Regulatory Context

The Pillar 3 disclosures of the company are set out below as required by the Capital Requirements Directive ("CRD") and the relevant articles of the Capital Requirements Regulation ("CRR") together known as CRD IV which came into force on 01 January 2014. The regulatory aim of the disclosures is to improve market discipline.

Frequency

Sculptor Europe Loan Management Limited (the "Company") publishes the Pillar 3 disclosures annually. The disclosures are prepared based on the position of the Company as of the accounting reference date. The Pillar 3 disclosures that appear below are based on the position of the Company as of 31 December 2019.

Scope

The Company is not a member of a U.K. or non-EEA consolidation group and consequently, does not report on a consolidated basis for accounting or prudential purposes.

Media and Location

The disclosure will be published as an appendix to the Company's audited annual accounts.

Materiality

The Company regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Company deems a certain disclosure to be immaterial, it may be omitted from these disclosures.

Confidentiality

The Company regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Company's investments therein less valuable. Further, the Company must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Company to confidentiality. In the event that any such information is omitted, the Company shall disclose such and explain the grounds why it has not been disclosed.

Risk Management Objective

The Company's general risk management objective is to ensure that governance arrangements and systems and controls are in place to mitigate risk to a level that only requires the allocation of Pillar 2 capital in very limited circumstances. The senior management of the Company considers it to be of the utmost importance in instilling good corporate governance that risk management is embedded throughout the Company and, consequently, see risk management as a key component of business strategy.

Governance Framework

The Board of Directors (the "Board") is the governing body of the Company and has the ultimate management and oversight responsibility. As of 31 December 2019, it comprised:

- Adeel Shafiqullah, Managing Director and Senior Portfolio Manager of Institutional Credit Strategies
- Mathieu Clavel, Executive Managing Director and Head of Europe and Asia Corporate Credit.

The Board has delegated the day-to-day management of the Company to the Company's Chief Executive Officer and the Company's UK Executive Committee. No external directorships were held by members of the Board.

The Board is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Board, in conjunction with the view of the Company's ultimate parent, Sculptor Capital Management, Inc., and its subsidiaries (collectively, the "Group"), decides the Company's risk appetite or tolerance for risk and ensures that the Company has implemented an effective, on-going process to identify risks, to measure their potential impact and then to ensure that such risks are actively managed.

Enterprise Risk Management

The Group maintains enterprise risk management ("ERM") policies and procedures that are intended to incorporate risk management efforts at all levels of the Group.

Risk in the context of ERM is defined as all types of risk including, but not limited to, legal, compliance, reputational, financial and operational risk, but excluding risk related to investment strategies (i.e., portfolio risks such as interest rate risk, market risk and credit risk).

ERM policies identify and assess the Group's risks and opportunities using a framework that includes a risk assessment, control environment, information and communication, and monitoring activities. ERM also serves as the liaison to the Internal Audit function with respect to non-SOX program related activities. As needed, updates pertaining to ERM are provided to the Board and senior management.

Risk Management Responsibilities

Risk within the Company is managed by the following functions, committees and forums:

- The Group Risk Committee
- Daily meetings between portfolio managers and analysts to review risks related to positions;
- The Group Financial Controls group;
- The Group Internal Audit function;
- The Group Legal and Compliance team; and

- Senior management of the Group, including the Board and the Group's Board of Directors.

Statement of Risk Appetite

The Company has maintained financial resources since inception in excess of the minimum capital resources requirements. A detailed Risk Appetite statement has been developed for each risk group below rather than an overall top down statement. The "bottom up" approach allows the Company to monitor each risk against risk appetite. Liquidity risk appetite is detailed in a separate document, namely the Company's "Liquidity Policy."

The Company has developed four (4) statements which collectively make up its Risk Appetite Statement as presented below.

Operational Risk

The Company has undertaken a robust risk identification and scoring exercise rating all risks on a scale from A to D, with risks that could potentially cause a significant impact on the Company's business on a quarterly to annual basis being assigned an A, to risks that could potentially cause minor to moderate impacts infrequently on the Company's business rated a D. This Risk Appetite statement translates into the acceptance of risks rated C or below. Any risk rated A is deemed to be unacceptable to the Company and must be addressed as a priority to ensure that it is able to receive a B or C rating. This position has been communicated to all senior members of the staff and is reinforced on an annual basis.

