation of women by job level at year end (%)



[1] Asia represents companies in India and Singapore

the representation of women in entry level roles (51%) versus management positions (34%). This could suggest low retention of women, which is potentially symptomatic of persistent career progression challenges that women still face.

On the other hand, companies based in the MENA and Asia regions have the lowest representation of women in the workforce, with a generally smaller base of women in entry level roles, which could present a potential bottleneck in advancing women into more senior or management positions. We recognize that socio-cultural contexts may contribute to workforce representation structures in certain societies, but several efforts are being made by governments in these regions to promote and increase the participation of women in the workforce. Furthermore, it is important to recognize that companies in the MENA region are typically ›

KEY TO OPERATIONALIZING ACTION ON SOCIAL ISSUES IS THE AVAILABILITY OF AND ACCESS TO GOOD QUALITY DATA

Diversity, Equity, and Inclusion in our Private Equity Portfolio *(cont.)*

family-run businesses that are yet to achieve the standards of institutionalization seen across North America and Europe.

In North America, companies appear to face a combination of recruitment and retention challenges. These companies generally have a small base of women at entry level, greatest representation of women concentrated at mid-level roles, and experience a large drop in representation for the most senior positions. It is important to consider, however, that in certain cases gender representation is likely also influenced by the nature of the business of some of our largest portfolio companies by number of employees in North America. These companies typically have a significant proportion of their workforce in the 'Other' category, where labor-intensive job roles have traditionally attracted applicants who are men.

Adopting best practice recruitment policies

At the current rate of progress on global gender parity, the United Nations estimates that it will take us approximately 140 years to close the gender gap in workplace leadership positions. For companies that want to systematically address workforce gender representation, the evidence suggests that greater efforts are required to recruit and retain women, including by providing ample opportunities for career progression.

While this may be seen as obvious, and despite progress in addressing gender discrimination across the world over the past decade, it is evident that institutional biases continue to permeate large parts of society, including in the workplace. It is interesting to note that companies with a higher representation of women in the workforce also tended to adopt specific policies addressing diversity, which could indicate deliberate management efforts to tackle this issue at the institutional level.

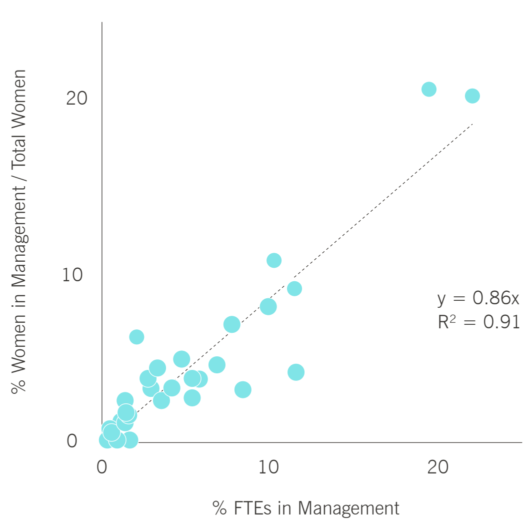
For example, our data shows that diverse recruitment policies were most prevalent in European companies, where representation of women across all employee levels was also highest. While it is difficult to establish a causal relationship at this stage, we expect that the introduction of diverse recruitment policies in other regions, including clear targets for hiring women candidates, particularly for entry level roles, could improve the representation of women across the workforce over time.

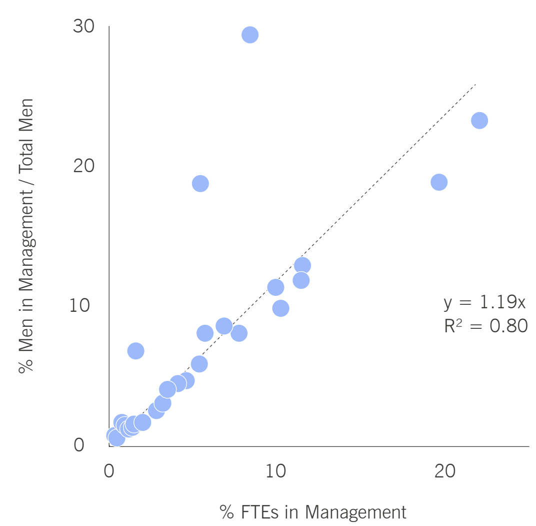
Measures to promote the retention of women

Greater numbers of women want to be senior leaders. Yet recent research shows that women are leaving their jobs in record numbers in what has been termed the "Great Breakup". Inflexible work conditions, inauthentic prioritization of DEI, and roadblocks in career advancement and professional development are among the most important issues cited as contributing factors to the talent drain.

Our analysis of the data submitted by our portfolio companies shows that, on average, women are 27% less likely than men to secure management positions, assuming a linear change in the proportion of women and men in management as management positions increase. This provides additional evidence that improving women's career advancement is not simply contingent on increasing the number of women in the workforce, but also on effectively addressing biases that hinder their career progression.

Figure 10: Gender disparities in management positions
Change in the proportion of women and men in management vs. % FTEs in management





Collecting DEI data is an essential lens through which we can understand our workforce demographics, identify gaps, and ensure inclusive progress. However, it is crucial that our approach to data collection is rigorous, intentional, and transparent to safeguard individual privacy and data autonomy.

Melanie Figgener
Vice President, Private Equity, Europe

Diversity, Equity, and Inclusion in our Private Equity Portfolio *(cont.)*

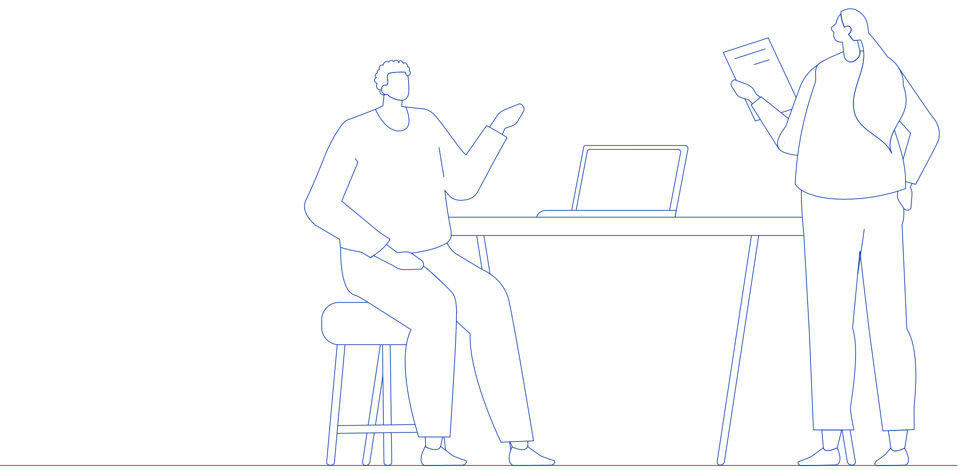
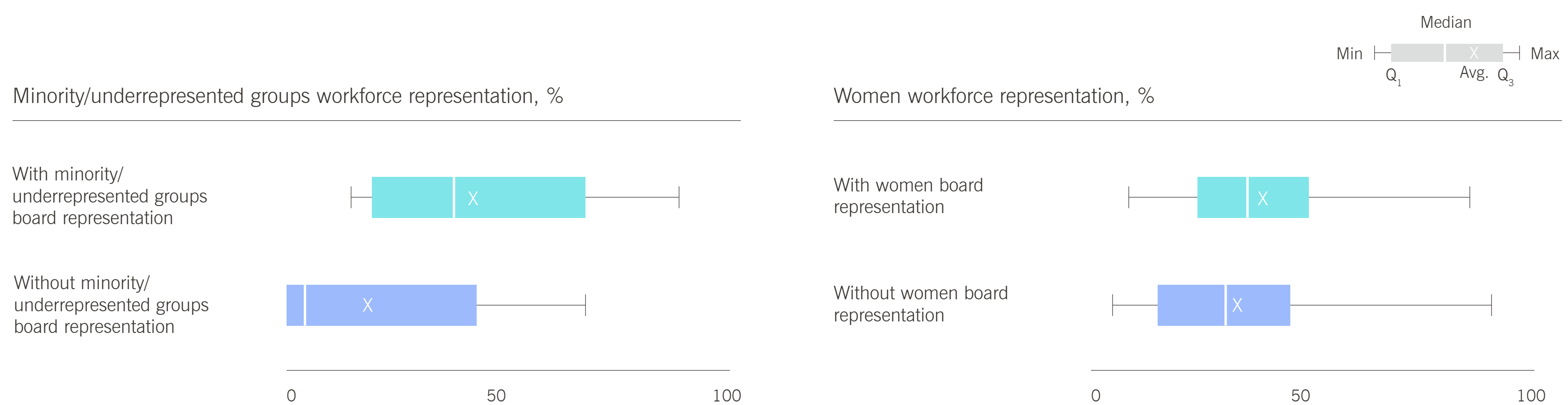


Figure 11: Board versus workforce representation
Spread in the representation of minority/underrepresented groups and women in the workforce with and without board representation



Businesses can demonstrate their commitment to creating a more equitable work environment by providing greater flexibility in ways that are specifically tailored to women's needs and by focusing their efforts on building high-quality, women-centric professional development programs. These are essential components to improving the retention and promotion of women in the workplace. Furthermore, the collection of more granular data on attrition and promotion rates, as well as other employee satisfaction metrics, can help pinpoint problem areas with greater specificity, while enabling companies to hold leaders and managers accountable for progress.

The relationship between board diversity and workforce diversity

We observe that companies that lead on diversity at the board level are likely to also lead on diversity in the workforce. While this trend is more visible for minority and underrepresented groups than it is for gender diversity, a simple explanation could be that people from diverse backgrounds who are also in leadership positions are more likely to use their influence to enhance company practices that promote diversity in the workforce.

While the direction of this correlation is not clear – that is, whether board diversity contributes to increasing workforce diversity or vice versa – tracking changes in board and workforce diversity over time can help better establish causal relationships and thereby offer invaluable insights when prioritizing DEI initiatives and programs.

Concluding remarks

Increasing diversity in governance bodies, internal committees, policies, practices, and processes, while ensuring relevant sectoral or regional sensitivities are considered, are key ingredients to making meaningful advances on diversity and equal opportunity in the workplace.

Such efforts should take an integrated approach, whereby the management of diversity is not limited to one department or a single function but is an organization-wide effort that goes beyond initiatives focused solely on awareness and education.

As we continue to work with our portfolio companies to evaluate diversity practices, assess current performance, and support their future growth efforts, we will seek to enhance the breadth and quality of company disclosures on this important topic. Bringing disclosures regarding the representation of other groups in the workforce to the same level as existing disclosures on gender, where it is possible to do so, is an opportunity to build more equitable workplaces for all, and particularly for those at the intersection of multiple underrepresented or minority groups.

Investing in Education: Creating Future Leaders

We lead with the conviction that investing in education is investing in the future of our society. We have outlined here a number of educational advancement initiatives that we have continued to support over the past year.

Investcorp Leadership Program 2023

Investcorp Leadership Program

In March 2023, Investcorp held the fifth edition of its leadership program, this year in partnership with the European School of Management and Technology (ESMT) in Berlin. Launched in 2019, Investcorp's leadership program looks to build cultural bridges, connecting young leaders from around the world with leading academic institutions.

Over five days, 45 program participants engaged in sessions covering global economic and political trends, the financing of innovation and industry, and digital transformation. In addition, the participants discussed major issues facing modern leaders, from adapting to the pace of next generation technology to leading in a fast-evolving economy.

> We are delighted to have supported Investcorp in delivering an outstanding leadership course this year in Berlin. At a time when there are myriad opportunities available for up-and-coming leaders, with rapid AI, technology, and sustainability developments, it is essential that we equip future business owners and managers with the knowledge, tools, and insights to succeed in an ever-evolving backdrop.

Professor Jörg Rocholl
President and Deutsche Bank Professor in Sustainable Finance, ESMT Berlin

Nemir Kirdar
Global Internship Program

Nemir Kirdar Internship Program

In 2021, in honor of our founder Nemir Kirdar, we launched a global internship program in his name. The internship is a 10-week program aimed at providing university students and early career individuals across the US, Europe, the GCC, and Asia with a thorough, well-rounded practical experience and learning opportunities across Investcorp's businesses.

Among our most recent intake, three interns were selected from Investcorp's Diversity, Equity, and Inclusion affiliate organizations to further solidify our partnerships with organizations that help us deliver on our mission through reciprocal knowledge transfer and the introduction of new and fresh perspectives.

3
interns selected from our DEI membership organizations

24
interns globally; equal gender representation

Investing in Education: Creating Future Leaders *(cont.)*

TitanCorp THRIVE Trade School Scholarship Program

THRIVE Trade School Scholarship Program

We announced a partnership with TitanCorp's THRIVE program in 2022, a scholarship initiative designed to give residents in Investcorp's residential apartment communities the opportunity to complete certifications at schools of their choosing. The partnership allows select residents at Investcorp's 17,500 multifamily units to apply for scholarships to pursue degrees to work as medical assistants, electricians, paralegals, and paramedics, among other professions. As of March 2023, we had supported 10 scholarships totaling approximately $20k.

