



Arcapita Investment Management B.S.C.(c)

Corporate Governance Guidelines

INTRODUCTION

Introduction

Arcapita Investment Management B.S.C.(c) (“Arcapita”) since its inception has focused on creating a leading international investment firm, resourced to originate the highest quality alternative investments from across the globe. From the outset, the backbone of the business has been supported by a carefully cultivated corporate culture that encourages teamwork, innovative thinking and integrated decision making with regard to its Directors, officers and employees, and best business practices with regard to corporate governance and transparency for the benefit of its shareholders.

As of January 2011, the Bahrain Ministry of Industry and Commerce has issued a Corporate Governance Code (the “Governance Code”), which applies to Arcapita. Simultaneously the Central Bank of Bahrain (“CBB”) has issued a revised High Level Controls Module in the CBB’s Rulebook 4 (“Module HC”) which sets forth requirements that will be met by Arcapita as an Investment Business Licensee with respect to (i) corporate governance principles in the Governance Code, (ii) international best practices corporate governance standards, and (iii) related high level controls and policies.

Arcapita’s Board of Directors (the “Board”) has resolved to adopt these Corporate Governance Guidelines (“Guidelines”) which cover the issues and material stated in Module HC and the CBB’s Module PD (Public Disclosure) as well as other corporate governance matters deemed appropriate by the Board.

PRINCIPLE 1: ARCAPITA WILL BE HEADED BY AN EFFECTIVE, COLLEGIAL, AND INFORMED BOARD.

PRINCIPLE 1: Arcapita will be headed by an effective, collegial, and informed Board.

The Board's Role and Responsibilities

All directors on the Board (each a "Director", collectively the "Directors") should understand the Board's role and responsibilities under the relevant and applicable law, in particular:

- the Board's role as distinct from the role of the shareholders (who elect the Board and whose interests the Board serves) and the role of the senior managers (whom the Board oversees), and
- the Board's fiduciary duties of care and loyalty to the company and the shareholders.

The Board's role and responsibilities include but are not limited to:

- Arcapita's overall business performance and strategy;
- causing financial statements to be prepared which accurately disclose Arcapita's financial position;
- monitoring management performance;
- convening and preparing the agenda for shareholder meetings;
- monitoring conflicts of interest and preventing abusive related party transactions;
- assuring equitable treatment of shareholders including minority shareholders;
- maintaining a statement of its responsibilities for a) adoption and annual review of strategy, b) adoption and review of the management structure and responsibilities, c) adoption and review of systems and control framework; and d) monitoring the implementation of strategy by management;
- reviewing Arcapita's business plans and the inherent level of risk;
- assessing the adequacy of capital;
- setting performance objectives;
- overseeing major capital expenditures, divestitures and acquisitions;
- notifying the CBB of major changes to strategy or corporate plan
- ensuring and demonstrating to the CBB that:
 - a) Arcapita's operations are measured, monitored and controlled by appropriate, effective and prudent risk management systems commensurate with the scope of Arcapita's activities;
 - b) Arcapita's operations are supported by an appropriate control environment;
 - c) management develops, implements and oversees the effectiveness of comprehensive know your customer standards, monitoring of accounts and transactions (with particular regard to anti-money laundering measures);
 - d) the control environment maintains necessary client confidentiality, ensures that the privacy of Arcapita is not violated, and ensures that clients' rights and assets are properly safeguarded; and
 - e) where the Board has identified any significant issues related to Arcapita's adopted governance framework, appropriate and timely action is taken to address any identified adverse deviations from the requirements of such Module.

PRINCIPLE 1: ARCAPITA WILL BE HEADED BY AN EFFECTIVE, COLLEGIAL, AND INFORMED BOARD.

The Directors are responsible both individually and collectively for performing these responsibilities. Although the Board may delegate certain functions to committees or management, it may not delegate its ultimate responsibility to ensure that an adequate, effective, comprehensive and transparent corporate governance framework is in place. The Board has adopted the Charter of the Board of Directors of Arcapita (the “Board Charter”) that is attached as Exhibit A to these Guidelines. As it is important for each Director to understand his duties and responsibilities, the Chairman of the Board (the “Chairman”), assisted by the General Counsel and/or the Corporate Secretary, should review the Board’s role and its duties and responsibilities with each newly elected Director. In addition, Arcapita will have a written appointment agreement with each Director that refers to the Director’s powers, duties, responsibilities and accountabilities, as well as other matters relating to his appointment, including time commitment, any committee assignment and remuneration.

