

# AQR Capital Management (Europe) LLP

MIFIDPRU REMUNERATION POLICIES AND PRACTICES DISCLOSURE

**AQR Capital Management (Europe) LLP**  
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**31 December 2022**

## **1. Introduction**

AQR Capital Management (Europe) LLP (“AQR Europe” or the “Firm”) acts as a full-scope UK alternative investment fund manager (“UK AIFM”) to a non-UK alternative investment fund (“non-UK AIF”) incorporated in Luxembourg, AQR Lux Funds. AQR Europe also acts as a key strategic sub-distributor of AQR’s European fund ranges offered in the UK and internationally. These include AQR’s two Luxembourg incorporated private funds and two Luxembourg domiciled UCITS umbrella funds, with several sub-funds spread across the AIF and UCITS structures.

AQR Europe is authorised and regulated by the Financial Conduct Authority (the “FCA”) of the United Kingdom as a UK AIFM pursuant to the UK implementation of the European Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (“AIFMD”). AQR Europe’s scope of permissions is limited to conducting regulated activities with professional clients and/or eligible counterparties only (as defined in the FCA’s Handbook of Rules and Guidance).

This disclosure statement references the following AQR group entities:

**AQR Capital Management (Europe) LLP**; a limited liability partnership established under the laws of England and having its principal place of business in the UK.

**AQR Capital Management, LLC (“AQR US”)**; a limited liability company organised under the laws of the State of Delaware and having its principal place of business in the United States.

AQR Europe is an indirect subsidiary undertaking of AQR US. Together, with other AQR group entities, they are referred to in this disclosure statement as “AQR”.

This Remuneration Policies and Practices disclosure statement for AQR Europe is provided in accordance with the requirements of the FCA’s “General Prudential Sourcebook” (GENPRU) and the “Prudential sourcebook for MiFID Investment Firms” (MIFIDPRU).

## **2. Scope and Application of the Requirements**

AQR Europe’s remuneration policy implements the requirements of both the FCA’s AIFM Remuneration Code (the “**AIFM Remuneration Code**”) as set out in Chapter 19B of the FCA’s Senior Management Arrangements, Systems and Controls Sourcebook (“SYSC”) as well as the FCA’s Remuneration Code for MIFIDPRU investment firms (the “**MIFIDPRU Remuneration Code**”), as set out in SYSC 19G.

The AIFM Remuneration Code applies when the Firm carries on activities falling within the scope of the regulated activity of “managing an AIF” (i.e., AQR Lux Funds).

The Firm additionally carries on activities falling within the scope of the provisions of Article 6(4) of the AIFMD, known as the “MiFID top-up permissions”. The Firm has exercised its rights under Article 6(4) of the AIFMD and accordingly has permission to carry on the investment services known as “investment advice”, “portfolio management” and “reception and transmission of orders”. The Firm use these permissions to act as distributor of AQR’s European funds and other services (including separately managed accounts) offered across Europe and internationally (known as the “Distribution Services”).

Since the Firm carries on the Distribution Services, the Firm is subject to both the AIFMD Remuneration

Code and the MIFIDPRU Remuneration Code. The latter applies to firms depending on their classification under the UK's Investment Firms Prudential Regime. Under this regime, AQR Europe has determined that it is a small and non-interconnected ("SNI") firm and therefore only the basic remuneration requirements of the MIFIDPRU Remuneration Code apply to the Firm and all its staff. As per the FCA proportionality guidance (the "SYSC 19B Proportionality Guidance"), where a firm is subject to both the MIFIDPRU Remuneration Code and the AIFM Remuneration Code, the firm must comply with the most stringent of the codes. As such, the AIFM Remuneration Code primarily underpins the contents of AQR Europe's remuneration policy.

As noted in SYSC 19G: application, the extent to which the MIFIDPRU Remuneration Code applies to a firm depends on the firm's classification and size. To AQR Europe, being an SNI MIFIDPRU investment firm, only basic remuneration requirements apply (listed below). These requirements focus on ensuring that firms have remuneration policies and practices meeting minimum standards and are subject to sound governance.

- SYSC 19G.2 (Remuneration policies and practices);
- SYSC 19G.3.1R to SYSC 19G.3.3R (Oversight of remuneration policies and practices);
- SYSC 19G.3.6R to SYSC 19G.3.8G (Control functions);
- SYSC 19G.4.1R to SYSC 19G.4.5R and SYSC 19G.4.7G(1) and SYSC 19G.4.7G(2) (Fixed and variable components of remuneration);
- SYSC 19G.6.1R (Remuneration and capital);
- SYSC 19G.6.2R (Exceptional government intervention); and
- SYSC 19G.6.5R to SYSC 19G.6.6G (Assessment of performance)

MIFIDPRU 8.6 chapter requires all MIFIDPRU investment firms to make certain disclosures relating to qualitative and quantitative information about their remuneration policies, practices and outcomes. The disclosures are tailored to the remuneration requirements of SYSC 19G, with SNI MIFIDPRU investment firms being required to disclose less information than non-SNI MIFIDPRU investment firms. AQR Europe's disclosure statement has been prepared to coincide with the Firm's financial year-end (31 December). The information contained in this disclosure statement has not been audited by AQR Europe's external auditors and does not constitute any form of financial statement.

