SCULPTOR CAPITAL MANAGEMENT EUROPE LIMITED

APPENDIX I

PILLAR 3 DISCLOSURES – UNAUDITED

Regulatory Context

The Pillar 3 disclosures of the company are set out below as required by the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") specifically BIPRU 11. The regulatory aim of the disclosures is to improve market discipline.

Frequency

Sculptor Capital Management Europe Limited (the "Company") publishes the Pillar 3 disclosures annually. The disclosure is prepared based on the position of the Company as at the accounting reference date.

The Pillar 3 disclosures that appear below are based on the position of the Company as of 31 December 2021.

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 consider 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.

APPENDIX I

PILLAR 3 DISCLOSURES – UNAUDITED

Governance Framework

The Board of Directors is the governing body of the Company and has the ultimate management and oversight responsibility. As at 31 December 2021, it comprised:

- Ghassan Ayoub, Executive Managing Director and Global Head of Convertible and Derivative Arbitrage
- Louisa Church, Executive Managing Director and Head of Client Partner Group - EMEA

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

The Board of Directors 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 will 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 shall also serve as the liaison to the Internal Audit function with respect to non-SOX program related activities. As needed, ERM will provide reporting and updates to the Group's Cybersecurity Risk Oversight Committee and separately to the Operational Committee. ERM will also periodically report on activities to the Corporate Responsibility and Compliance Committee of the Group's Board of Directors.

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 Company's Board and the Group's Board.

SCULPTOR CAPITAL MANAGEMENT EUROPE LIMITED

APPENDIX I

PILLAR 3 DISCLOSURES – UNAUDITED

Statement of Risk Appetite

The Company has maintained financial resources over the last five years in excess of the minimum capital resources requirements. The Company is financed on a cost-plus basis and in light of this, 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 dealt with in a separate document, namely the Company's "Liquidity Policy."

The Company has developed five (5) statements which collectively make up its Risk Appetite Statement as presented below.

Concentration Risk

The Company holds no client money so there is no concentration risk for location of client money or location of client assets. The Company uses HSBC, an accredited world-wide financial institution for its own cash and money market deposits.

Operational Risk

As 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 ten (10) working days of identification and implemented within thirty (30) days or have Pillar 2 capital allocated. Any Risk rated as a B must have a plan for treatment developed within thirty (30) days of identification and implemented within ninety (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 acts as a sub-advisor to its parent company, Sculptor Capital LP (and two of its wholly owned subsidiaries), and operates on a cost-plus arrangement. The Company primarily receives its revenues from its parent equal to a certain percentage mark-up of its operating costs, as determined annually on the basis of a transfer pricing analysis. The effect of this arrangement is that the Company is protected from any fluctuations in expenses or any other sudden costs as additional funds are provided to meet these extraordinary costs by the parent company. The result of this arrangement is that many risks to which asset management firms are usually exposed are not applicable to the Company and do not require additional capital allocation. Nonetheless, the Company performs base capital planning and stress testing of the business plan.

Credit Risk

The Company is not generally exposed to credit risk except for the risk that investment management fees cannot be collected and its exposure to banks where collected fees are deposited. As the Company's credit risk appetite is low, the Company holds all cash balances with banks 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 banks.

Market Risk

As a limited licence investment management firm, the Company does not operate 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 US dollar, Euro and the Hong Kong dollar. The largest foreign currency exposure on the Company's balance sheet is generally cash balances denominated in US dollars, which the Company believes is a stable currency and exposes the Company to little risk. The Company's limit on US dollar cash exposure is generally equal to the amount of 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 US dollars and from time-to-time other major currencies arise in the ordinary course of business (e.g., trade payables, intercompany items related to transfer pricing and 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 foreign currency exposure on a regular basis. Any material exposures other than those outlined above would be communicated to the board on a timely basis.

Risk Appetite Enforcement

The risk appetite is set and 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 and Risk Assessment Process ("ICARA").

Risk Reporting

A Risk Register is maintained and managed by the Company's Compliance Officer and approved by the Company's 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.

BIPRU 3 – Standardised Credit Risk

The Company is primarily exposed to credit risk from the risk of non-collection of sub-advisory frees from Sculptor Capital LP. It holds all cash balances with banks assigned high credit ratings. Consequently, risk of past due or impaired exposures is minimal. The Company does not, as at 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.

PILLAR 3 DISCLOSURES – UNAUDITED

For its Pillar 1 regulatory capital calculation of Credit Risk, under the credit risk capital component the Company has adopted the standardised approach (BIPRU 3.4).