> We are proud to leverage our industry position to support this first-of-its-kind partnership to empower Americans to pursue careers of their choice. As we see an increased need to support US infrastructure, a gap in skills and the increasing cost of education has been evident and there remains a strong need for qualified individuals with advanced degrees. We look forward to giving our residents the opportunity to reach new goals and find success in their communities.

Michael O'Brien
Co-Head of Real Estate,
United States

CRISTO REY NEW YORK HIGH SCHOOL

Cristo Rey New York High School

Investcorp is a proud supporter of the Cristo Rey New York Corporate Work Study Program, which allows students to gain valuable real-world corporate work skills while enabling them to earn up to 40% of the cost of their education. We have been involved with this program for several years and have seen first-hand the growth in confidence and personal development of the students assigned to Investcorp throughout their four-year internship with us.

> As a firm with a 40-year history operating in NYC, partnerships like the one we have with Cristo Rey are one way in which we further our commitment to, and connection with, our broader community. We are proud and thrilled to play a small part in the current and future success of the Investcorp interns over the past eight years.

Dave Tayeh
Head of Private Equity,
North America

Investing in Education: Creating Future Leaders *(cont.)*

Bahrain Crown Prince Scholarship Program

In 2021, we renewed our commitment to support the Bahrain Crown Prince's Scholarship program (CPISP) for the next 10 years, highlighting our dedication to supporting the educational advancement of the communities with which we interact.

Currently in its 23rd year, CPISP was established in 1999 by HRH Crown Prince Salman bin Hamad Al Khalifa. The Program awards 10 fully funded scholarships each year to the brightest, most dedicated, and most motivated secondary school students in Bahrain, providing them with the opportunity to study at top international universities and colleges.

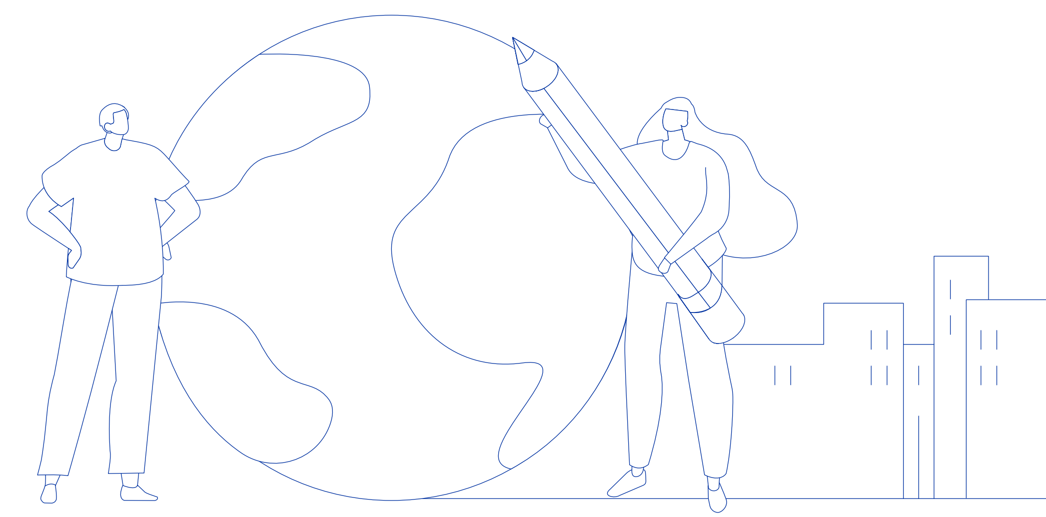
Injaz Al-Arab

Investcorp's long-standing partnership with Injaz Al-Arab demonstrates our continued commitment to advancing the prospects of young people from the Middle East. Launched in 1999, Injaz is the regional hub for Junior Achievement Worldwide, and has worked tirelessly to empower young people and improve their employability through educational programs, skills training, and mentorship opportunities.

Injaz has impacted thousands of lives since its inception and we are proud to see its efforts receive global recognition, having been nominated for the Nobel Peace Prize for a second consecutive year in 2023.

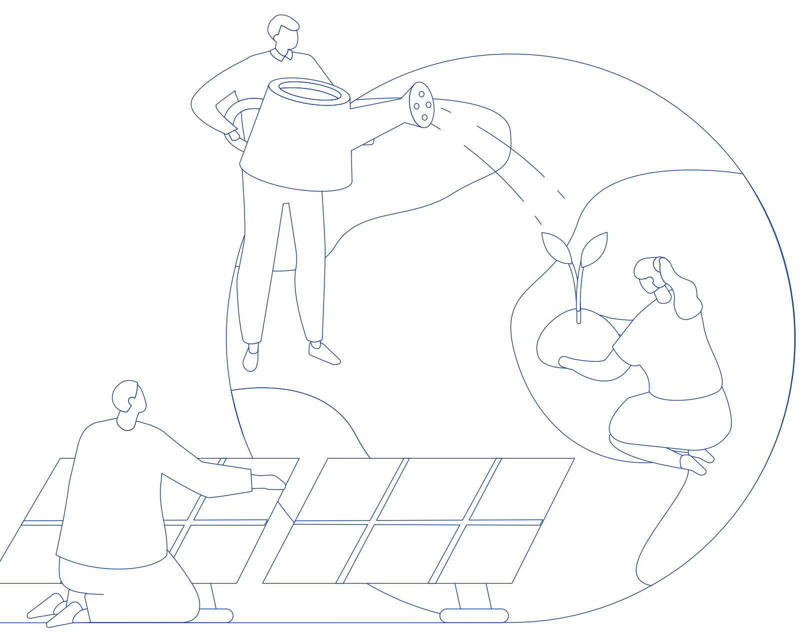
> Contributing to the Injaz Al-Arab initiative was an enriching opportunity which facilitated knowledge sharing with young aspiring individuals. It was a pleasure to interact with such inspiring young talent and we are confident they will have valuable contributions in the workforce after their studies.

Khalifa Al Jalahma
Principal, Private Equity, MENA



Giving Back to Our Communities

We're proud that so many of our people took part in numerous initiatives over the past year to give back to the communities in which we live, work, and invest.



BCRF BREAST CANCER RESEARCH FOUNDATION | Prostate Cancer Research

Breast Cancer and Men's Health Awareness Month

For the occasion of Breast Cancer Awareness Month and Men's Health month, we donated to the Breast Cancer Research Foundation and to the Prostate Cancer Research Foundation on behalf of all Investcorp employees. In addition, we hosted events and awareness sessions for employees across our offices.

> It's always a pleasure organizing staff engagement activities, but even more rewarding when they're for a bigger purpose and done for a good cause. It's great to see how much causes like breast cancer and men's health awareness resonate with my colleagues, and to see so many give up their free time to support.

Yasser Alkhaja
Head of Client Services,
Investcorp Private Wealth

NORTH LONDON ACTION FOR THE HOMELESS

North London Action for the Homeless

Employees from our London office supported North London Action for the Homeless ("NLAH") throughout the year by organizing fundraising events and volunteering their time at the charity's twice weekly drop-in center for people who are homeless, socially isolated, or in financial hardship.

Giving Back to Our Communities *(cont.)*

GOONJ.. a voice, an effort

Material Donation Campaign

The Mumbai office took part in a donation campaign to provide clothes, footwear, and all sorts of other materials to Goonj, a charity supporting the development of village communities in India.

"Working along Goonj, a prominent NGO, on a material collection campaign within our India office felt great to be able to give something back. I hope that by providing under-utilized personal and household items, we have supported those less fortunate in our community."

Niraj Sirsalewal
Director, Real Estate, India

Tree of Life Social Charity Society

Clothes Donation Box

In collaboration with the Tree of Life Social Charity Society, the Bahrain office organized to receive donations by placing a donation box outside the office. The donations included good-quality second-hand clothes, shoes, blankets, toys, and home appliances to be distributed to families in need in Bahrain.

Prince's Trust

Brilliant Breakfast

The London office took part in the nationwide Brilliant Breakfast event. The event aims to raise funds to help The Prince's Trust support disadvantaged young women in changing their lives for the better, through education or meaningful employment.

Delivering Access to Fresh Produce

INTERVIEW

Tackling one of India's biggest social challenges, FreshToHome gives thousands of customers access to fresh produce by leveraging AI and IoT technology. The company is well placed to positively impact society, including both suppliers and consumers, and is based in a region at the forefront of adopting sustainable practices and legislation. Head of Private Equity India, Gaurav Sharma, spoke to FreshToHome CEO, Shan Kadavil, on their latest ESG-related initiatives, how the regulatory landscape is affecting their operations, and what the future holds for FreshToHome.

Gaurav Sharma
Head of Private Equity, India

Shan Kadavil
CEO, FreshToHome

COMPANY
FreshToHome

YEAR INVESTED
2020

REGION
India

SECTOR
Meat, Poultry & Dairy

INTERVIEWEE
Shan Kadavil, CEO, FreshToHome

INTERVIEWER
Gaurav Sharma,
Head of Private Equity, India

Q **Gaurav Sharma:** Last year, we featured FreshToHome's incredible achievements in creating jobs, improving access to fresh food, and reducing food waste from "farm to fork". What have you been busy with in 2022?

A **Shan Kadavil:** FreshToHome's core strategy is to provide chemical-free food that is delivered fresh to our customers in a farm to fork manner. Up to 2021, our focus was largely on catering to India's metropolitan areas and to the seven Emirates in the UAE. In 2022, we shifted gears quite actively to expand our reach and cater to the 160 cities across India and the UAE – almost 100+ cities were launched in just under 18 months!

Another area of focus for us was to adopt an omnichannel strategy – we started with around 30 stores, largely in Bangalore, with the goal of having walk-in customers try us offline first, before converting them to online customers. The offline to online ('O2O') strategy seems to be working well for us, with over 20% of Bangalore's new users now coming from these stores. We have also partnered with supermarkets, such as the Amazon-owned More Hyper Market, to set up 'stores in stores' where we run a fully branded FreshToHome butchery to further accelerate our O2O strategy. Based on the early success in Bangalore, we now plan to expand this concept across India.

Of course, all this adds up to greater volumes for our sustainable tech-based sourcing, which aids all stakeholders, including the fishermen, farmers, consumers, and ourselves; by giving a higher price to the producer, a lower sale price to the consumer, and reducing waste in the supply chain. In addition, we have been improving our cold chain management systems and implementing quality programs benchmarked against international standards, such as the Global Food Safety Initiative (GFSI) requirements.

Q **Gaurav:** How do you see FreshToHome's role in promoting social equality in the regions in which you currently operate and how do you intend to drive similar practices in new growth markets?

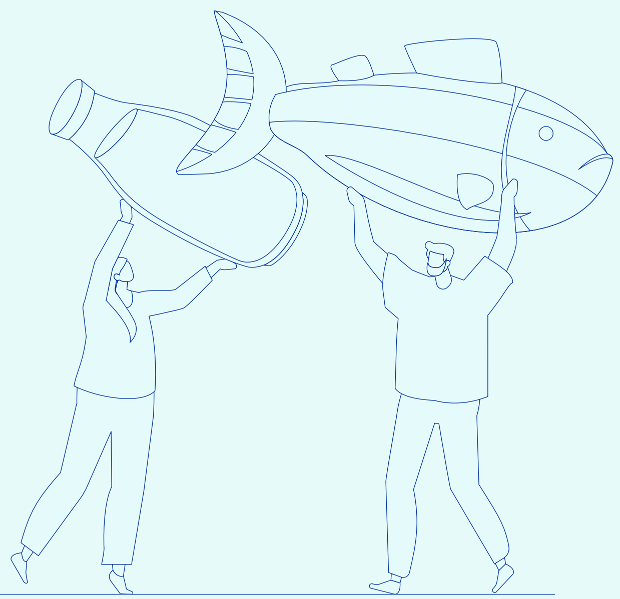
A **Shan:** Ever since its establishment, FreshToHome has been committed to providing clean and healthy food, and we have gone to great lengths to ensure that our products are fresh. However, delivering fresh food in a tropical country like India is not without its challenges. Middlemen involved in the food industry often resort to using shortcuts to keep food fresh, such as adding formalin or ammonia to extend the shelf life of fish, since India does not have an established cold chain. To combat this, we have implemented a tech-based commodities exchange sourcing engine, very stringent monitoring methods, a fisher and farmer approval process to identify and eliminate any adulterants, and over time have developed strong partnerships with stakeholders to provide customers with fresh, clean, and unadulterated food. Previously, the food that was available to the masses, especially the middle class in this category, was of rather sub-standard quality; we have changed the paradigm by providing fresh fish and meat to consumers at honest prices through our superior sourcing strategy. This holistic approach has made our products accessible to people from all sections of society, at fair prices.

Q **Gaurav:** How does FreshToHome plan to scale up to meet increasing demand for fresh, chemical-free, and sustainably sourced products, while ensuring that its core value of putting farmers and customers first is preserved and promoted throughout the expanded distribution network?

