

Remuneration

Application

Houlihan Lokey (Europe) Limited (the “**Firm**”) has determined that it is a Proportionality Tier Four investment firm (“**Tier Four Firm**”) and has adopted a proportionate approach to remuneration policy. As such, disclosures required under the *BIPRU* section of the FSA Handbook for the Firm are set out below.

The Firm considers its needs on an ongoing basis and where appropriate will disapply provisions which are not applicable to Tier Four Firms by virtue of FSA and CEBS guidance. The Governing Body will review any provisions which have been disapplied as part of its annual review, to ensure that it remains compliant.

Decision-making Process for Remuneration Policy (BIPRU 11.5.18(1))

The Governing Body of the Firm is the Firm’s Board. The Governing Body is responsible for ensuring that a robust remuneration policy is developed to align the Firm’s remuneration practices with its risk tolerance.

Due to the size of the Firm, it does not consider it appropriate to have a separate remuneration committee. Instead this function is undertaken by the Governing Body with input from Human Resources and Finance functions (the Legal & Compliance function being represented on the Governing Body). This will be kept under review and should the need arise; the Firm will establish such a committee.

The Governing Body is responsible for the total process of risk management, which includes remuneration risk. The Governing Body, in liaison with all executives and senior management, sets the risk profile of the Firm and its related policies and procedures. This Policy is reviewed by the Governing Body at least annually.

Pay and Performance (BIPRU 11.5.18(2))

The Firm’s business model is relatively simple in that it provides financial advisory services in return for payment of fees, without deploying its own capital to take principal positions in securities or other financial instruments. As a consequence, a primary, but not the only, driver of remuneration levels will be by reference to risk adjusted profits attributable to the business as a whole (save to the extent that for strategic reasons the Firm in conjunction with its US parent determines that additional

resources from funds available intra group should be made available to support any given part of our business area), as well as the group and individual's performance and only after the Firm's liquidity and capital requirements have been considered.

In establishing the Firm's top-down remuneration framework, the Governing Body will take into consideration the performance of:

- the overall results of the Firm;
- the various groups within our investment banking business area; and
- the individual (both financial and non-financial performance).

The Firm is dedicated to ensuring that individuals are not remunerated for exceeding the risk tolerances of the Firm. When assessing individual performance, the Firm takes account of financial as well as non-financial criteria.

The Firm's non-financial criteria, is a combination of effective risk management and compliance with the Firm's policies and procedures. Poor performance in the Firm's non-financial criteria may pose a threat to the Firm's financial soundness. The Firm places a weighted value on the non-financial criteria overriding the metrics of financial performance.

The Firm recognises that performance can be exaggerated within any single year resulting in disproportionate results. The Firm takes account of the underlying business cycles of the Firm.

Disclosures (BIPRU 11.5.18(6) and (7))

As a *BIPRU* limited licence firm, Houlihan Lokey is required to disclose certain quantitative information regarding remuneration broken down;

- by business area; and
- by senior management and members of staff whose actions have a material impact on the risk profile of the Firm.

Business area: the Firm considers that it has one business area, investment banking. All remuneration information disclosed in this disclosure is from this business area. The aggregate remuneration paid to such persons for the financial year ended 31 March 2011 was £32,588,212.

Senior management and others whose actions have a material impact on the risk profile of the Firm: the Firm considers all those financial staff who are deemed to be its officers with rank of "Director" and above within the Firm's organisation structure fall within this category, together with

senior administrative staff (i.e., Head of Legal and Compliance, Head of Finance and Head of HR). The aggregate remuneration paid to such persons for the financial year ended 31 March 2011 was £21,354,276.