APPENDIX I

PILLAR 3 DISCLOSURES – UNAUDITED

The following table sets forth the Company's credit risk capital requirement calculation as at 31 December 2021:

Credit Risk Capital Requirement	Rule	Pillar I Requirement £
Credit risk capital component	BIPRU 3.4	3,400,834
Total		**3,400,834**

The following table sets forth the Company's credit risk capital component calculation as at 31 December 2021:

Exposure Type	Rule	Exposure £	Weight	Risk-Weighted Exposure Amount £
Exposures to central banks	BIPRU 3.4.2	1,127,863	0 %	—
Exposures to institutions	BIPRU 3.4.39	2,133,205	20 %	426,641
Other items	BIPRU 3.4.52	40,752,489	100 %	40,752,489
Fixed assets	BIPRU 3.4.127	139,582	100 %	139,582
Prepayments and accrued income	BIPRU 3.4.128	438,458	100 %	438,458
Collective investment undertakings	BIPRU 3.4.118, 123 or 124	3,766,265	20 %	753,253
Total		**48,357,862**		**42,510,423**
Credit Risk Capital Component	8% of risk-weighted exposure			**3,400,834**

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 (BIPRU 7.1). The following table sets forth the Company's market risk capital requirement calculation as at 31 December 2021:

Exposure Type	Rule	Exposure £	Weight	Risk-Weighted Exposure Amount £
Foreign currency positional risk requirement	BIPRU 7.5	16,532,816	8 %	1,322,625
Total		**16,532,816**		**1,322,625**

Fixed Overhead Requirement

As a BIPRU firm, the Company is not subject to an operational risk requirement. However, it is required to maintain capital resources equal to at least one quarter of annual fixed overheads, the Fixed

Overheads Requirement ("FOR"). The Company's FOR based on expenditures incurred for the 2021 fiscal year is £2,553,434.

Capital Resources

The Company is a BIPRU firm without an Investment Firm Consolidation Waiver deducting Material Holdings (GENPRU 2 Annex 4). The Company's Tier 1 Capital is comprised of its parent's investment in the form of shares and share premium accounts and audited reserves. The Company has no Tier 2 or 3 capital nor any deductions from its capital. The Company's Tier 1 capital resources as of the accounting reference date were £14,600,494.

Capital Resources	**31/12/2021 (£)**
Paid up capital instruments	£300,000
Share Premium	—
Retained Earnings	14,300,494
Tier 1 Capital	**14,600,494**
Regulatory adjustments	—
Tier 2 & 3 capital	
Total capital resources	**14,600,494**
Pillar 1 requirement (higher of (i) and (ii))	**4,723,459**
i) Total credit and market risk requirement	4,723,459
ii) Fixed overhead requirement	2,840,873
Surplus over Pillar 1 requirement	**£9,877,035**

Overall Pillar 2 Rule

In line with the Overall Financial Adequacy Rule (GENPRU 1.2.26), 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 Company's Compliance Officer presents the ICAAP document to the Board of Directors of the Company 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.

Remuneration

The Company has adopted a remuneration policy that complies with the requirements of Chapter 19C of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"), as interpreted in accordance with the FCA's guidance publication entitled "General Guidance on Proportionality. The Remuneration Code for BIPRU Firms (SYSC 19C) & Pillar 3 Disclosures on Remuneration (BIPRU 11)" (the "BIPRU Firm Proportionality Guidance").

As a BIPRU firm, the Company has, in accordance with the BIPRU Firm Proportionality Guidance, concluded, on the basis of its size and the nature, scale and complexity of its legal structure and business, that it does not need to appoint a Remuneration Committee. Instead, the Company's Board of Directors sets, and oversee compliance with, the Company's remuneration policy including reviewing the terms of the policy at least annually.

As at 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 BIPRU firms, in accordance with the BIPRU Firm Proportionality Guidance, the Company takes into account the specific nature of its own activities (including the fee based nature of its revenues and its transfer pricing arrangements with Sculptor Capital LP) 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.

As a BIPRU firm, the Company has also elected to disapply the specific principles in SYSC 19C relating to deferral, form of delivery and performance adjustment and has elected not to set a maximum leverage ratio.

The Company only has one "business area," namely its sub-advisory asset management business. All of the firm's Code Staff fall into the "senior management" category of Code Staff (rather than the "risk taker"”category) for the purposes of the Remuneration Code. The total "remuneration" (as defined in the FCA Rules) awarded to the Firm's code Staff in 2021 was £6,012,703. Refer to the Group's annual report and accounts for a further breakdown of fixed and variable remuneration disclosures.