A **Shan:** FreshToHome has been providing technical assistance, financial support, and guidance to farmers and producers to help them establish their businesses. Additionally, we have deployed scientific and technical field personnel to educate fish farmers on improved farm management techniques. This helps them utilize resources more efficiently, leading to increased yields and productivity per unit area and effort for farmers. For example, with the introduction of nursery rearing, fish farmers who used to produce one crop per year are now achieving three crops in two years, with higher survival rates and increased production per acre of culture area. We employ this model in our poultry and aquaculture operations, ensuring that we have a reliable supply of high-quality products while also benefiting the farmers we work with. By guaranteeing traceable and healthy food products at a superior standard for our customers, FreshToHome achieves excellent levels of customer satisfaction. ›

Delivering Access to Fresh Produce *(cont.)*

INTERVIEW



Moreover, our employees have risen to the challenge and embraced the culture of ownership. Each employee operates as a CEO in their area of responsibility, striving to deliver high-quality, chemical-free food products to our customers. We train our employees in food safety, cold chain management, and customer interaction to achieve outstanding results in operations and delivery. Our staff members understand and meet realistic expectations, taking pride in their work. Today, FreshToHome touches the lives of over 20,000 people that it directly or indirectly employs.

Q **Gaurav:** India's sustainability-related regulatory landscape is developing rapidly. Has this impacted the way you conduct business in India? How do you expect similar regulatory developments in other markets, such as the UAE and Saudi Arabia, to impact your broader expansion plans?

A **Shan:** The regulatory environments in the UAE and KSA are relatively stable. However, in India the fish and meat markets are extremely disorganized, and the government is bringing in regulatory changes to influence the market. We work actively with the government and are among 150 companies that the planning body NITI Aayog has identified to help drive sustainable regulation. Most of the government's focus areas align with our sustainability goals and we are starting to see similar goals reflected in legislation. Examples of how we are supporting these sustainability goals include:

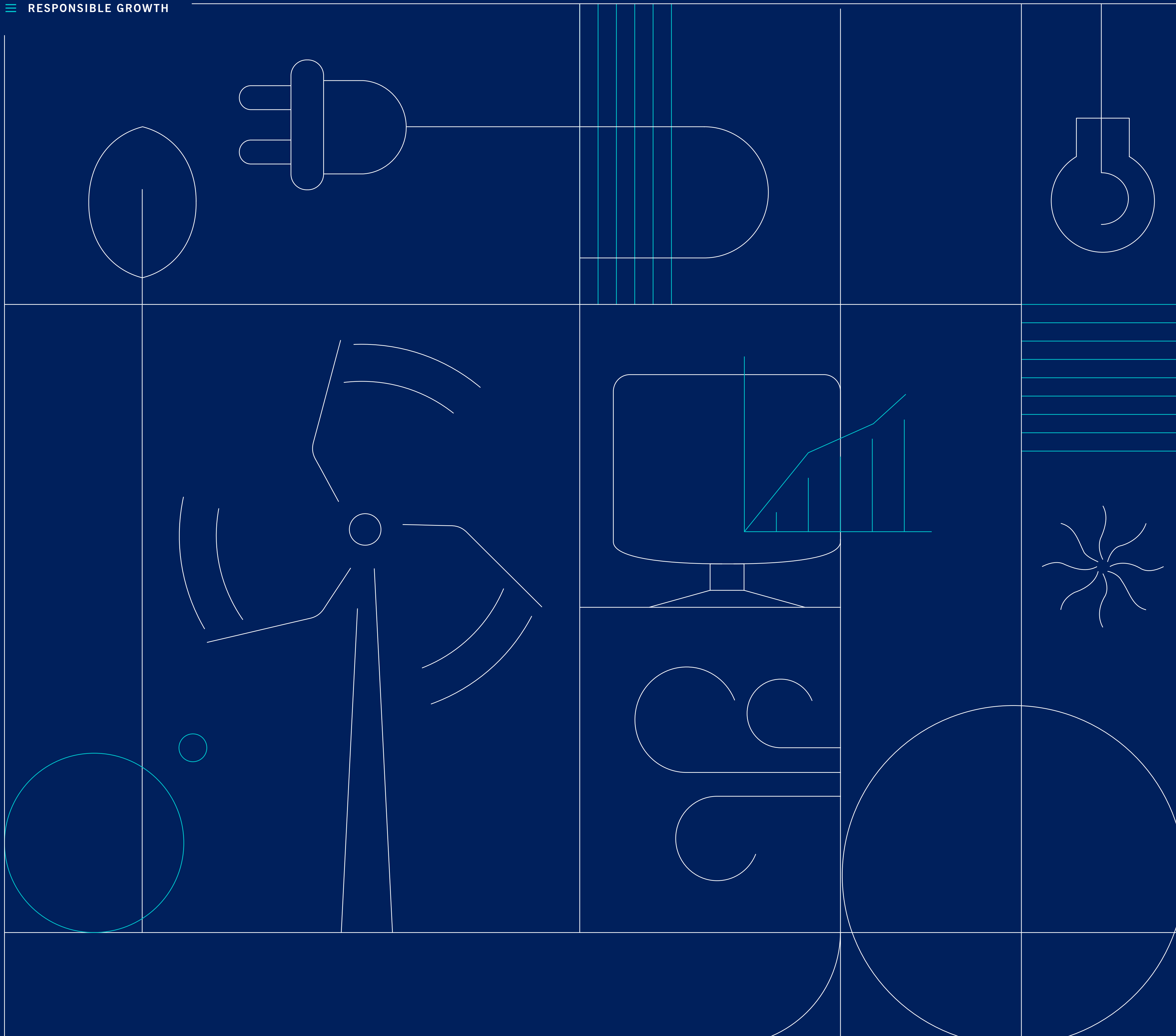
- Eliminate poverty: We are supporting job creation and we now directly and indirectly employ more than 20,000 people, providing jobs at all levels.
- Ensure nutrition: We are offering food at reasonable prices, making it accessible to all sections of the population, and actively working to reduce food waste.
- Establish good health and wellbeing: We only supply products that are free of chemicals to support the health of our customers.
- Create decent work and economic growth: We endeavour to provide a clean and safe work environment for our employees; we also provide training, so our employees can develop their skillsets to progress their careers.
- Increase industry, innovation, and infrastructure: In our expansion to 160 cities, we have created factory facilities and delivery infrastructure utilising innovative technology to optimize procurement and delivery for our operations.

Q **Gaurav:** What does the future hold for FreshToHome? What challenges do you foresee?

A **Shan:** In terms of the future, FreshToHome is likely to continue its growth trajectory as more and more people shift towards online shopping and fresh food delivery. Our focus on chemical-free quality, transparency, and sustainability is likely to be a key driver of our success as consumers increasingly demand these attributes in their food.

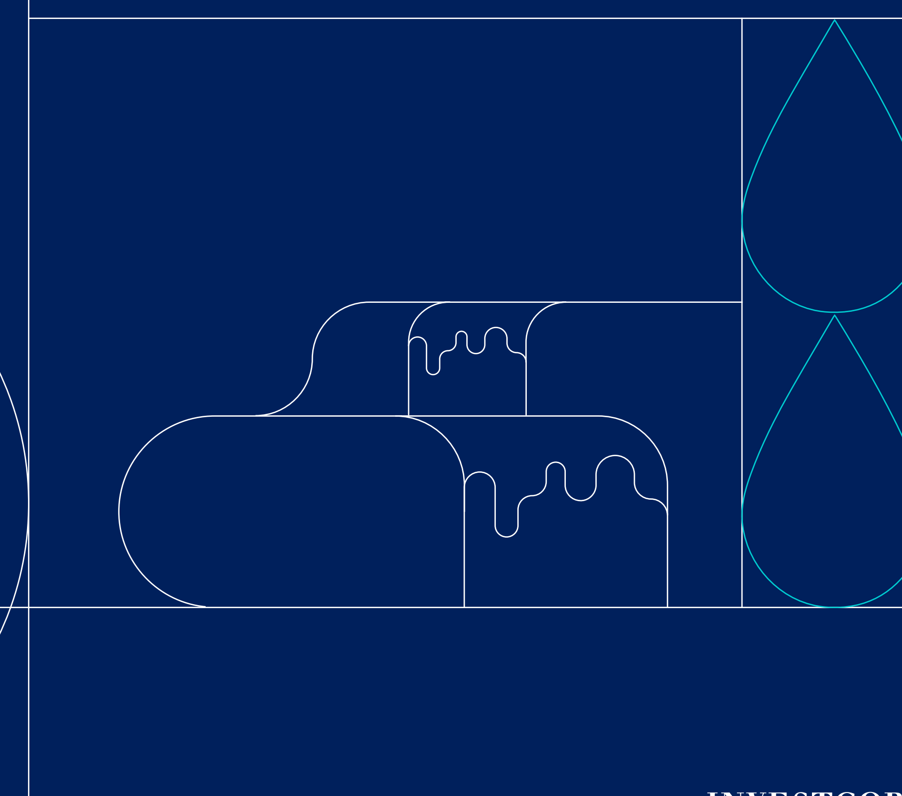
One of the major challenges we face is competition from disorganized players in the food industry, where customers have a culture of buying from wet markets. We will continue innovating and differentiating ourselves from the wet markets to maintain our market position and attract new customers to our fresh produce. Additionally, as we expand our operations, we will need to ensure that we comply with all relevant regulations and standards in the various regions where we are active. Ensuring compliance with food safety regulations, labor laws, and environmental standards will require considerable resources, especially in countries with complex regulatory frameworks.

Although we will need to navigate a number of challenges in the years ahead, I believe we are well positioned to take advantage of the growing demand for fresh food delivery.



04

Transitioning to a Zero-Carbon Economy



Financing the Transition

The shift to a zero-carbon economy will require an unprecedented level of investment, but it also presents a huge economic opportunity for investors worldwide.

James Socas
Managing Director,
Head of Climate Solutions

We believe that the investment community can play a major role in shifting green technologies towards greater economic feasibility, and we are carefully studying how we can deploy capital and leverage our expertise to help companies and consumers to decarbonize their business activities and everyday behaviors.

The Intergovernmental Panel on Climate Change (IPCC) recently reported that there is "a brief and rapidly closing window of opportunity" to forestall catastrophic changes to climate conditions driven by greenhouse gas (GHG) emissions.[7] Atmospheric carbon dioxide (CO_2) was estimated to have averaged approximately 417 parts per million (ppm) in 2022 and is now 50% higher than pre-industrial levels.

The warming effects caused by these trapped gases has raised average global surface temperatures an estimated +1.1 degrees Celsius (+1.9 degrees Fahrenheit) since 1880, with the majority of the warming occurring since 1975. Avoiding catastrophic climate change requires a massive transition to non-carbon-based energy sources as well as a reduction in emissions of CO_2 and other GHGs in many other areas, impacting virtually every sector of the global economy.

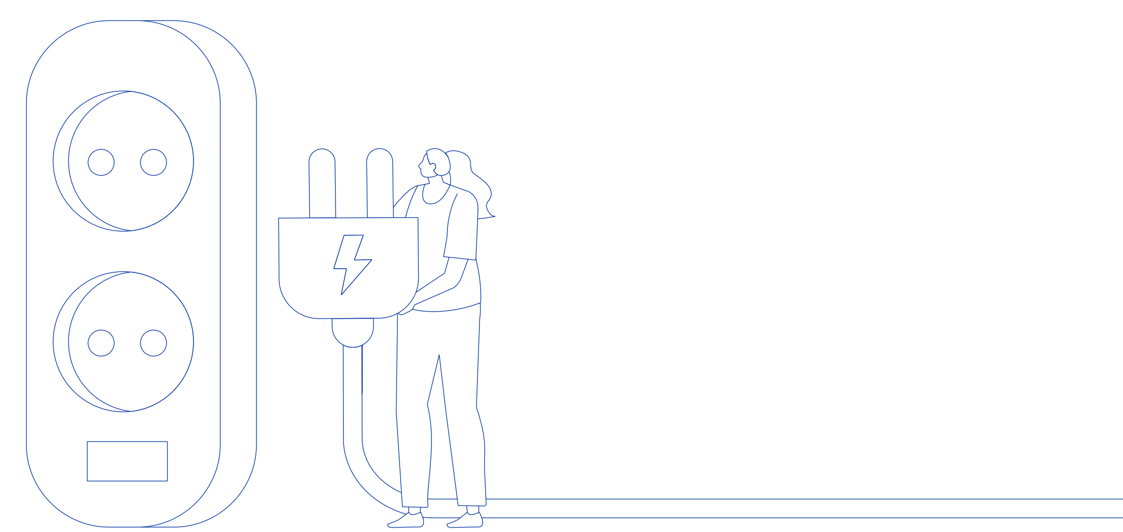
Today, nearly 2,000 of the world's leading corporations have made commitments or announced plans to establish science-based targets that provide clearly defined pathways to reduce emissions in line with the Paris Agreement's temperature goal. These "net zero" or decarbonization goals will require new products, services, and information, many of which are in the early stages of commercial deployment and will need capital and operational expertise to rapidly and successfully scale. We believe these factors are creating an unprecedented level of support for new climate solutions.

Increasing government regulation and compliance, new financial incentives such as those in the US Inflation Reduction Act, shareholder activism, consumer purchasing trends, and growing public awareness of climate challenges are lending additional momentum to decarbonization. Recognizing the opportunity, many innovative new businesses are forming to provide novel climate solutions. Likewise, many existing businesses that are not currently directly focused on climate topics are seeking capital and expertise to reposition or restructure their solutions or services to serve the large and rapidly growing decarbonization and climate-driven markets.