### **3. Governance Framework**

#### **AQR Europe**

AQR Europe has adopted a robust governance framework, which includes a clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed, and internal control mechanisms, including sound administrative and accounting procedures and effective control and safeguard arrangements for information processing systems.

The governing body of AQR Europe is the European Executive Committee (the "EEC") to whom the Firm has delegated its day-to-day business operations. The EEC has one sub-committee, the New Business Committee (the "NBC"), which reports to the EEC and is responsible for (i) establishing governance controls on potential new business activities and (ii) addressing applicable regulatory requirements in relation to product governance.

As the governing body of AQR Europe, the EEC is responsible for the overall management and oversight of AQR Europe. It provides leadership and oversight of the organisation within a framework of prudent and effective controls that enable risk to be assessed and managed. It sets AQR Europe's strategic aims and is responsible for overseeing the establishment and maintenance of appropriate systems and

controls to ensure it operates within applicable laws, rules and guidance issued by the FCA and other competent regulatory authorities. The EEC additionally sets and reviews the policies and procedures of AQR Europe. It supervises and monitors AQR Europe's operating activities, particularly with respect to its Distribution Services and investor/client services. The EEC also undertakes the monitoring and overview of AQR Europe's European-domiciled fund business in respect of the functions to which AQR US has been appointed.

The NBC serves as AQR Europe's main decision-making body (subject to the oversight of the EEC) for both: (i) the product design and approval, launch and distribution of new AQR products and services in the regions AQR Europe operates; and (ii) the on-going review of existing AQR products and services distributed in these regions, including the relevant distribution channels.

### **Global Governance Arrangements**

AQR maintains a management structure and leadership designed to facilitate the strategic advancement and global oversight of the entire business of the AQR group entities.

AQR Europe is a key subsidiary undertaking within AQR. As such, in connection with its activities and the EEC responsibilities, it is expected to ensure that its strategy, activities, policies and procedures are aligned with those of AQR US, unless regulation, legislation or other factors dictate otherwise. The Chairman of the EEC is responsible for ensuring this alignment by, among other things, coordinating with, and taking appropriate direction from AQR US' Executive Committee.

### **4. Remuneration**

AQR Europe has implemented and maintains a remuneration policy and practices that are consistent with the general remuneration principles. The Firm's policy promotes sound and effective risk management and is in line with the business strategy, objectives, values and long-term interests of the Firm and its clients and include measures to avoid conflicts of interest.

AQR Europe is subject to the AIFM Remuneration Code in its capacity as a full-scope UK AIFM. At the date of this disclosure statement, AQR Europe was additionally subject to the MIFIDPRU Remuneration Code through its performance of the Distribution Services. As explained above, AQR Europe remuneration policy complies with AIFM Remuneration Code as the most stringent of the codes.

AQR Europe's remuneration policy is adopted by the EEC with oversight from AQR US's Finance Committee, a sub-committee of AQR US' Executive Committee and is reviewed at least annually. Owing to the size, internal organization and the scope and nature of AQR Europe's activities, the Firm has decided not to establish a remuneration committee, nor does it apply any of the pay-out process rules.

When reviewing remuneration, including any variable remuneration, AQR will consider the overall contribution made by the relevant individual, which includes financial as well as non-financial criteria. Relevant factors include: (1) overall company performance during the relevant year; (2) individual performance based on certain elements (including but not limited to effort, attitude, results and Compliance with regulatory requirements); and (3) competitive market benchmarking data. AQR may also consider other factors in its discretion from time to time.

The Firm has set an appropriate ratio between the fixed and variable components of total remuneration and ensures that: (1) fixed and variable components of total remuneration are appropriately balanced; and (2) the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The assessment of performance for awarding variable

remuneration is not individually tied to the profits or performance of any fund, group affiliate or any client. All variable remuneration awards are calculated after allowing for the capital and liquidity requirements of the Firm.

The total amount of remuneration awarded to AQR Europe's staff for the financial year ended 31 December 2022 was £9,695,234, which comprised of £5,711,058 and £3,984,176 in fixed and variable remuneration, respectively.

## **5. Items Omitted from the MIFIDPRU Disclosures**

AQR Europe has concluded that the detailed disclosure requirements in relation to risk management objectives and policies, own funds and own funds requirements set out in MIFIDPRU 8.2, MIFIDPRU 8.4 and MIFIDPRU 8.5 may be excluded from the MIFIDPRU Disclosures on the grounds that the firm does not have any additional tier 1 instruments in issue.