Decision Making Process

The Board should be collegial and deliberative, to gain the benefit of each individual Director’s judgment and experience. The Chairman should take an active lead in promoting mutual trust, open discussion, constructive dissent and support for decisions after they have been made. The Board should meet at least four times in a financial year, all Directors should attend the meetings whenever possible and the Directors should maintain informal communication between meetings. Furthermore:

- The Board will meet at least four times during each financial year
- Each Director will attend at least 75% of the Board meetings within a financial year.¹
- It is not permissible for a Director to attend a meeting by proxy.
- The Chairman is responsible for the leadership of the Board and for the efficient functioning of the Board. The Chairman will ensure that all Directors receive an agenda, minutes of prior meetings and adequate background information in writing before each Board meeting and, when necessary, between Board meetings. All Directors will receive the same Board information.
- While agendas for forthcoming Board and Committee meetings are initiated by Arcapita’s management, a Director is entitled to place on the agenda for a Board or Committee meeting matters that the Director reasonably considers to be important and to require consideration by the Board or the relevant Committee.
- Subject to the receipt of timely information, a primary requirement of a Director’s duty of care is that the Director study the materials provided to Directors in advance of the Board meeting and the meeting of any Committee on which the Director serves and prepare to contribute constructively in the deliberations of the Board and any such Committee. If sufficient information is not made available in a timely manner, a Director may request that action by the Board or a Committee be delayed until the desired information is made available to Directors for review.
- Board meetings may be held by video conference or teleconference.

See HC-1.4.4A and HC-1.4.4B, for requirements relating to recording and reporting Director non-attendance of meetings. HC-1.3.7 provides that a Director of a CBB licensed investment business may not be a Director of two investment business licensees within the same license category. If any Director holds more than one such Directorship, it is the responsibility of the Head of Compliance to confirm that the CBB is aware of such multiple directorships. Pursuant to HC-1.3.4, no person should hold more than three directorships of public companies

¹ The number of meetings represented by the 75% attendance requirement is based upon the total number of meetings held during the financial year. For example, each Director will be required to attend at least three Board meetings if the total number of meetings held during a financial year is four.

PRINCIPLE 1: ARCAPITA WILL BE HEADED BY AN EFFECTIVE, COLLEGIAL, AND INFORMED BOARD.

in Bahrain, subject to the provision that such directorships should not give rise to any conflict of interest. In addition, the Board should not propose the election or re-election of any Director who holds more than three such directorships. If any then current Director or candidate for election as a Director holds more than three such directorships, it is the responsibility of the Head of Compliance to confirm that the CBB is aware of such multiple Directorships before that Director or candidate is proposed to the shareholders for re-election or election to the Board, as the case may be.

Independence of Judgment

Every Director should bring independent judgment to decision-making. No individual or group of Directors should dominate the Board's decision making and no one individual should have unfettered powers of decision. Executive Directors should provide the Board with all relevant business and financial information within their cognizance, and should recognize that their role as a Director is different from their role as an officer. Non-executive Directors should be fully independent of management and should constructively scrutinize and challenge management including the management performance of executive Directors.

The duty of loyalty requires a Director to exercise the Director's powers in the interests of Arcapita and Arcapita's shareholders and not in the Director's own interests or in the interests of other persons or organizations. Each Director will consider himself or herself as a representative of all Arcapita shareholders. See HC-1.4.2 and HC-1.4.3 relating to the obligations of executive and non-executive Directors.

Pursuant to HC-1.5.1, at a minimum, at least one Director will be independent. Additionally, in compliance with HC-1.5.6 at least half of the Board should be comprised of non-executive Directors and at least half of those persons should be independent Directors. In compliance with HC-1.5.7 and 1.5.7A the Chairman and/or the Deputy Chairman shall not be the same person as the Chief Executive Officer.

In compliance with the CBB rules, on an annual basis the Board will review the independence of each Director based upon the criteria specified by the CBB, the interests disclosed by them in their conflict of interest questionnaires and their conduct. Prior to the end of each Board meeting, the non-executive Directors will meet alone to discuss any matters of concern. Non Board members may attend Board meetings upon invitation but may not vote on any Board matters.

Each Director should consider himself as representing all shareholders and must act accordingly. The Board shall avoid having representatives of specific groups or interests within its membership and must not allow itself to become a battleground of vested interests.