While the exact amount of capital required for decarbonization and the energy transition is difficult to measure due to numerous variables, the scale is enormous. McKinsey estimates that approximately $9.2 trillion per year will be required to fund what will be one of the largest systemic changes in our history. To meet near-term emissions reduction goals for 2030 and 2050, this capital will need to be deployed in a short timeframe.[8]

As one of the world's leading alternative asset managers, we have advantages of scale in identifying, investing in, and adding value to the most promising climate solutions investment opportunities. We believe our success in building high-performing companies, our broad alternative asset management businesses and unique global network, coupled with our deep sector expertise in highly relevant markets such as real estate, will be key enablers for successfully investing private capital in the climate solutions opportunity. ›

WE HAVE ADVANTAGES OF SCALE IN IDENTIFYING, INVESTING IN, AND ADDING VALUE TO THE MOST PROMISING CLIMATE SOLUTIONS INVESTMENT OPPORTUNITIES



[7] Climate Change 2022: Impacts, Adaptation and Vulnerability, IPCC, February 2022.
[8] The Net Zero Transition, McKinsey, January 2022.

Financing the Transition *(cont.)*

> We have a limited window of time to decarbonize which requires rapidly scaling new products and services and repurposing existing solutions. Investcorp's commitment and leadership can help accelerate the changes required.

We believe the time to invest in businesses providing technology and services that support decarbonization and address the impacts of climate change is now, given the importance of the next decade in meeting emissions reductions goals. We are also seeing enormous tailwinds from commercial market dynamics. Whereas ten or even five years ago, the costs of decarbonization were economically unattractive or prohibitive, that equation has now shifted, driven by supply and demand, economies of scale, and improving unit economics as new solutions progress up the learning curve. We are also consumers of these solutions ourselves as we look to meet Investcorp's own climate goals.

The improving value proposition of decarbonization is illustrated in transportation. In the past, electric vehicle (EV) adoption has faced three disadvantages: charge spots, charge time, and price. Counterbalancing those challenges were two economic advantages: fueling an EV costs less than gas or diesel, and electric motors require much less maintenance and service expense than a combustion engine. In the past five years, the disadvantages of EVs have been significantly reduced. According to some projections, the number of global EV charging stations will grow from 2.3 million stations in 2022 to 16.8 million by 2028, a CAGR of approximately 40%. Charge times have also fallen to approximately 30 minutes for a 150-mile charge. EV sticker prices have declined due to greater competition, government incentives, and falling prices for lithium and other battery materials. Prices are likely to continue trending lower as Tesla, General Motors, Ford Motor and their battery suppliers ramp up new factories, reaping the cost savings that come from mass production, and as fast-growing new players such as China's BYD gain market share.

We believe the decarbonization transformation is comparable to the disruption and wealth creation of the digital revolution, which created large new market and product categories and gave rise to rapidly dominant new businesses such as Amazon, Baidu, Google, Microsoft, and SAP. However, the climate solutions opportunity has the potential for more rapid value creation given the urgency and tight timeframe to address climate change and its risks. We look forward to bringing Investcorp's successful experience in launching new business lines to climate solutions and to sharing more of our thinking in the near future.

Building Carbon Accounting Resilience

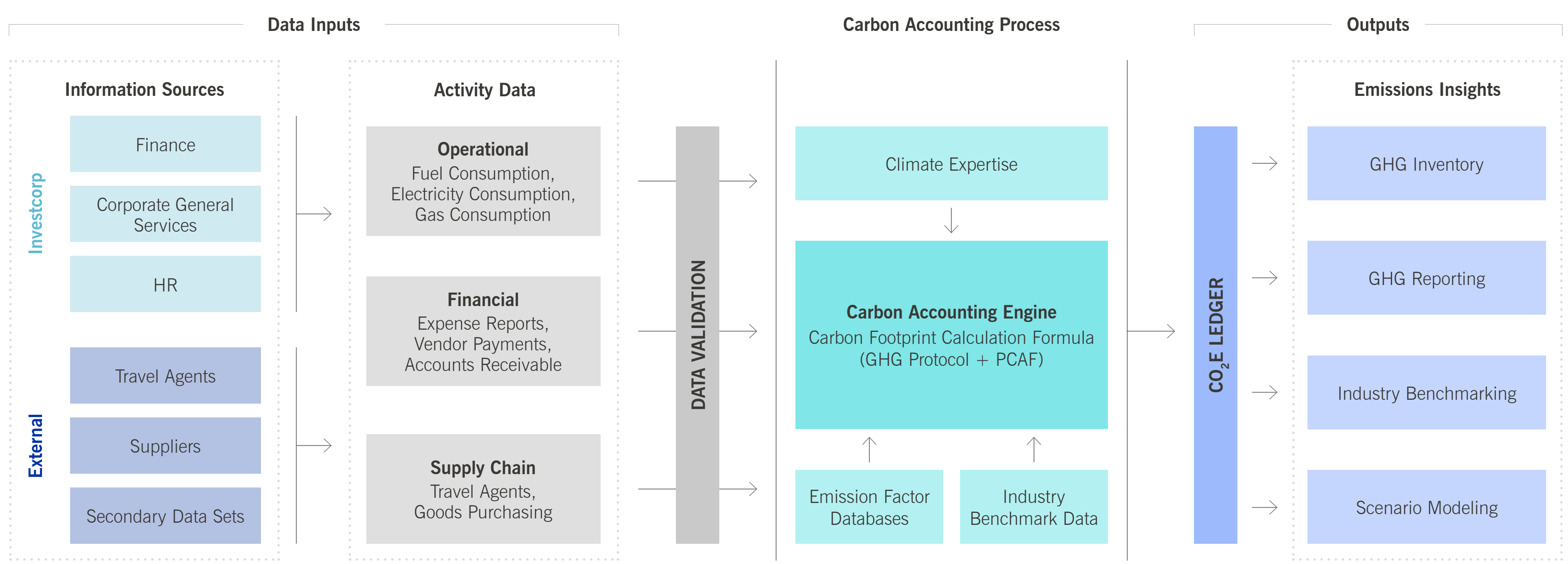
The effective management of greenhouse gas (GHG) emissions inventories presents a significant data challenge for companies worldwide.

While certain industries may have already overcome this challenge, particularly where emissions disclosures have long been an expectation driven by regulatory or other requirements, the great majority of businesses are tackling this issue for the first time.

The challenge lies in gathering, organizing, and verifying data from multiple sources, under what is typically a fragmented data ownership model where multiple people or teams are individually responsible for each separate data set. For smaller companies with operations in a single country or location, the problem is arguably easier to deal with, partly due to the smaller universe of data sources required, but also for practical reasons where co-location of teams can be hugely beneficial.

For companies that operate in multiple countries, and even before taking into consideration variances in regulatory requirements and carbon accounting methodologies, the gathering, verification, and processing of data can quickly become a time consuming and challenging task. In our case, for example, we needed to coordinate the collection and assessment of energy consumption and other data from 14 locations in 10 countries, 17 external suppliers, and multiple individual internal data owners, capturing approximately 296,000 individual source data points last year. As the boundaries of inventories included in emissions reporting expand, the amount of data involved will also grow rapidly.

Figure 12: Investcorp's carbon accounting process



Last year we decided to implement carbon accounting software, an important step to digitize a central system of record for the firm's climate-related data. This not only serves to reduce the operational inefficiencies inherent in the carbon accounting process, but also improves our ability to meet the expectations of our investors and satisfy emerging compliance requirements.

Furthermore, improved data will enhance our ability to understand the carbon impact of our business decisions, identify emissions reduction intervention opportunities, and manage related risks in a manner that addresses the needs of our multiple stakeholders.

Building Carbon Accounting Resilience *(cont.)*

Data challenges we sought to address

Collection

Emissions-related activity data is often managed by multiple people operating across multiple geographies from across an organization. Such data has historically been collected for other purposes (e.g., aggregating energy spend), but standardized data collection templates for carbon accounting purposes is not always available. Where standardized spreadsheets are used or introduced, data population can be subject to human error, particularly when data is being sourced from multiple primary data sources.

Validation

The process of checking the integrity, accuracy, and structure of all data inputs, which can easily run into the hundreds of thousands of individual data points, can become an extremely time consuming, resource intensive, and error prone effort.

Completeness and accuracy

Emissions-related activity data is a relatively new area of focus for most companies and has therefore not been subject to the accounting rigors required of traditional financial data. This can result in data sets that are either incomplete, inaccurate, or both, requiring manual intervention to account for data gaps and improve the overall quality of a data set.

Variance

Emissions inventories include multiple types of activity data that form the basis of calculating an emissions footprint, and data sets for the same activity type are not always comparable year-on-year (e.g., invoicing periods for energy consumption may vary from month-to-month or from year-to-year). The manual manipulation and management of this data increases the risk of human error when conducting accounting calculations.

Standardization

There is low standardization of activity data types and existing standards allow for discretion with respect to the use of calculation methodologies. This is particularly relevant for Scope 3 accounting, where data from external suppliers is not under the reporting entity's control, which can introduce a degree of inconsistency in the carbon accounting process.

While this effort has specifically focused on Investcorp's own corporate emissions, the process has helped us to better bridge certain carbon accounting knowledge gaps that exist within our portfolio companies, many of which have recently commenced their own carbon footprint assessments.

We continue to digitize and automate the collection of greater amounts of climate-related data at Investcorp, enabling us to generate more accurate, reliable, and real-time analytics of our GHG emissions profile. At the same time, we expect to ramp up efforts to digitize the collection, analysis, and management of other non-financial data, both from within the firm and from our portfolio companies.

We believe that comprehensive and digitally accessible data sets will allow us to conduct more meaningful data analysis. When combined with financial and other secondary sources of data, these resources enhance our ability to make more informed investment decisions for the benefit of our clients and other stakeholders.

Our Corporate Operations

In 2021 the operation of buildings accounted for 30% of global final energy consumption and 27% of total energy sector emissions, according to the International Energy Agency's latest progress tracker.

Global carbon dioxide emissions from the operation of buildings need to decline by half by 2030 to align with a credible pathway to net zero, requiring significant efforts to reduce energy demand through clean and efficient technologies in all end-uses, and to leverage the potential of behavioral changes.

Last year we outlined some of the actions we were taking to reduce our direct impact on the environment. These activities ranged from "low hanging fruit", such as office-wide recycling and lighting upgrades, to transitioning to renewable sources of electricity where feasible, and taking a "sustainable by design" approach when fitting out and launching new offices. We also completed an environmental audit of our largest offices in New York, London, and Bahrain to help us determine what steps we could take to drive further progress in line with our commitment: to help meet the Paris Agreement goal of limiting global warming to well-below two degrees Celsius, and pursuing efforts to limit it to 1.5 degrees.

Net zero environmental audit

The results of the environmental audit identified a number of measures that could theoretically be implemented to improve energy efficiency practices within our offices, with the twin objectives of reducing carbon emissions over time and generating cost savings. These measures also took certain site-specific factors into account, including the age, quality, and current condition of the fabric of the buildings we occupy, our position as owner or tenant – and in the case of the latter, the remaining lease term – and market-specific considerations such as weather, grid intensity, and whether buildings were located in "conservation areas". The intervention measures can be categorized into five broad categories:

1. Energy efficiency
2. Optimization
3. Heat decarbonization
4. Renewables
5. Retrofits and building fabric upgrades

The measures identified were exhaustive in nature, each with an associated projected cost and time to implement, payback period, and potential energy savings that could be achieved. In many instances, the recommended measures were either not operationally or commercially feasible without causing significant disruption to everyday work. Our efforts over the past year, as listed below, have therefore been focused on intervention measures that could generate the greatest impact at the lowest cost, while we concurrently assess how we move forward from here.

Energy efficiency

Our Bahrain office is our largest office by occupied square footage and accounted for the majority of our total emissions arising from our use of purchased electricity in FY22. Our evaluation of energy efficiency interventions for our Bahrain office highlighted inefficiencies in the use of power in our buildings, resulting in an opportunity to use electrical energy more efficiently.[9]

We therefore embarked on a major upgrade project last year to install Automatic Power Factor Control (APFC) panels in our buildings in Bahrain to significantly improve electrical energy efficiency in our buildings. We expect that this will not only result in significant energy cost savings, but will more importantly reduce overall carbon emissions of the power system in Bahrain by an estimated 400 tons of CO_2 per year.[10]

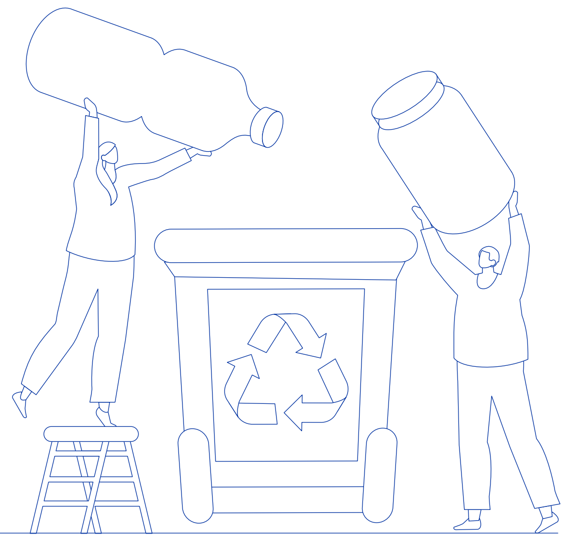
In London, we identified opportunities to upgrade non-LED lighting and manual switching to more energy efficient alternatives; we accordingly installed passive infrared sensors throughout the office. These sensors work by detecting the presence of people in a room and adjusting lighting needs as required, thereby ensuring rooms are only lit when they are occupied and thus reducing energy waste. This has been a cost-effective and practical way to improve the building's energy efficiency. In addition, we identified an opportunity to install time controls to the variable refrigerant flow (VRF) system and reduced run times accordingly.