Senior Management has determined that any risk rated as an A must have a plan to mitigate the risk within 10 working days of identification and implemented within 30 days or have Pillar 2 capital allocated. Any risk rated as a B must have a plan for treatment developed within 30 days of identification and implemented within 90 days or have Pillar 2 capital allocated.

Business Risk

As an investment management firm, the Company has assessed business risks and set out appropriate actions to manage them. The Company is generating revenue primarily via management fees and interest yields. As a result, the Company is exposed to fluctuations in assets under management and credit quality of the underlying securitised CLO assets. The Company sets out a process to monitor these movements on an ongoing basis to ensure appropriate and timely risk identification and mitigation. Nonetheless, the Company performs base capital planning and stress testing of the business plan.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk as it is required to make investments in CLOs it manages for risk retention purposes. The investments in CLOs may not be sold and are not held in the trading book. The credit risk associated with the investments is assessed using the standardised approach. The Company will be taking a vertical slice approach to its risk retention requirements.

The Company is also exposed to credit risk to the extent that investment management fees cannot be collected. Additionally, the Company has exposure to the bank where collected revenues are deposited. As the Company's credit risk appetite is low, the Company holds all cash balances with banks with assigned credit ratings of A or higher. The Group's treasury department monitors the credit ratings and other events affecting creditworthiness and financial health of the bank.

Market Risk

As a limited licence investment management firm, the Company does not have a trading book. The Company's only potential exposures are non-trading book exposures to foreign currency assets or liabilities held on its balance sheet. The Company's foreign currency risk appetite is generally limited to major currencies such as the Euro and U.S. Dollar. The largest foreign currency exposure on the Company's balance sheet is denominated in Euro, which the Company believes is a stable currency and exposes the Company to little risk. The Company's limit on Euro exposure is generally equal to the amount of CLO Investments, CLO Investments Loans and Securities Sold Under Agreements to Repurchase and liquid assets needed to support its maximum three-month outflow projected over the coming year under its Liquidity Policy, with a prudent buffer as needed. Other exposures in Euro and from time-to-time other major currencies arise in the ordinary course of business (e.g., trade payables, intercompany items related to secondment agreements, etc.). These exposures are generally immaterial and/or short-term in nature. The Company's market risk appetite is low and the Company monitors its exposure on a regular basis. Any material exposures other than those discussed above would be communicated to the Board on a timely basis.

Risk Appetite Enforcement

The risk appetite is reviewed by the Company's Compliance Officer before it is reviewed and approved by the Board in the first four months of each year, at the same time as it reviews and approves the Internal Capital Adequacy Assessment Process ("ICAAP").

Risk Reporting

A Risk Register is overseen by the Company's CEO and approved by the Board. The Company's Compliance Officer has established a risk-based compliance monitoring programme that takes into account all areas of the Company's services and activities. The Compliance Officer reports on an ad-hoc basis directly to the Board where any significant risk of failure to comply with obligations under the regulatory system is identified. The Board receives, on an annual basis, a report from the Group's designated risk officer addressing key risk issues affecting the Company during the reporting period, including a report on the adequacy of the Company's risk management systems and procedures and emerging risks affecting the Company arising during the reporting period.

Credit Risk Requirement

The Company is exposed to credit risk as it is required to make investments in CLOs it manages for risk retention purposes. The investments in CLOs may not be sold and are held in a non-trading book. The risks associated with the investments are assessed using the standardised approach.

The Company is also exposed to credit risk to the extent that investment management fees cannot be collected. Additionally, the Company has exposure to banks where collected revenues are deposited. As the Company's credit risk appetite is low, the Company holds all cash balances with banks with assigned credit ratings of A or higher. The Group's treasury department monitors the credit ratings and other events affecting these creditworthiness and financial health of the banks. The Company uses Standard and Poor's and Fitch and Moody's to assess the credit quality of exposures which have an external credit rating.

The Company does not, as of the accounting reference date, have any past due or impaired assets. A financial asset is past due when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the carrying amount of an asset.

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Company has adopted the standardised approach (under Part Three, Chapter 2 of the CRR) of calculating risk weights and for securitisation instruments in accordance with Part Three, Chapter 5 of the CRR.