Directors' Access to Independent Advice

In compliance with HC-1.7.1 and HC-1.7.2, each Director shall have access to the Corporate Secretary of Arcapita, who has responsibility for reporting to the Board on Board procedures. Each Director shall have access to independent legal or other professional advice at Arcapita's expense. Such access to legal or other professional advice will be arranged by the Corporate Secretary upon the request of any Director. If a Director has serious concerns which cannot be resolved regarding the operation of Arcapita or a proposed Board or corporate action, such Director should consider seeking independent advice, have such concerns recorded in the Board minutes and record dissents in connection with Board actions. The appointment and removal of the Corporate Secretary is a matter for the Board.

PRINCIPLE 1: ARCAPITA WILL BE HEADED BY AN EFFECTIVE, COLLEGIAL, AND INFORMED BOARD.

Directors' Communications with Management

In compliance with HC-1.8.1, the Board encourages the relevant management team members to present information on interest to the Board. In line with HC-1.8.2, non-executive Directors may have free access to management through either the Chairman and Chief Executive Officer or the Chairman of the Audit Committee.

Committees of the Board

Acting in accordance with the CBB rules and Arcapita's Articles of Association, the Board has appointed the following Executive Committees: (i) the Audit and Risk Committee, (ii) the Executive Administrative and Corporate Governance Committee (the "EAC") which shall perform the nominating, remuneration and corporate governance functions required by the CBB and (iii) the Executive Investment Committee (each a "Committee", collectively the "Committees"). These Committees operate with authority delegated by the Board in accordance with their respective Charters.

Evaluation of the Board and Each Committee

Pursuant to HC-1.10, the Board shall conduct an evaluation of its performance and the performance of each Committee and each Director at least annually using the criteria listed in HC-1.10.2. The results of such evaluation will be reported to the shareholders at each Annual General Assembly ("AGA") beginning with the AGA to be held after the end of the 2011-2012 financial year. These evaluations will be organized by the EAC, with the assistance of an external expert, if and to the extent deemed appropriate by the EAC.

PRINCIPLE 2: ARCAPITA'S APPROVED PERSONS WILL HAVE FULL LOYALTY TO ARCAPITA.

PRINCIPLE 2: Arcapita's Approved Persons will have full loyalty to Arcapita.

Personal Accountability

Each Director and officer should understand that under the Company Law he is personally accountable to Arcapita and its shareholders if he violates his legal duty of loyalty to Arcapita, and that he can be personally sued by Arcapita or the shareholders for such violations. The duty of loyalty includes a duty not to use property of Arcapita for his personal needs as though it was his own property, not to disclose confidential information of Arcapita or use it for his personal profit, not to take business opportunities of Arcapita for himself, not to compete in business with Arcapita, and to serve Arcapita's interest in any transactions with Arcapita in which he has a personal interest. He should be considered to have a "personal interest" in a transaction with Arcapita if he himself, or a member of his family, or another company of which he is a Director or controlling shareholder, is a party to the transaction or has a material financial interest in the transaction. (Transactions and interests which are de minimis in value should not be included).

Arcapita encourages and requires its Approved Persons (as defined below) to conduct its business activities and transactions with honesty, integrity and loyalty. For purposes of these Guidelines, the term "Approved Person" means each Director, the Chairman and Chief Executive Officer and each head of a function in Arcapita who has been approved by the CBB ("Approved Persons").

As required by the CBB and to further enforce Arcapita's commitment to operating the entity with high business standards the Board has approved the Arcapita Code of Conduct (the "Code of Conduct"), which requires that all directors and employees:

- conduct themselves with integrity, honesty, leadership and professionalism in fulfilling their fiduciary responsibilities to Arcapita and its shareholders;
- respect, abide by and comply with laws and regulations relating to the activities of Arcapita;
- not take business opportunities of Arcapita or compete in business with Arcapita;
- ensure that proper judgment is exercised with regard to business decisions, necessary information has been obtained and where expert opinion or advice is required, such opinion or advice has been procured;
- maintain and preserve the confidentiality of Arcapita's business, including any information regarding its clients and shareholders;
- avoid actual or potential conflicts of interest with Arcapita and serve Arcapita's interest in any transaction where one may have a personal interest; and
- not offer or accept any substantial gifts, favors or service of any kind, to or from Arcapita, its clients, shareholders or regulatory authorities and promptly report any such gift.

Disclosure of Conflicts of Interest

Pursuant to HC-2.4.1 each Director and officer shall inform the entire Board of conflicts of interest as they arise and abstain from voting on the matter in accordance with the relevant provisions of the Company Law. This disclosure shall include all material facts in the case of a contract or transaction involving the Director or officer. The Directors and officers will understand that any approval of a conflict transaction is effective only if all material facts are known to the authorizing persons and the conflicted person did not participate in the decision.