In New York, efficiency measures to reduce energy use relate primarily to lighting upgrades. Lighting fittings and a controls strategy has been implemented on certain floors in this office as part of a recent refurbishment. An implementation feasibility project to upgrade fittings on the remaining floors that we occupy is currently underway. ›

[9] Electrical efficiency can be assessed through measuring the "power factor" of an individual piece of equipment or of an entire building, with the ideal power factor being one, indicating perfect conversion of electrical power supplied into useful work output. When the power factor is less than one, the 'missing' power is known as reactive power, and whilst some reactive power is unavoidable, excessive inefficiencies do arise. Such inefficiencies result in higher energy costs through penalties levied by utilities providers and increased overall carbon emissions of the electricity supply system but can also largely be corrected through power factor correction measures.

[10] Estimation provided by third-party consultant based on data and information available at time of installation. Annual reduction in reactive power (kVArh) usage by installing APFC panels (to maintain a power factor of 0.91) is estimated at approximately 343,000 kVArh. Carbon emissions per kVArh are estimated as 1.18 kg, resulting in a total estimated reduction in carbon emissions of 400 tons of CO_2 per year.

Our Corporate Operations *(cont.)*



Optimization

A significant driver of energy and emission reductions across our major offices is to implement building controls and optimization measures.

In London, where we use both gas and electricity to provide lighting, power, heating, and cooling to our London-based employees, the greatest opportunity to reduce energy consumption is by eliminating excessive gas baseloads, and a project is currently underway to identify sources of potential heat loss. We also continually review control settings and schedules for the heating system.

Other measures identified include a reduction in the operating hours of air handling and fan coil units, the majority of which are under building management system control. Setting technical controls to desktop monitors, forcing them into sleep mode when not in use, was also identified as an opportunity to achieve significant savings and has been implemented accordingly.

Heat decarbonization

We completed a major upgrade project in London, which we expect will have a significant impact on energy usage, to replace inefficient direct fire gas boilers with condensing boiler alternatives that are capable of high seasonal efficiencies in excess of 90%. These boilers offer vastly superior performance compared with the typical 70-80% efficiency range of the previous boilers and have lower associated nitrogen oxide emissions, which have been shown to have negative impacts on air quality and human health.

Renewables

Our ability to leverage green tariffs in certain countries, such as Bahrain, are currently limited, but we expect to benefit from a progressively lower grid intensity as Bahrain's energy mix transitions to greater use of renewables over time.

In London, we continue to meet 100% of our electricity needs with certified renewable energy sources, which has resulted in the elimination of emissions associated with our use of electricity in London.

Retrofits and building fabric upgrades

In Bahrain, the majority of our buildings' energy consumption is due to space cooling, given Bahrain's high summer temperatures. The most significant decarbonization opportunities therefore relate to reducing the building's cooling load and associated electricity consumption. Measures to achieve this involve either fabric improvements or major plant refurbishments, but these measures are highly cost intensive and very disruptive.

In New York, we operate out of five floors in a LEED Gold certified building. The building has recently undergone extensive refurbishment, which included the installation of high-performance glazing on the building's façade, along with upgrades to the landlord-controlled HVAC system, both of which have improved the energy performance of the building.

As a tenant, we are limited in the scope of potential opportunities to reduce energy consumption within our tenanted space, but where we have scope to make interventions, we have done so. For example, we completed a major refurbishment project in 2019 to upgrade our own plant and equipment to more efficient alternatives. We also completed upgrades to the lighting and HVAC systems on a number of the floors we occupy.

Green buildings, recycling, and other initiatives

Last year, we commenced the Green Mark certification application process for our offices in Singapore, extending our commitment to embed better sustainability practices gradually and systematically throughout Investcorp. We expect to build on this initiative as we deploy policies related to our use of energy and water, procurement practices, and management of waste across our major offices and, where feasible, in our smaller offices.

In alignment with New York City's move towards Zero Waste by 2030, we have also partnered with our building's recycling program and have implemented other initiatives that limit the use of plastic bottles and utensils, utilizing reusable alternatives instead.

> Decarbonizing corporate operations is no longer just an environmental obligation, it's a strategic imperative. In pursuing sustainable practices, we're not just reducing our energy footprint, we're enhancing operational efficiency, future-proofing our assets, and contributing to a resilient, green economy.

Manal AlAlaiwat
Vice President, Corporate General Services, Gulf & Asia

The implementation of policies and physical upgrades to our office infrastructure are long-term projects from which we expect to see benefits in the coming years. We will seek to leverage our newly implemented carbon accounting software system to track performance over time to better understand how these initiatives have influenced our overall impact on the environment.

Global Carbon Management Program

The transition to a zero-carbon economy not only represents a significant response to the challenges brought on by climate change, but also a remarkable opportunity to reshape consumer behaviors, business practices, and the global economy for the better.

While the need to decarbonize towards a pathway that limits the global temperature rise to 1.5 degrees Celsius is largely undisputed, and the number of countries and companies making public net zero commitments continues to increase, businesses still face the challenge of accurately quantifying the environmental impact of their business activities.

Our annual ESG survey found that the majority of our portfolio companies were unable to provide data on their energy usage, and most were unable to report on their greenhouse gas (GHG) emissions footprint. While this finding is not unexpected for companies of the size and stage in which we invest, it is evident that companies require assistance to understand and reduce their impacts on the environment.

Figure 13: Global carbon management program

Stage	Baseline	Mitigate	Prepare	Reduce
Intended outcomes	• Determine organizational boundaries • Identify energy consumption and other activity data sources • Develop a GHG inventory and establish emissions baseline	• Identify high-impact low-cost carbon reduction initiatives (“quick wins”) • Identify climate-related risks • Develop approach to climate-related risk management	• Define a climate governance structure • Develop a long-term and interim climate strategy • Establish appropriate reduction targets	• Execute on quick wins • Develop decarbonization tactical roadmap • Mobilize resources to execute roadmap

Last year, we launched a global carbon management program, an initiative that provides expertise and support to our portfolio companies to help them measure their carbon emissions, define a transition roadmap, and identify key initiatives to reduce their respective impacts on the environment. The program was designed with the following principles in mind:

Skills enhancement: Ensure key company personnel gain a basic understanding of core climate concepts, relevant carbon accounting methodologies, and how to run a carbon management program effectively, empowering them to take ownership of their energy consumption and carbon emissions management.

Consistency and repeatability: Develop an approach that prioritizes the use of a consistent and repeatable methodology to calculate carbon emissions, while incorporating the unique needs and characteristics of each portfolio company.

Confidence measures: Build an inventory management program that supports company efforts to implement quality control measures to help verify the accuracy and completeness of data inputs and calculations, including documentation of data sources, calculations, and assumptions that could aid an independent third-party audit.

Following the success of a pilot for a company in our North America portfolio, Investcorp’s ESG team is working closely with our investment teams to roll this program out across a core selection of our private equity portfolio companies in North America, Europe, the Middle East, and Asia.

Future plans

The first stage of this initiative is focused on building capabilities that enable our portfolio companies to formulate GHG inventories, establish emissions baselines, and identify high-impact, low-cost carbon reduction initiatives for their respective businesses. As part of this stage, we are also providing access to relevant climate-related training materials, tools, and frameworks.

Over time, we expect to build out this program to support our companies, where most needed, to conduct targeted climate risk assessments, formulate climate management strategies, and develop long-term roadmaps to decarbonize operations and capitalize on emerging revenue generating opportunities.

We believe that by developing climate skills and capabilities, building internal “climate capacity”, and establishing good sustainability governance and processes, our companies will be better positioned to navigate the challenges associated with the transition to a less carbon-intensive global economy.

Spotlight on Real Estate

Approximately 40% of the total global annual carbon emissions are attributed to the building sector, constituting both "embodied" and "operational" carbon. Decarbonizing the built environment is therefore essential to the world's transition to a zero-carbon economy.

Whereas embodied carbon is associated with emissions arising from building materials and the construction process (including periods of renovation or maintenance), operational carbon relates to the emissions resulting from the energy consumed to run a building.

As a global investor in real estate, we recognize that we have a responsibility to develop sustainability programs that ensure our investment portfolios are able to meet increasing regulatory, tenant, and investor decarbonization requirements. This also makes good business sense because, if we do not act, we risk incurring financial losses from carbon taxes, loss of tenants, declining rents, diminished asset value, and loss of clients.

As we are not in the building construction business, carbon reduction opportunities for our assets principally arise from energy efficiency and optimization measures, electrification, on-site renewable energy generation, and retrofit projects. Yet the task of converting buildings from "brown" to "green" needs to be tailored to each asset, taking into account not only the characteristics and location of each building, but also the stage of the investment lifecycle the asset is in. In certain cases, low-cost, high-return interventions can be made relatively quickly, whereas in other cases, investments may not be justified from a fund fiduciary perspective.

Our initial priorities, however, have been to determine the baseline energy consumption and carbon emissions of all of our building assets in North America and Europe, and secondly, to identify and deploy low-cost, high-impact solutions that reduce energy consumption or optimize energy usage.

Data collection

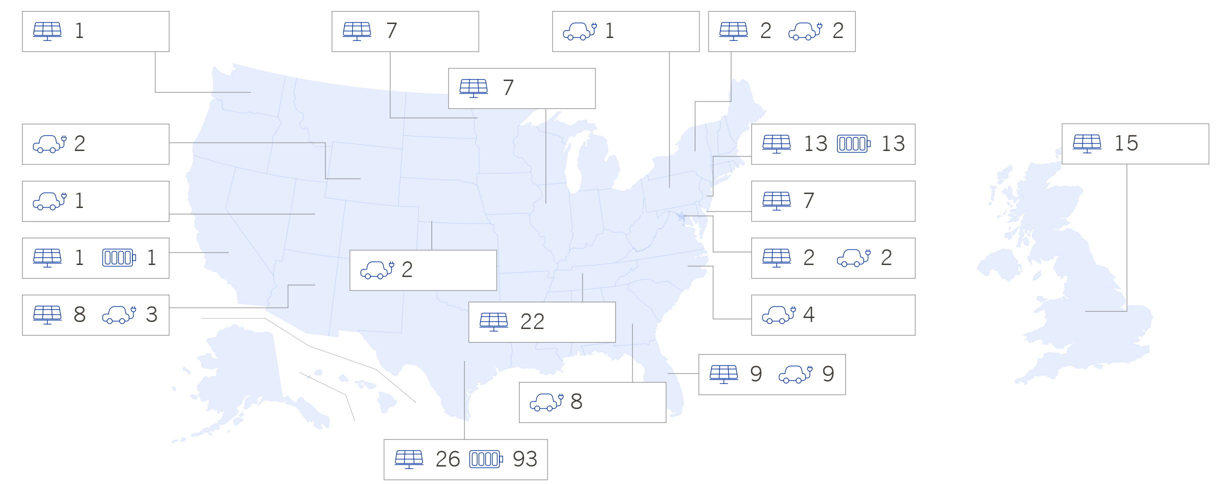
With the support of a third-party consultant, we have begun collecting energy consumption data for all landlord-controlled areas in our buildings across our entire North American portfolio. Where data could not be sourced, we have made changes to lease documentation to include "Green Lease" clauses to assist us in gaining access to valuable energy-related data from our portfolio.

Energy efficiency solutions

We deployed smart building management systems in two of our European office buildings – Anchorage in Manchester, UK and at The Mark in Rotterdam, Netherlands – and expect to reduce energy consumption related to heating, ventilation, air conditioning, and lighting in these buildings.

Both systems continuously monitor the buildings' energy usage, learning from internal feedback systems, and overlay external information such as weather forecasts and utility tariff information to improve energy efficiency. As the systems learn how tenants and occupants use each building, we expect to see reductions in energy consumption, longer component lifetimes, an enhanced occupier experience, and an overall cost saving to the landlord and tenant.

Figure 14: Potential Community Solar, BESS, and EV charging projects identified



On-site renewable energy generation

We conducted a study exploring opportunities to install rooftop solar on our buildings across North America and identified over 200 potential opportunities that would enable our buildings to generate solar power, either for our tenants to use or to feed back into the grid.

- 56 of these identified opportunities could potentially capitalize on the Community Solar program, which involves us investing to deploy solar panels on our buildings' roof space to provide meaningful amounts of clean energy to our tenants and to the community. Desktop analysis of these potential project sites indicated that if all were deployed, they could provide approximately 40MW of energy and avoid nearly 37,000 tons CO_2e per year.
- Where sites were rejected under current market conditions, alternative options for Battery Energy Storage System (BESS) and Electric Vehicle (EV) charging opportunities were also considered. We found 107 sites where it was feasible to install BESS technology, with the potential to generate approximately $1m in additional revenue, and 34 sites which were suited to capitalize on rapid adoption of electric vehicles by installing EV chargers.

Concluding remarks

We note that some intervention projects, such as deploying renewable solar infrastructure, often involve long implementation periods, so the anticipated environmental benefits may only be realized several years after project commencement. We believe that these projects are nonetheless necessary to enable the built environment to successfully transition to a credible pathway to net zero. Furthermore, they are likely to make our assets increasingly attractive to prospective buyers over the long term.