The following table sets forth the Company's credit risk capital requirement calculation as of 31 December 2019:

Credit Risk Capital Requirement	Rule	Pillar I Requirement £
Credit risk capital component	CRR Article 119/120	13,726,737

The following table sets forth the Company's credit risk capital component calculation, inclusive of risk weighting assigned to different tranches of the Company's CLO Investments, as of 31 December 2019:

Exposure Type	Rule	Exposure £	Risk-Weighted Exposure Amount £
Central Governments or Banks	Article 114 CRR	10,681,618	—
Institutions	Article 119 - 121 CRR	4,842,886	968,577
Standardised & SEC-SA Approach:[(1)]			
CLO notes acquired prior to 1 January 2019	Article 251 CRR	67,112,015	112,852,166
CLO notes acquired on or after 1 January 2019	Article 261 CRR	37,374,252	54,741,059
Prepayments and accrued income	Article 134 CRR	3,022,407	3,022,407
Total		**123,033,178**	**171,584,209**
Credit Risk Capital Component	8% of risk-weighted exposure		**13,726,737**

(1) Credit risk capital requirement was calculated using the Standardised approach for all risk retention notes that are held for CLO notes acquired prior to January 1, 2019. For CLO notes acquired after January 1, 2019, the SEC-SA approach was used in accordance with the new securitisation framework (EU) 2017/2401 & 2.

Market Risk

The Company only has non-trading book exposures. A market risk capital requirement is therefore only required in respect of the Company's foreign currency exposures (CRR Article 352). The following table sets forth the Company's market risk capital requirement calculation as of 31 December 2019:

Exposure Type	Rule	Exposure £	Weight	Risk-Weighted Exposure Amount £
Foreign currency positional risk requirement	Article 352 of CRR	31,251,458	8 %	2,500,117

Fixed Overhead Requirement

As an IFPRU limited licence firm, the Company is not subject to an operational risk requirement. However, the Company is required to maintain capital resources equal to at least one quarter its annual fixed overheads ("FOR"). The Company's 2019 FOR was £821,897.

Capital Resources and Requirements

The Company is an IFPRU limited licence firm without an Investment Firm Consolidation Waiver. The Company's Tier 1 Capital comprises Common Equity Tier 1 ("CET1") capital from its parent's investment in the form of shares and share premium accounts and audited reserves and reflects an adjustment due to prudential filers. The Company has no Tier 2 capital nor any deductions from its capital. The CET1 capital resources as of the accounting reference date were £25,891,986.

The following table summarises the capital resources available and the capital requirements under Pillar 1 as of 31 December 2019:

Capital Resources	£
Paid up capital instruments	20,722
Share Premium	4,000
Retained Earnings	1,274
CET1 Capital	**25,996**
Additional Tier 1 capital	—
Total Tier 1 Capital Before Deductions	**25,996**
Regulatory adjustments	(104)
Tier 2 Capital	**25,892**
Total Capital Resources	**25,892**
Pillar 1 Requirement (higher of (i) and (ii))	**16,227**
i) Total credit and market risk requirement	16,227
ii) Fixed overhear requirement	629
Surplus over Pillar 1 Requirement	**9,665**

Overall Pillar 2 Rule

In line with the Overall Financial Adequacy Rule (IFPRU 2.2.1), the Company undertakes the Internal Capital Adequacy Assessment Process ("ICAAP") to identify adequate capital resources, both as to amount and quality, to ensure there is no significant risk that its liabilities cannot be met as they fall due. The ICAAP assessment is reviewed by the Company's UK Executive Committee and amended where necessary, on a quarterly basis or when a material change to the business occurs. The Group's finance function and Compliance Officer presents the ICAAP document to the Board which reviews and endorses the risk management objective each year or when a material change to the business occurs at the same time as reviewing, challenging and approving the ICAAP document.

Encumbered Assets

The Company's CLO Investments Loans and Securities Sold Under Agreements to Repurchase (see Note 9 per the audited annual accounts) are collateralised with the Company's CLO Investments (see Note 6 per the audited annual accounts). Beyond that, none of the Company's assets are encumbered from any activity related to derivatives, securities lending, rehypothecation, covered bond issuances, or securitisations.

Securitisation activities

The principal activity of the Company is to act as a sponsor to, and manager of a portfolio of CLOs. In its role as CLO manager and sponsor, the Firm carries out the following key tasks in relation to CLO structures:

- Establishes the SPV and establishes a parallel "warehousing" vehicle to hold the loans prior to the launch of the CLO.

- Identifies and acquires the pool of loans, debt instruments, and the other assets to be acquired prior to the launch of the CLO (including assets to be held through the warehousing vehicle).