PRINCIPLE 2: ARCAPITA'S APPROVED PERSONS WILL HAVE FULL LOYALTY TO ARCAPITA.

Disclosure of Conflicts of Interest to Shareholders

Arcapita shall disclose to its shareholders in the Annual Report any abstention from voting motivated by a conflict of interest and shall disclose to its shareholders any authorization of a conflict of interest contract or transaction in accordance with the Company Law.

PRINCIPLE 3: THE BOARD WILL HAVE RIGOROUS CONTROLS FOR FINANCIAL AUDIT AND REPORTING, INTERNAL CONTROL AND COMPLIANCE WITH LAW.

PRINCIPLE 3: The Board will have rigorous controls for financial audit and reporting, internal control and compliance with law.

The Board has established an Audit Committee and adopted an Audit Committee Charter consistent with the requirements of HC-3.2.1 and HC-3.2.2.

All members of the Audit Committee will be independent non-executive Directors and financially qualified.

In compliance with the requirements of HC-3.3.3, the Board has adopted a whistleblower policy (the Whistleblower Policy”) to encourage the disclosure of complaints and concerns regarding Arcapita’s financial statements and accounting, auditing, internal control and reporting practices and to ensure that any potential issues are immediately and properly investigated and addressed. The Whistleblower Policy included as a part of the Code of Conduct is available to all employees on the Arcapita intranet. The Chief Executive Officer and the Chief Financial Officer will state in writing to the Audit Committee and to the Board as a whole that Arcapita’s annual and interim financial statements present a true and fair view, in all material respects, of Arcapita’s financial condition and results of operations in accordance with International Financial Reporting Standards.

PRINCIPLE 4: ARCAPITA WILL HAVE RIGOROUS AND TRANSPARENT PROCEDURES FOR APPOINTMENT, TRAINING, AND EVALUATION OF THE BOARD.

PRINCIPLE 4: Arcapita will have rigorous and transparent procedures for appointment, training, and evaluation of the Board.

Nominating Committee

The Board has delegated to the EAC the authority to act as a nominating committee as required by the CBB. As required by HC-4.4.1 the details regarding EAC's responsibilities in acting as a nominating committee are set forth in the EAC Charter attached as Exhibit B to these Guidelines. Included in the Charter are the procedures for appointment as well as the requirements under HC-4.4.1, which specifies the information regarding each candidate for election or reelection as a Director that should be provided to the shareholders with each proposal that such candidate be elected or reelected as a Director and, HC-4.4.2 which specifies the information that should be provided to the shareholders by the Chairman when it is proposed that a Director be reelected to the Board by which are hereby incorporated in the Guidelines.

Induction and Training of Directors

Each new Director will be provided with a formal and tailored induction which shall include, meetings with senior management and presentations regarding strategic plans and significant financial, accounting and risk management issues among other items. All other Directors will be invited to attend induction meetings for new Directors. The EAC in discharging its nominating duties shall also oversee Directors' corporate governance educational activities.

PRINCIPLE 5: ARCAPITA WILL REMUNERATE APPROVED PERSONS FAIRLY AND RESPONSIBLY.

PRINCIPLE 5: Arcapita will remunerate Approved Persons fairly and responsibly.

Remuneration Committee

The Board has delegated to the EAC the authority to act as a remuneration committee to (i) make recommendations regarding remuneration policies and amounts for Approved Persons to the Board and (ii) recommend Director remuneration based upon attendance and performance. As required by HC-5.3.1, the details regarding EAC's responsibilities in acting as the remuneration committee are set forth in the EAC Charter.

Remuneration Standards

Remuneration for Approved Persons will be sufficient enough to attract, retain and motivate persons of the quality required to operate Arcapita's business without being excessive. Remuneration for non-executive Directors will not include performance-based elements such as grants of shares, share options or other deferred share-related incentive schemes. Senior management remuneration is designed to ensure that the interests of senior managers are aligned with the interests of Arcapita's shareholders. If a senior manager is a Director his remuneration will take into account his capacity as Director. All share incentive plans shall be approved by shareholders.

PRINCIPLE 6: THE BOARD WILL ESTABLISH A CLEAR AND EFFICIENT MANAGEMENT STRUCTURE.

PRINCIPLE 6: The Board will establish a clear and efficient management structure.