Empowering Sustainable Practices

INTERVIEW

RESA Power is a provider of power services to enhance the safety, reliability, and efficiency of electric power systems. Since December 2021 and following our first full year working alongside the team, we have supported RESA in identifying a number of opportunities to more closely align the company's ESG efforts and its business strategy. We sat down with RESA's Health and Safety Director, Valer Banushi, to discuss how RESA is creating a safer workplace, building stronger cybersecurity practices, and enhancing the employee experience to make RESA the employer of choice.

Nicky McGrane
Managing Director,
Private Equity,
North America

Valer Banushi
HSE Director,
RESA Power

COMPANY
RESA Power

YEAR INVESTED
December 2021

REGION
USA

SECTOR
Electrical & Electronic Equipment

INTERVIEWEE
Valer Banushi, HSE Director, RESA Power

INTERVIEWER
Nicky McGrane, Managing Director, Private Equity, North America

Q **Nicky McGrane:** In your role as HSE Director at RESA Power, can you talk about your responsibilities and how your role has expanded to cover ESG?

A **Valer Banushi:** As the Environmental Health and Safety Director for RESA Power, my primary responsibilities have focused on enhancing our workplace safety standards and understanding the impacts of our operations on the environment. More recently, my role has expanded to include broader aspects of ESG, including working with my colleagues in HR and IT on topics such as cybersecurity and how we can ensure RESA remains an employer of choice.

Q **Nicky:** We've talked previously about the importance of creating not only a safe workplace, but also a company that people want to join and build their careers at for the long term, and I know that we've done some great work on this front with the recent employee ownership initiative – can you tell us about that?

A **Valer:** We recognize that without the dedication and hard work of our people, we would not have been able to make RESA the success it is today. So, in recognition of the service and contribution of our staff, last year we launched an employee ownership plan, where we made all employees with at least a year of service at RESA shareholders of the company. This is a unique program in our industry and we're confident that it will not only improve employee engagement across the company, but also position us as the employer of choice.

Q **Nicky:** A core part of RESA's business is in the remanufacturing of electronic components for resale – can you tell us about how the process works and its role in promoting a circular economy?

A **Valer:** RESA is a well-known provider of reconditioned and obsolete circuit breakers as well as electrical distribution and control components. Thanks to our vast vintage component inventory, we can supply our customers with equipment that is very hard to find. When a single breaker or component needs to be substituted in a switchgear, and it cannot be found or remanufactured, the entire switchgear lineup needs to be replaced with a new OEM solution that can cost millions of dollars. For a small fraction of the cost, we can step in and find the one part that needs replacing, remanufacture it, and install it into the existing gear to prevent the customer from having to replace the entire switchgear.

This benefits both the customer, via shorter lead times and cheaper components, and the environment, through reduced waste and increased component lifetime. We incentivize reusing products, rather than scrapping them and extracting new resources. Our practices reduce all forms of waste, such as scrap metal and obsolete electronics, as parts are returned to the economy or used more efficiently.

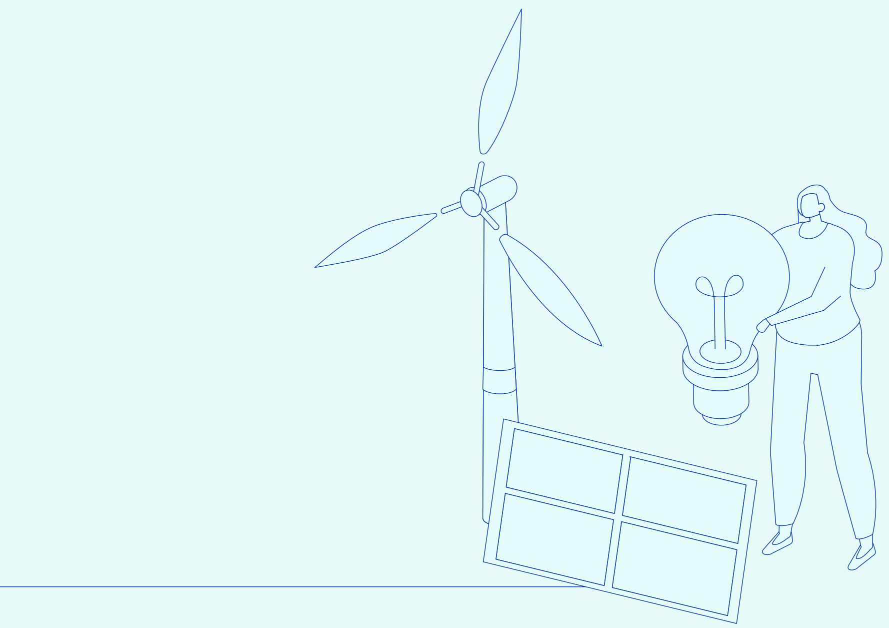
Q **Nicky:** You were the first of our portfolio companies to pilot Investcorp's newly launched carbon management program to baseline your emissions. What can others who are embarking on this journey for the first time learn from your experience?

A **Valer:** Working with Investcorp to document GHG emissions has really been a painless process. We overestimated the amount of usable primary data we had, so this process helped us to get the secondary and tertiary data to combine it with in order to generate a very accurate estimate.

The process and tools used to gather this data required some getting used to, but we found that the people involved in this effort provided helpful guidance and suggestions as to how to integrate a data collection process into regular business processes. This was the biggest lesson we learned for next year. We now have a baseline report that helps us change some of our basic business practices, such as expense reporting and gas card usage, to ensure we have more granular spend reports that can identify, for example, gas or diesel fuel usage in vehicles and at facilities. ›

Empowering Sustainable Practices *(cont.)*

INTERVIEW



Nicky: Can you tell us about some of the key initiatives you have planned for the next twelve months?

Valer: The output from the emissions work allows RESA to pinpoint where the most significant emissions are coming from and to tackle those first. Over the next twelve months we plan to implement some basic initiatives to reduce energy usage at our over thirty facilities in the US and Canada. Some of the facilities do not have control of thermostats or automatic lights, so implementing smart thermostats and lights to reduce energy usage at our facilities will be one of many first basic steps to improve our emissions footprint. Now that we have a baseline, we can track reduction percentage year on year and set site-specific targets to give each facility a clear plan and goal to shoot for.

Nicky: What do you see as the biggest challenges for your industry to transition to net zero and how you do hope to overcome them?

Valer: RESA is heavily aligned with the renewables industry with respect to our role in supporting the commissioning of wind and solar farms. The work to build this infrastructure is an emissions intensive activity. However, RESA can assist by by improving the efficiency of the infrastructure. As more and more sites are commissioned, we will continue to support the huge transition to net zero emissions for power generation.

05

Corporate Disclosures

SASB Disclosure

For the year-ended 30 June 2022

Transparent Information & Fair Advice for Customers

FN-AC-270a.1

(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings.

To our knowledge, there have been no covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings.

FN-AC-270a.2

Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers.

To our knowledge, Investcorp did not sustain any monetary losses in the reporting period as a result of legal proceedings associated with its marketing and communications to customers, as described above.

FN-AC-270a.3

Description of approach to informing customers about products and services.

When communicating with clients about our investment management services and specific products, we are subject to various laws and regulations, as well as Investcorp's own policies, procedures, and guidelines requiring our communications to be clear, fair, and not misleading. Additionally, we consider the nature of the audience to which our communications are directed and provide the appropriate details and explanations.

Employee Diversity & Inclusion

FN-AC-330a.1

Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.

Gender Representation of Global Employees (%)

	Female	Male	N/A*
Executive Management	8%	92%	0%
Non-Executive Management	29%	71%	0%
Professionals	34%	66%	0%
All Other Employees	71%	29%	0%
Total	**35%**	**65%**	**0%**

* N/A = not available or not disclosed by Investcorp employees.

Racial/Ethnic Group Representation of US Employees (%)†

	Asian	Black/ African	Hispanic/ Latino	White	Other^	N/A*
Executive Management	19%	0%	0%	81%	0%	0%
Non-Executive Management	31%	0%	2%	67%	0%	0%
Professionals	29%	0%	5%	58%	0%	8%
All Other Employees	21%	7%	7%	50%	0%	14%
Total	**27%**	**1%**	**3%**	**65%**	**0%**	**4%**

^ Other includes the classifications: Native American or Alaska Native, Native Hawaiian or Pacific Islander, and "Two or More Races."
* N/A = not available/collected or not disclosed by Investcorp employees.
† Totals may not sum to 100% due to rounding.

We provide further information about our employee diversity and inclusion initiatives and how we foster equitable employee representation across our global operations in section three of this report.

Incorporation of ESG Factors in Investment Management & Advisory

FN-AC-410a.1

Amount of assets under management, by asset class, that employ (1) integration of ESG issues, (2) sustainability-themed investing, and (3) screening.

Investcorp's Responsible Investment policy ("Policy") provides a broad framework for Investcorp's approach to integrating ESG considerations across our investment businesses. The Policy applies to all lines of business where we have sole operational control, which constitutes the majority of our total assets under management. A small percentage of our reported assets under management falls outside the scope of this Policy, but we note that our framework is not inconsistent with existing ESG policies and processes currently in effect in these businesses on a standalone basis.

As of 30 June 2022, Investcorp had $42.7 billion in total assets under management. Please note that we are not currently providing a breakdown of our assets by the recommended categorization of this accounting metric.

FN-AC-410a.2

Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies.

Our approach to the incorporation of ESG factors is described in our Responsible Investment policy, which is available for download on our website. ›

SASB Disclosure *(cont.)*

FN-AC-410a.3

Description of proxy voting and investee engagement policies and procedures.

In relation to unquoted investments, the Group's approach is to seek to add value to the businesses in which the Group invests through the Group's extensive experience, resources, and contacts and through active engagement with the Boards of those companies. In relation to quoted investments, if any, the Group's policy is to exercise voting rights on all matters affecting its interests.

Business Ethics

FN-AC-510a.1

Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, and anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations.

Investcorp did not sustain any monetary losses in the reporting period as a result of legal proceedings associated with the conduct as described above.

FN-AC-510a.2

Description of whistleblower policies and procedures.

Please refer to our 2022 Corporate Governance report for a full description of our whistleblower policies and procedures.

Investcorp also makes available an anonymous whistleblowing hotline and reporting website, which is administered on behalf of Investcorp by an independent external third party.

Activity Metrics

FN-AC-000.A

(1) Total registered assets under management (AUM) and (2) Total unregistered AUM.

(1) Total registered AUM was approximately $556.2 million as of 30 June 2022. Our registered AUM includes funds subject to the Undertakings for Collective Investment in Transferable Securities (UCITS) Directive.

(2) Total unregistered AUM was approximately $42.1 billion as of 30 June 2022. Our unregistered AUM equals total AUM minus total registered AUM.

FN-AC-000.B

Total assets under custody and supervision.

As of 30 June 2022, Investcorp had total assets under management of $42.7 billion. Please refer to our 2022 Annual Report for further information on Investcorp's total assets under management.

Annual GHG Emissions Statement

During the year to 30 June 2022, our measured Scope 1, Scope 2, and select Scope 3 emissions totaled 4,980.4 tCO_2e, which is equivalent to 10.2 tCO_2e per FTE based on the year-end number of FTEs for the offices considered in this assessment.[11]

Overall, our Scope 1 and Scope 2 emissions decreased slightly this reporting period, with reductions achieved through increased use of renewable electricity in our operations offset by increased activity levels related to a rise in the number of office locations included in the scope of this assessment, an increase in the number of employees at the firm, and the gradual return of staff working from the office.

Emissions from business travel accounted for almost half of our reported Scope 3 emissions and increased 37% compared with the previous year. This rise was driven primarily by an increase in commercial air travel, which constituted 89% of our total business travel emissions. Despite this increase, total emissions arising from business travel were still significantly lower than pre-pandemic levels, driven by greater travel discipline and continued use of video conferencing technologies.

Energy consumption

During the year to 30 June 2022, our fuel and electricity consumption totaled 5,318 MWh, of which 67% was consumed in Bahrain, where renewable electricity sources are still not widely available. Our consumption of renewable energy increased nearly threefold last year, resulting in a rise in the proportion of total energy use from renewable sources to 8.2%.