- Arranges and obtains financing for the acquisition of the portfolio, including the intra-group financing from other members of the Group (whether by debt or equity) or third party financing, by way of warehousing credit arrangements with banks.

- Arranges the launch of the CLO, including placing for the issue of notes to third party investors, and appointing all necessary service providers.

- In connection with the CRR Risk Retention Requirement, retains on the Firm's balance sheet at least 5% of the loans held within the CLO structure.

- On an ongoing basis, actively manages the portfolio of loans held by the SPV, to ensure that the SPV can meet its payment obligations under the notes.

The CRR requires the sponsor of any securitisation transaction to hold a risk retention investment equal to 5% of each CLO. The Company has a 5% exposure to each of the CLOs it manages by taking a vertical slice in each class of notes. The Company does not hold re-securitisation exposures. The Company does not have a trading book for its securitisation business because it does not hold securitisation positions with trading intent or in order to hedge positions with trading intent. The

Company has not established and does not manage any synthetic securitisation structures nor does it securitise revolving exposures.

The Company does not make use of hedging or unfunded protection to mitigate the risk of retained securitisations.

The Company assesses the credit and market risks that it faces as a result of the securitisation exposures that it holds as part of its ICAAP. In a securitisation structure, payments are dependent upon the performance of a single exposure or pool of exposures. As these underlying exposures are usually credit instruments, the performance of the securitisation is exposed to credit risk. In particular, general economic conditions may deteriorate which may affect the ability of the securitisation vehicle to make payments on the notes it issued to noteholders, including the Company. Illiquidity in the markets for fixed income may also affect the ability of the Company as manager of the pool of assets in the securitisation pool to acquire or dispose of assets in the pool.

The Company uses Moody's, Fitch and Standard & Poor's as the relevant credit rating agencies to calculate credit risk requirements in relation to its investments in securitisations. No securitisation assets are deducted from own funds. Refer to the Company's audited annual accounts for a description of the accounting policies for securitisation activities.

Remuneration

The Company is required to comply with the remuneration rules for IFPRU firms which are set out in SYSC 19A. As a firm subject to the IFPRU remuneration rules, the Company has, in accordance with the FCA's guidance publication entitled "General Guidance on Proportionality: The Remuneration Code (SYSC 19A)" (the "SYSC19A Proportionality Guidance"), concluded, in light of its structure and the nature of its activities, that it does not need to appoint a remuneration committee. Instead, the Board sets, and oversees compliance with, the Company's remuneration policy including reviewing the terms of the policy at least annually. As of the accounting reference date, the Company currently sets the variable remuneration of its staff in a manner which takes into account staff and firm performance, by reference to individual employee performance; performance of the individual's business unit or department and the overall results of the Company. As permitted for IFPRU firms, in accordance with the SYSC19A Firm Proportionality Guidance, the Company takes into account the specific nature of its own activities in conducting any *ex-ante* risk adjustments to awards of variable remuneration and, given the nature of its business, has disapplied the requirement under the Code to make *ex-post* risk adjustments.

The Company only has one "business area," namely its collateralised loan obligation management business. The Company is required to identify those staff whose professional activities have a material impact on the Company's risk profile in accordance with Regulation (EU) 604/2014 (Regulatory technical standards to identify staff who are material risk takers) (the "MRT Regulations") ("Code Staff"). The MRT Regulations permit firms to exclude from the list of Code Staff, staff who would otherwise fall within the definition where the institution determines that the professional activities of the staff member do not have a material impact on the institution's risk profile because the staff member either: (a) only carries out professional activities and has authorities in a business unit which is not a material business unit; or (b) has no material impact on the risk profile of a material business unit through professional activities carried out (the "MRT exclusion"). Where a firm wishes to exclude an individual on the basis of the MRT exclusion, for individuals that earn over EUR 500,000 but less than EUR 750,000, the firm must make a notification to the FCA. For individuals that earn over EUR

750,000, the firm must seek prior approval from the FCA to exclude such individuals from its Code Staff.

The Company has not identified any individuals to be excluded from its Code Staff on the basis of the MRT exclusion and has therefore not made any relevant notifications or applications for approval to the FCA, as applicable. The total "remuneration" (as defined in the FCA Rules) awarded to the Code Staff in 2019 was £1,359,536. Refer to the Group's annual report and accounts for a further breakdown of fixed and variable remuneration disclosures.