The Board will establish a clear management structure and appoint and/or approve at a minimum the following senior managers: a Chief Executive Officer, Chief Financial Officer, Head of Internal Audit and a Corporate Secretary, as well as other senior managers as the Board considers appropriate including persons who occupy controlled functions. Such senior managers will enter into employment agreements prescribing each senior manager's title, authorities, duties, accountabilities and internal reporting responsibilities including those set forth in HC-6.3.2.

PRINCIPLE 7: ARCAPITA WILL COMMUNICATE WITH SHAREHOLDERS, ENCOURAGE THEIR PARTICIPATION AND RESPECT THEIR RIGHTS.

PRINCIPLE 7: Arcapita will communicate with shareholders, encourage their participation and respect their rights.

Arcapita follows both the letter and the intent of the Company Law's requirements for shareholder's meetings by observing and complying with the following rules pursuant to HC-7.2.1 and HC-7.3.1 including:

- Notices of meetings will be honest, accurate and not misleading. They will clearly state and, where necessary, explain the nature of the business of the meeting.
- Meetings will be held during normal business hours and at a place convenient for the greatest number of shareholders to attend.
- Notices of meetings will encourage shareholders to attend shareholder meetings and, if not possible, to participate by proxy and will refer to procedures for appointing a proxy and for directing the proxy how to vote on a particular resolution. The proxy will list the agenda items and will specify the vote (such as "yes," "no" or "abstain").
- Notices will ensure that all material information and documentation is provided to shareholders on each agenda item for any shareholder meeting, including but not limited to any recommendations or dissents of Directors.
- The Board will propose a separate resolution at any meeting on each substantially separate issue, so that unrelated issues are not "bundled" together.
- In meetings where Directors are to be elected or removed the Board will ensure that each person is voted on separately, so that the shareholders can evaluate each person individually.
- The Chairman of the meeting will encourage questions from shareholders, including questions regarding the Arcapita's corporate governance guidelines.
- The minutes of the meeting will be made available to shareholders upon their request as soon as possible but not later than 30 days after the meeting.
- Disclosure of all material facts will be made to the shareholders by the Chairman prior to any vote by the shareholders.
- The Chairman (and other Directors as appropriate) will maintain continuing personal contact with controllers to solicit their views and understand their concerns. The Chairman will discuss governance and strategy with controllers. The Chairman and other Directors will actively encourage the controllers to make a considered use of their position and to fully respect the rights of minority shareholders (see also HC-1.2 and 1.3 for other duties of the Chairman).

Arcapita shall have a dedicated section in its website relating to shareholders and use the section to describe the shareholders' rights to participate and vote at shareholders' meeting and shall post significant documents pertaining to meetings including the full text of notices and minutes. It shall also encourage electronic means of communication with its shareholders.'

PRINCIPLE 8: ARCAPITA SHALL DISCLOSE ITS CORPORATE GOVERNANCE.

PRINCIPLE 8: Arcapita shall disclose its corporate governance.

Disclosure under the Company Law and CBB Requirements

In compliance with the CBB requirements, these Guidelines will be published on the Arcapita website. At each AGA, the Board will report to the shareholders on Arcapita's compliance with these Guidelines and the Governance Code, and explain the extent, if any, to which the Board has varied from the Guidelines or believes that variance or non-compliance was justified. The Board will also report at each AGA on the corporate governance matters required under the CBB rules and such information will be held at Arcapita's premises.

Board's Responsibility for Disclosure

The Board is responsible for overseeing the process of disclosure and communication with Arcapita's internal and external stakeholders. The Board is responsible to ensure that the disclosures made by Arcapita are fair, transparent, comprehensive and timely and reflect the character of Arcapita and the nature, complexity and risks inherent in Arcapita's business activities. The EAC shall be responsible for developing and recommending changes from time to time in the company's corporate governance framework.

PRINCIPLE 9: AS AN ISLAMIC INVESTMENT BUSINESS, ARCAPITA WILL FOLLOW THE PRINCIPLES OF ISLAMIC SHARI'AH.

PRINCIPLE 9: As an Islamic Investment Business, Arcapita will follow the principles of Islamic Shari'ah.

As Arcapita is an Islamic Investment Business Licensee, Arcapita will be at all times Shari'ah compliant. In compliance with -9.2.1 Arcapita has a Shari'ah Supervisory Board comprised of at least three Shari'ah scholars which complies with AAOIFI's Governance Standards for Islamic Financial Institutions No.1 and 2. Arcapita complies with AAOIFI issued accounting standards as well as applicable Shari'ah pronouncements issued by the Shari'ah Board of AAOIFI, consistent with and as interpreted by the rulings of Arcapita's Shari'ah Supervisory Board.