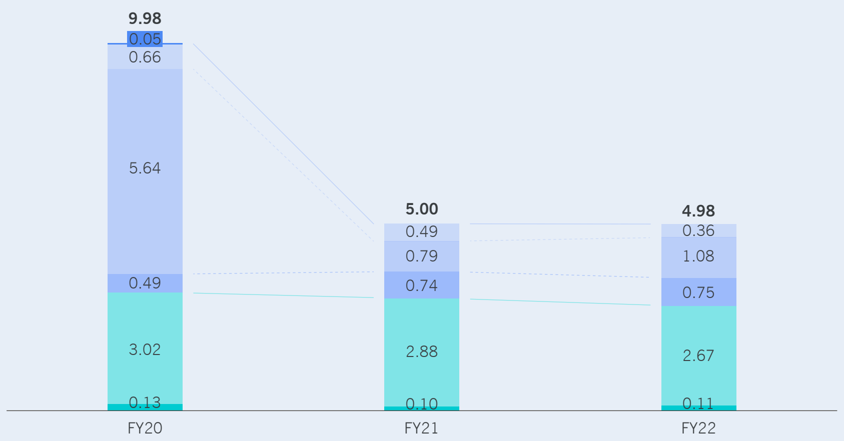
Table 1: Total operational GHG emissions breakdown by source
Tons of CO_2e (tCO_2e), market-based

Emissions Source	FY20	FY21	FY22
Scope 1	**130.2**	**95.9**	**110.5**
Scope 2	**3,018.9**	**2,884.4**	**2,669.9**
Scope 3 (select)	**6,830.9**	**2,020.9**	**2,200.0**
Fuel- and Energy-Related Activities	486.0	742.2	752.8
Business Travel	5,640.2	793.3	1,084.1
Commuting & Teleworking	658.7	485.7	363.1
Upstream Leased Assets	46	0	0
Total GHG Emissions	**9,980.0**	**5,001.2**	**4,980.4**
Emissions intensity per FTE[12]	**22.2**	**11.8**	**10.2**
Emissions intensity per $M Revenue[13]	**56.1**	**10.8**	**9.6**

Table 2: Total fuel and electricity consumption
Kilowatt hours (kWh)

All figures in kWh[14]	FY20	FY21	FY22
Electricity	4,985,135.4	4,713,428.6	4,756,359.8
From renewable sources	0	144,727.1	433,390.9
Fuels[15]	628,280.2	465,200.3	561,293.2

Figure 15: Total Scope 1, 2, and select Scope 3 GHG emissions
Thousands of tons of CO_2e (tCO_2e), market-based



[11] Total number of year-end FTEs are based on numbers extracted from internal HR systems.
[12] Emissions intensity per FTE for Scope 1, Scope 2, and select Scope 3. Total number of FTEs are based on year-end numbers extracted from internal HR systems.
[13] Emissions intensity per USD million revenue for Scope 1, Scope 2, and select Scope 3 emissions.
[14] Fuel conversion factors sourced from the UK Government Department for Environment, Food and Rural Affairs (DEFRA) to convert petrol fuel usage into kWh.
[15] Refers to natural gas and transportation fuels (petrol).

GHG Reporting Criteria

This section has been prepared in alignment with the GHG Protocol's Corporate Accounting and Reporting Standard, the Corporate Value Chain (Scope 3) Accounting and Reporting Standard, and the Technical Guidance for Calculating Scope 3 Emissions.

We have taken an operational control approach when consolidating our organizational boundary, accounting for GHG emissions from operations over which Investcorp has operational control.[16] The GHG categories and associated activity data that constitute our operational boundary are outlined in the table below.

Emissions are estimated by multiplying activity data with corresponding relevant emission factors.[17] All emissions are then converted into tons of CO_2e (tCO_2e) using the global warming potential factor to express GHG emissions in a comparable manner and ensure consistency in reporting over time and for different emissions sources, globally.

The emission factors used to estimate emissions are either country-specific or based on regional or global averages, and therefore emissions are intended to represent a relevant estimate of the firm's carbon footprint. Note that the general approach to estimating emissions for each fiscal year considers activity data split across two calendar years but leverages the latest available emission factors for any one fiscal year (e.g., for FY22 activity data, emission factors for the calendar year 2022 were used, and where this was unavailable the latest available emission factors were applied).

Scope	Category	Definition	Activity Data
1	Stationary Combustion	Emissions related to natural gas combustion within boilers.	Gas consumption (in kWh) is received directly from supplier invoices.
	Mobile Combustion	Emissions related to fuel combustion within leased and owned vehicles.	Fuel consumption (in liters) for each company vehicle is based on total spend on fuel as extracted from the Group's internal logs, which includes the average cost of fuel per liter in each location per month.
2	Purchased Electricity	Emissions related to purchased electricity for our own use.	Electricity consumption (in kWh) is received directly from supplier invoices or building managers and/or landlords, where applicable.[18]
3	Fuel- and Energy-Related Activities [3]	Emissions related to the production of fuels and energy purchased and consumed for our own use, that are not included in Scope 1 or Scope 2.	Gas consumption (in kWh) is received directly from supplier invoices. Fuel consumption (in liters) for each company vehicle is based on total spend on fuel as extracted from the Group's internal logs, which includes the average cost of fuel per liter in each location per month. Electricity consumption (in kWh) is received directly from supplier invoices or building managers and/or landlords, where applicable.[18]
	Business Travel [6]	Elements of business travel which contribute to emissions including air, rail, rental vehicles, and overnight hotel stays.	The distance travelled for commercial air and rail travel is sourced directly from travel logs received from suppliers; where distance travelled is not available, as is the case of business travel using rental cars and private air travel, emissions are estimated based on spend using travel logs received from suppliers. With respect to the use of hotels for business travel, emissions are estimated based on the number of nights stay and the region of the hotel for each business trip, both of which are sourced from travel logs received from suppliers.
	Commuting and Teleworking [7]	Employee commuting and homeworking to account for remote working activities occurring at employees' homes.	For teleworking, the number of staff working from home per month is estimated by subtracting the number of staff onsite in any one office (based on building access logs maintained by building security personnel, where available) from the total number of staff employed in that office for that time period.[19] Emissions related to homeworking have been prepared in accordance with a methodology outlined in a recent industry white paper that estimates the average additional fuel and electricity consumed (kWh) by a typical homeworker for each region per month.[20] For commuting, the inverse of the proportion of homeworkers is used to estimate the number of days staff worked from their respective home offices. The distance travelled by each staff member is arrived at by calculating the Great Circle Distance between employees' home addresses and their office of employment; where home address information is not available, an average staff commuting distance for each office is used. The total distance commuted by staff per month is estimated by multiplying the average distance for each office by the number of employees in that office by the inverse of the proportion of homeworkers for each month in the reporting period. Furthermore, Deloitte's City Mobility Index is used to enhance the estimations by factoring in the typical modes of transport used in each region, together with the relevant applicable emission factor for each transportation mode.[21]
	Upstream Leased Assets [8]	Emissions from the use of leased data centers	Average energy usage per month is provided by the data center provider, which is multiplied by time within the reporting period to establish total consumption in kWh.[22]

[16] Emissions related to offices for which both purchased electricity consumption data was unavailable and where there were fewer than four FTEs, have been excluded from the organizational boundary for the purposes of Scope 2 calculations; this relates specifically to our offices in the Cayman Islands and Switzerland.
[17] Emission factors have been sourced from the UK's Department for Environment, Food and Rural Affairs (DEFRA), International Energy Agency (IEA), Comprehensive Environmental Data Archive (CEDA), and the United States Environmental Protection Agency (EPA).
[18] Activity data for the Delhi office was estimated using the Commercial Building Energy Consumption Survey (CBECS) as actual data was unavailable.
[19] The proportion of staff working from home for any one period is based on building access log data, where available, which includes London, New York, and Bahrain only. Where such data is not available, an average of these three locations is used for each other office to estimate the proportion of staff working from home.
[20] For further information, refer to the Anthesis white paper "Estimating Energy Consumption & GHG Emissions for Remote Workers" (February 2021).
[21] For further information, refer to the Deloitte City Mobility Index.
[22] Power consumption (in kWh) is calculated by multiplying the average power usage (in kW) of our data centers in each month by the number of hours in that respective period.

Selected Portfolio Performance Metrics

	ENVIRONMENTAL					SOCIAL						GOVERNANCE				
2021[23]	Total Energy (kWh)	Renewable Energy (kWh)	GHG Emissions Scope 1 & 2 (tCO_2e)	GHG Emissions Scope 3 (tCO_2e)	Total Water (m3)	Diversity Policy	Employee Survey	Employee Survey Participation Rate	Total FTEs	Women FTEs	Board Directors (Women)	Code of Conduct	Anti-bribery / Corruption Policy	Incidents of Fraud, Bribery, or Corruption	Data Privacy Policy	Cyber-security Training
Technology & Communications																
Company A	-	-	109	-	-	Yes	Yes	79%	345	114	10%	Yes	Yes	0	Yes	-
Company B	-	-	-	-	-	No	No	-	171	20	0%	Yes	Yes	0	Yes	Yes
Company C	629,768	290,369	-	-	-	No	Yes	74%	740	-	17%	Yes	No	-	Yes	-
Company D	140,888	98,622	56	-	-	Yes	Yes	57%	70	-	0%	Yes	No	0	Yes	Yes
Company E	48,000	-	-	-	150	No	No	-	70	11	17%	Yes	Yes	0	Yes	No
Company F	-	-	-	-	-	No	Yes	78%	167	73	13%	No	Yes	0	Yes	Yes
Company G	539,920	-	330	105	-	Yes	No	-	556	253	25%	Yes	Yes	0	Yes	No
Company H	-	-	-	-	-	No	Yes	59%	373	109	0%	Yes	Yes	0	No	Yes
Company I	-	-	-	-	-	No	Yes	75%	3,292	300	0%	Yes	Yes	0	Yes	No
Company J	-	-	-	-	-	Yes	Yes	75%	78	37	0%	Yes	Yes	-	Yes	Yes
Company K	-	-	-	-	-	No	Yes	60%	700	276	0%	Yes	Yes	0	Yes	No
Company L	-	-	-	-	-	No	No	-	394	122	20%	Yes	Yes	0	Yes	No
Food & Beverage																
Company A	-	-	-	-	-	Yes	No	-	755	129	0%	Yes	No	0	Yes	No
Company B	13,917,160	-	-	-	24,451	No	No	-	2,255	262	0%	Yes	No	0	Yes	No
Company C	-	-	-	-	-	No	Yes	98%	486	147	0%	Yes	No	0	Yes	No
Company D	17,172,000	-	-	-	195,000	No	No	-	1,585	478	0%	No	No	-	Yes	No
Company E	-	-	-	-	-	No	No	-	193	43	20%	Yes	No	0	No	No
Company F	-	-	-	-	-	No	No	-	1,273	421	17%	No	No	-	No	No
Company G	705,152	-	-	-	-	Yes	No	-	706	171	33%	Yes	Yes	0	Yes	No
Healthcare																
Company A	-	-	-	-	-	No	No	-	1,058	907	0%	No	No	0	No	Yes
Company B	-	-	-	-	-	No	No	-	276	228	0%	Yes	Yes	0	No	No
Company C	-	-	-	-	-	No	No	-	3,401	1,087	0%	Yes	No	55*	Yes	No
Company D	5,293,779	-	-	-	15,365	No	Yes	75%	370	193	0%	Yes	No	0	Yes	Yes
Company E	-	-	-	-	-	No	No	-	84	67	17%	Yes	No	-	Yes	-
Company F	1,467,994	2,527	-	-	5,562	No	Yes	80%	148	27	50%	Yes	Yes	0	Yes	No

[23] This overview presents a selection of the ESG data that we collect on our portfolio companies. The information presented here only relates to companies that participated in the 2022 data collection cycle and does not represent our entire private equity portfolio of investments. Where data has been provided, we have verified the data with each portfolio company, but note that the data has not been independently assured by a third party. The symbol " – " means that data was not provided by the company. All data as of 31 December 2021.

* This self-reported metric can include any event that the company records as a "substantiated incident" according to its own internal company procedures or via a written statement by a regulatory or similar official body; we note that there was no material financial loss to the company in relation to these incidents. It is important to note that internal company procedures and local regulations may differ between companies in different industries and geographies, and therefore direct comparison between companies is not always possible.

Selected Portfolio Performance Metrics *(cont.)*

	ENVIRONMENTAL					SOCIAL						GOVERNANCE				
2021	**Total Energy (kWh)**	**Renewable Energy (kWh)**	**GHG Emissions Scope 1 & 2 (tCO_2e)**	**GHG Emissions Scope 3 (tCO_2e)**	**Total Water (m3)**	**Diversity Policy**	**Employee Survey**	**Employee Survey Participation Rate**	**Total FTEs**	**Women FTEs**	**Board Directors (Women)**	**Code of Conduct**	**Anti-bribery / Corruption Policy**	**Incidents of Fraud, Bribery, or Corruption**	**Data Privacy Policy**	**Cyber-security Training**
Consumer Goods																
Company A	-	-	-	-	-	No	Yes	70%	1,987	362	25%	Yes	No	0	Yes	No
Company B	-	-	-	-	-	No	No	-	309	234	40%	Yes	No	-	Yes	No
Company C	1,540,000	-	-	-	10,848	Yes	Yes	86%	1,097	715	43%	Yes	Yes	0	Yes	Yes
Company D	6,456,716	-	-	-	20,544	No	No	-	1,004	54	11%	Yes	Yes	0	No	-
Services																
Company A	-	-	1,352	28,973	-	Yes	Yes	87%	2,330	-	20%	Yes	Yes	0	Yes	-
Company B	-	-	-	-	-	No	Yes	77%	675	280	0%	Yes	Yes	0	Yes	Yes
Company C	-	-	-	-	-	No	No	-	378	155	17%	Yes	Yes	-	Yes	Yes
Company D	-	-	-	-	-	No	No	-	2,305	24	0%	Yes	Yes	-	Yes	No
Transportation																
Company A	-	-	-	-	-	No	No	-	575	125	30%	Yes	No	0	No	No
Company B	-	-	-	-	-	No	No	-	145	32	0%	Yes	No	-	No	No
Company C	-	-	-	-	-	Yes	No	-	3,000	197	0%	Yes	Yes	0	Yes	No
Infrastructure																
Company A	-	-	-	-	-	No	Yes	89%	928	97	0%	Yes	No	0	No	Yes
Company B	-	-	15,347	384	-	No	No	-	1,190	256	17%	Yes	Yes	0	Yes	Yes
Extractives & Minerals Processing																
Company A	-	-	-	-	-	No	No	-	4,624	47	0%	Yes	No	-	Yes	Yes
Resource Transformation																
Company A	1,055,140	-	-	-	500	Yes	Yes	44%	345	50	0%	Yes	Yes	0	Yes	Yes

Independent Assurance Report

Independent limited assurance report to Investcorp Holding B.S.C.(c) ("Investcorp" or "the Company") on the compilation of selected sustainability key performance indicators ("KPIs") presented within Investcorp's 2022 ESG Report (the "Report").

