

1. INTRODUCTION

1.1 Purpose and Scope

This document presents the FCA Disclosure Requirements (previously referred to as the Pillar 3 disclosures) for Monarch Alternative Capital (Europe) Ltd ("**Monarch**" or "**the Firm**") which is authorised and regulated by the Financial Conduct Authority ("**FCA**"). From 1 January 2022, Monarch has been regulated under the FCA's new Investment Firm Prudential Regime ("**IFPR**") as an SNI MiFID investment firm. Previously it was regulated as a BIPRU investment firm in accordance with the FCA's rules.

These disclosures are prepared on an annual basis for the purposes of complying with the FCA rules at MIFIDPRU 8 for SNI investment firms. Monarch is required to publicly disclose certain details about its remuneration arrangements.

1.2 FCA Disclosure Policy

Monarch's disclosures are considered to be appropriate to its size and internal organisation, and to the nature, scope and complexity of its activities. The Firm may consider it appropriate to publish updated disclosures more frequently should a significant change in business or operating environment require this.

2. REMUNERATION

2.1 Approach to remuneration for all staff

The Firm is committed to remunerating all staff fairly in a manner that promotes equal opportunity and rewards and incentivises staff for their performance and contribution to the Firm. The remuneration structures adopted by the Firm are designed to promote the Firm's ability to recruit and retain highly-talented staff.

2.2 Objectives of financial incentives

Remuneration at Monarch is comprised of fixed and variable remuneration. The aim of the remuneration incentives, the Firm's policy that governs such incentives and the governance framework within the Firm around remuneration is to establish, implement and maintain remuneration policies, procedures, governance and practices that:

- are consistent with and promote sound and effective risk management;
- do not encourage excessive risk taking, instead promoting risk awareness and prudent risk taking;
- include measures to avoid conflicts of interests;
- are in line with the Firm's business strategy, objectives, values and long-term interests, encouraging responsible business conduct.

2.3 Governance

The Firm has established a Remuneration Committee to oversee the Firm's remuneration policies and procedures and to ensure that remuneration policies, procedures and practices promote sound and effective risk management. The Remuneration Committee consisted of Hannah Ellis, a director of the company and Lisa Penza, a Senior Controller of Monarch Alternative Capital LP at the time of 31 December 2022 remuneration determinations. The Remuneration Committee is responsible to the Board for remuneration matters.

In accordance with the FCA's rules, the Firm has a Remuneration Policy. The Remuneration Policy covers all aspects of the Firm's remuneration. The Remuneration Policy is reviewed by the Remuneration Committee annually. The Firm has taken advice on the development of the Remuneration Policy from its external counsel.

The Firm's Remuneration Policy is designed to be consistent with and promote sound and effective risk management and in particular ensure that risk-taking by staff in the course of their business does not exceed the level of risk tolerated by the Firm. The Firm's compensation scheme is intended to reward and incentivise staff for their performance and contribution to the Firm, enable the Firm to recruit and retain highly-talented staff, and incentivise long-term performance and contribution to the Firm by interest alignment. All permanent staff received fixed compensation and are eligible for variable deferred and non-deferred bonuses. Different categories of variable remuneration are available to different types of staff. Eligibility for certain types of variable remuneration is also linked to positions held within the Firm. Bonuses are discretionary.

2.4 Key characteristics of remuneration policies and practices

Remuneration at Monarch comprises the following:

Type of remuneration	Categorisation
Annual salary	Fixed
Annual discretionary bonus	Variable
Group level deferred bonus scheme	
Carried Interest	
Synthetic Carried Interest	

The Firm's business is to provide investment services to its sole client, Monarch Alternative Capital LP ("MAC LP"), an offshore affiliated manager, in respect of funds managed by that manager.

Annual salary is driven by market demands and strongly affected by individual performance, reflecting an individual's role and position within the Firm. However, individual performance during the year is critical in determining an individual's bonus award for that year. There is a US group level bonus scheme under which certain Firm staff receive a deferred amount linked to the performance

of the funds managed by MAC LP. Some more flexible discretionary bonuses may also be awarded at the US group level, based on overall group performance. Carried interest and synthetic carried interest may be awarded in certain funds managed by MAC LP. Carried interest and synthetic carried interests awards are intended to reward and incentivise long-term performance and contribution to the Firm in a manner that closely aligns the interests of the participants with the interests of the investors in the funds.

All types of variable remuneration are fully discretionary and the exact amount to be paid to any employee in any year will be determined in the company's sole discretion, in consultation with MAC LP, based on:

- the Firm's financial performance, taking into consideration profits of the Firm arising in connection with the operation of its business;
- the employee's individual performance, quality of work and contribution to the Firm more broadly; and
- the employee's role, position and career track at the Firm and contributions that the employee is expected to make in the company in the future.

Individual performance is assessed by reference to both financial and non-financial criteria, as determined appropriate. This generally includes whether an individual has repeatedly and/or seriously breached the Firm's internal compliance policies and procedures or demonstrated behaviours inconsistent with the Firm's corporate values.

Due to the Firm's size, the Firm does not have business unit level performance criteria for determining variable compensation awards.

2.5 Quantitative Disclosures

For the purposes of these remuneration disclosures the Board have identified for the financial year to 31 December 2022 that the total remuneration (both fixed and variable) paid to all staff was £4,231,262, split as follows:

- (i) a total cost of fixed remuneration paid to all staff of £1,549,840;
- (ii) a total cost of variable remuneration paid to all staff of £2,681,422.