What we looked at: scope of our assurance work

Investcorp has engaged Deloitte to perform limited assurance procedures on the following selected sustainability information ("Subject Matter") as of 30 June 2022 reported in the Report.

Selected Subject Matter for assurance

Investcorp's reported performance during the given reporting period for a compilation of selected sustainability key performance indicators ("KPIs") presented in the table on page 52 and denoted with the symbol ✓ in the Report:

- Scope 1 GHG emissions;
- Scope 2 GHG emissions;
- Scope 3 GHG emissions;
- Total emissions; and
- Emissions intensity.

Reporting criteria

The above Subject Matter has been assessed against the reporting criteria shown on page 53 of the Report ("Reporting Criteria").

What standards we used: basis of our assurance work, criteria used and level of assurance

We carried out limited assurance procedures over Investcorp's selected Subject Matter in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000") and with the International Standard on Assurance Engagements 3410 "Assurance Engagements on Greenhouse Gas Statements" ("ISAE 3410"). To achieve limited assurance, ISAE 3000 and ISAE 3410 require that we review the processes, systems and competencies used to compile the Report, on which we provide limited assurance. It does not include detailed testing for each of the KPIs reported, or of the operating effectiveness of processes and internal controls.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Consequently, our conclusion is not expressed as an audit opinion.

What we did: key limited assurance procedures

To form our conclusion, we undertook the following procedures:

- Understood the roles and responsibilities of the preparation, governance, and oversight arrangements of the specified sustainability KPIs and assess their preparation against the Sustainability Calculation Methodology included in the Report;
- Performed enquiries with management to understand how the Sustainability Calculation Methodology has been applied in the preparation of the sustainability KPIs;
- Assessed the computation of the Sustainability Calculation Methodology against market practice;
- Reviewed and evaluated the Sustainability Calculation Methodology for measurement and reporting for each of the selected sustainability KPIs against the actual calculation performed by the Company to support the numbers of the selected sustainability KPIs disclosed in the Report; and
- Agreed the selected sustainability KPIs to the Company's internal calculations and supporting documentation.

Inherent limitations

The process an organisation adopts to define, gather, and report information on its non-financial performance is not subject to the formal processes adopted for financial reporting. Therefore, data of this nature is subject to variations in definitions, collection, and reporting methodology, often with no consistent, accepted external standard. This may result in non-comparable information between organisations and from year to year within an organisation as methodologies develop. To support clarity in this process, Investcorp has developed a reporting criteria document for the reported period which defines the scope of each assured metric and the method of calculation. This is available on page 53 of the Report and should be read together with this report.

In relation to our work performed on the selected Subject Matter, we note the following specific limitations:

- Our assurance procedures did not include detailed testing of IT controls of the underlying systems used by Investcorp to collate and report data for the selected metrics.
- With the exception of the selected sustainability KPIs denoted with the symbol ✓ in the Report, our testing did not include assurance of, or detailed testing of the underlying data for each of the KPIs reported, or of published assertions. As such, our work does not involve procedures to verify the accuracy of the performance data or assertions published.

Our independence and quality control

In carrying out our work, we have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour and the ethical requirements that are relevant in the UAE. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. ›

Independent Assurance Report *(cont.)*

In performing our work, we applied International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Roles and responsibilities

Investcorp:

The Company is responsible for the calculation of the selected sustainability KPIs in accordance with the Reporting Criteria. Specifically, the Company is responsible for ensuring that the information provided under the selected sustainability KPIs is properly prepared in accordance with Investcorp's calculation methodologies and confirming the measurement or evaluation of the Subject Matter against the applicable Reporting Criteria. Management is also responsible for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Deloitte:

Our responsibility is to provide a limited level of assurance on the Subject Matter as defined within the scope of work above to Investcorp in accordance with our letter of engagement, and report thereon. In conducting our limited assurance engagement, we have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code).

We confirm that we apply International Standard on Quality Control 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our work has been undertaken so that we might state to Investcorp those matters we are required to state to them in this limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Investcorp for our work, for this report, or for the conclusion we have formed.

Conclusion

Based on our limited assurance procedures performed and evidence obtained, subject to the limitations mentioned above, nothing has come to our attention that causes us to believe that:

- the selected sustainability key performance indicators as of 30 June 2022 have not been prepared, in all material respects, in accordance with the Investcorp Reporting Criteria as appropriate.

Deloitte & Touche,

Deloitte & Touche (M.E.)
30 May 2023

Methodology Statement

This methodology statement refers to the 2022 data collection cycle for a core selection of our private equity portfolio companies.

Data collection

ESG data was collected from each portfolio company through a standardized questionnaire, which was then consolidated, cleansed, and validated. Missing information, errors, inconsistencies, and outliers in the data were then identified. Data was normalized by company size (revenue and number of FTEs) to allow for peer comparison. All submissions were verified for accuracy and completeness with the relevant private equity teams, and where needed, data was confirmed with each portfolio company a second time. Our analysis considered all collected ESG data, including company information such as revenue, company age, and Investcorp ownership gathered internally through our private equity teams.

Scoring methodology

Scoring performed as part of our analysis aims to provide a roadmap for companies to achieve best practice and develop their ESG reporting over time. The scoring is used to reflect policy and metric disclosures submission rates. It does not, however, represent an evaluation of companies' ESG performance on any metric. To avoid oversimplifying the investigated topics and discourage "score gaming", single scores representative of overall ESG performance are not used. High performance on select metrics might offset poor performance on other metrics and potentially mask the need to make improvements in underperforming areas.

All responding companies are assessed on their policy and metric disclosure submission rates across all ESG topics of the questionnaire where points are allocated cumulatively for having a policy or disclosing a certain metric. For some metrics, fractions of a point are awarded per each data point provided and a score of zero is given for unanswered questions. Companies are allowed to respond with "Not Applicable" in cases where the question is not relevant to the industry, operations, or demographic of the responding company. Such instances are subject to approval first and the maximum possible number of points awarded is adjusted so that companies are not penalized. At the end of the assessment, the number of points a company has been awarded for each ESG topic is divided by the maximum number that could have been awarded. The fraction is then converted to a percentage and rounded to the nearest whole number.

Additionally, an overall score (considering policies and metrics combined) was calculated for each ESG topic and averaged across topics. Similarly, two additional subset scores were calculated based on specific groupings of dimensions: SASB score and Investcorp score. The SASB score reflects each company's combined policy and metric disclosures on select ESG topics considered by SASB as "material issues" based on the company's primary industry. Our questionnaire covers 60 – 100% of material issues for most industries of responding companies. Similarly, an Investcorp score is calculated to assess companies' coverage of Investcorp's core universal issues: Governance and Business Ethics; Diversity, Equity, and Inclusion; and GHG Emissions.

Data analysis

All collected KPIs were first segregated into qualitative variables (such as region, ownership group, revenue group, FTE group, sector, and company age) and quantitative variables that include all normalized metrics, policy and metrics submission rates, SASB scores, and Investcorp scores.

We recognize that the most interesting patterns and insights lie at the intersection of different sets of data, which requires more sophisticated data analysis that explores correlations between different ESG factors at a granular level.

Our data analysis approach followed a rigorous three-stage approach:

- First, we conducted a descriptive analysis to get an overview of the data and understand the distribution of variables in the dataset.
- Next, we performed an exploratory analysis, leveraging an automated statistical testing pipeline to highlight patterns and relationships between variables. This stage is critical as it allowed us to screen through a large number of variables and draw out all statistically significant correlations.
- Finally, we conducted a comparative analysis to test relationships between variables, identify best practices and potential weak points, and ensure that any correlations extracted are both meaningful and evidence based.

Important Information

This ESG Report (the "Report") is being made available regarding Investcorp Holdings B.S.C.(c) (together with its subsidiaries and affiliates, "Investcorp") and its efforts on environmental, social, and governance ("ESG") performance. This Report should be read in conjunction with Investcorp's 2022 Annual Report and the information and disclosures contained therein.

The information contained in this Report may not necessarily be complete and may change at any time without notice. Investcorp undertakes no, and expressly disclaims any, obligation to update, amend, or clarify any statements made or information provided, whether as a result of new information, subsequent events, or otherwise.

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Select portfolio investments

This Report contains descriptions and analysis of select portfolio company investments, and does not contain an analysis for all Investcorp portfolio investments. No assumptions should be made that these investments were or will be profitable. Not all Investcorp portfolio investments had or have the characteristics, prospects, performance, or projected successes highlighted in this Report.

References to the portfolio companies are intended solely to illustrate the application of some of Investcorp's investment process only and should not be viewed as a recommendation of any particular security or portfolio company, or used as an indication of the current or future performance of Investcorp's portfolio companies. The investments described in the selected case studies were made by different investment funds, vehicles, accounts, or other investment products managed, sponsored, or affiliated with entities controlled, by Investcorp (each a "Fund"), and do not represent all the investments purchased or sold by any such Fund. The information contained in this Report is not intended to address the circumstances of any particular entity or individual and is solely intended to summarize for illustrative purposes the ESG processes and strategies previously used by Investcorp or its portfolio companies. This Report should not be relied upon for any other purpose. Investment professionals, portfolio managers, and portfolio companies may use some or all of the techniques and/or processes described herein, which remain subject to change. Moreover, the Report does not summarize investment performance, and the specific transactions and portfolio companies described in this Report do not represent all the transactions or portfolio companies engaged in, purchased, sold, or recommended by Investcorp.

Source of information

Certain information contained in this Report was obtained from published and nonpublished sources, including Investcorp's internal analysis and information provided by the applicable portfolio companies described herein. Such information, including the impacts of Investcorp's ESG initiatives, are estimates that have not been verified by Investcorp or an independent third party, and neither Investcorp nor any such portfolio company guarantees, assumes responsibility for, or makes any representations or warranties (express or implied) with respect to, the accuracy, adequacy, or completeness of such information (or for updating the Report based on facts learned following its publication). The impacts described may also reflect the influence of external factors such as macroeconomic or industry trends that may be unrelated to the ESG initiative presented. There is no guarantee that results shown will be replicated in the future, and actual results may be better or worse in future years.

Past performance

Any performance data or comments expressed in this Report is an indication of past performance. Past performance is neither indicative nor guarantee of future results and should not be relied upon as such; no representation is being made that any investment will or is likely to achieve profits similar to those achieved in the past, or that significant losses can or will be avoided. There can be no assurances that Investcorp's or any Fund's investment objectives will be achieved or that any of its respective investment programs will be successful. Similarly, there can be no assurances that the ESG processes and strategies previously used by Investcorp's portfolio companies will continue or will achieve any particular desired outcome. Readers should not assume, and no representation is being made that any investment or transaction involving the portfolio companies identified and discussed herein, or any other investment made, were or will be profitable or not incur significant losses.

No offer or solicitation

This Report and the information contained herein is for informational purposes only is not intended to be, does not constitute, and should not be relied on in any manner as, advice or an offer to sell, or the solicitation of an offer to buy, any security or other ownership interest (including interests in any Fund), product, or service, or to participate in any trading strategy with or alongside any Fund, nor shall the Report or the fact of its distribution form the basis of, or be relied on in connection with, any transaction or investment decision. If any such offering is made, it will only be made by means of a final prospectus, confidential private placement memorandum, or other such offering document (as amended and/or restated from time to time), which would contain material information (including associated risks of an investment and certain conflicts of interests) not contained in this Report and which would supersede and qualify in its entirety the information set forth herein. No part of this Report constitutes, and should not be relied on in any manner as, investment, legal, tax, regulatory, accounting, or other advice of any kind.

Forward-looking statements

The contents of this Report may represent, contain, or be based upon forward-looking statements or information that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the financial industry, the economy, Investcorp itself, or its investments. All statements other than statements of historical facts, including those regarding expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions are forward-looking statements, and may be identified by the use of terminology including, but not limited to, "may", "will", "should", "expect", "anticipate", "target", "project", "estimate", "intend", "continue", or "believe", or the negatives thereof, or other variations thereon, or comparable terminology. Forward-looking statements are inherently uncertain, and changing factors, such as those affecting the markets generally, or those affecting particular industries or portfolio companies, may cause events or results to differ from those discussed. Accordingly, these statements are not guarantees of future performance, results, or courses of action and involve certain risks, uncertainties, and assumptions that are difficult to predict with regard to, for example, timing, extent, likelihood, and degree of occurrence. Moreover, actual events, results, and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements, and undue reliance should not be placed on such statements or the conclusions drawn therefrom.

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