



# IFPR Disclosure

Deutsche Alternative Asset  
Management UK Limited

For the financial year ended  
31 December 2023

 **DWS**

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# 1 / Disclosure overview

## Background and basis of disclosure

The Investments Firm Prudential Regime (“IFPR”) is the FCA’s prudential regime for MiFID investment firms. The aim of the IFPR is to streamline and simplify the prudential requirements for MiFID FCA regulated investment firms.

This IFPR disclosure is in relation to Deutsche Alternative Asset Management UK Limited (“the Firm”) as at 31 December 2023. The Firm is one of the legal entities within the DWS Group (“DWS”). The Firm is authorised and regulated by the Financial Conduct Authority (“FCA”).

The Firm does not currently provide any business activities, it has zero AUM and there are no fees generated by the business. The aim is to wind down this firm in due course.

Under the IFPR’s firm categorisation the Firm is categorised as a small non-interconnected (“SNI”) MIFIDPRU investment firm. As a UK investment firm Deutsche Alternative Asset Management UK Limited is subject to the prudential requirements of IFPR as set out in MIFIDPRU 8. This includes disclosures covering the Remuneration Policy and Practices (MIFIDPRU 8.6)<sup>1</sup>.

<sup>1</sup> Risk Management Objectives and Policies (MIFIDPRU 8.2), Governance Arrangements (MIFIDPRU 8.3), Own Funds (MIFIDPRU 8.4), Own Funds Requirements (MIFID PRU 8.5) and Investment Policy (MIFIDPRU 8.7) are out of scope for Deutsche Alternative Asset Management UK Limited

## 2 / Remuneration policy and practices (MIFIDPRU 8.6)

The Firm does not currently provide any business activities and no staff were assigned to this entity in 2023. Any future employment of staff by the Firm would be subject to the DWS Remuneration Policy and Governance as disclosed below.

### **DWS Group remuneration policy and governance**

The Firm is governed by the DWS-wide Compensation Policy that DWS KGaA has adopted for itself and all of its subsidiaries.

In line with the Group structure, committees have been set up to ensure the appropriateness of the compensation system and compliance with regulatory requirements on compensation and are responsible for reviewing it.

As such the DWS Compensation Committee was tasked by the DWS KGaA Executive Board with developing and designing sustainable compensation principles, making recommendations on overall compensation and ensuring appropriate governance and oversight with regard to compensation and benefits for DWS. In 2023, the DWS Compensation Committee membership comprised of the Chief Executive Officer, the Chief Financial Officer, the Chief Administrative Officer, the Head of Product Division, and the Global Head of Human Resource. The Head of Reward is a non-voting member. In February 2023, the Chief Operating Officer was replaced by the Chief Administration Officer and the Head of Product division additionally was appointed as a voting member.

Furthermore, the Remuneration Committee was established to support the Supervisory Board of DWS KGaA in monitoring the appropriate structure of the remuneration systems for all DWS employees. This is done by testing the consistency of the remuneration strategy with the business and risk strategy and taking into account the effects of the remuneration system on the DWS-wide risk, capital and liquidity management.

No external consultants have been used in the development of the remuneration policies and practices.

### **Compensation structure**

Employee compensation consists of fixed and variable compensation.

Fixed compensation remunerates employees for their skills, experience and competencies, commensurate with the requirements, size and scope of their role. Fixed Pay consists of the base salary, regional allowances, or other allowances where applicable (e.g., car allowance, etc.).

Variable compensation has been used by DWS for many years to incentivise, reward and retain strongly performing employees and to thereby differentiate Total Compensation outcomes.

The compensation structures are designed not to provide incentives for excessive risk-taking but rather provide a mechanism to promote and support long-term performance of employees and DWS.

Variable compensation takes into account performance at DWS, divisional and individual level. Variable compensation generally consists of two elements – the “Franchise Component” and the “Individual Component”.

The Franchise Component is determined based upon the performance of three Key Performance Indicators at DWS level. For the performance year 2023 these were: Adjusted Cost Income Ratio, Net Flows excl. Cash and ESG metrics.

The Individual Component of variable compensation takes into account a number of financial and non-financial factors, relativities within the peer group, and retention considerations. Variable compensation can be reduced accordingly or cancelled completely in the event of negative performance contributions or misconduct. In principle, it is only granted and paid out if affordable for DWS.

Guaranteed variable compensation is not normally granted to employees. On an exceptional basis, guaranteed variable compensation can be granted to new hires but only during their first year of employment.

### **Severance payments**

Severance payments are payments relating to the involuntary termination of an employment relationship. DWS applies the DB Group severance framework which ensures full alignment with the respective regulatory requirements, local labour law, including predetermined criteria for the determination of payments and maximum amounts, which can be amended from time to time in DWS's absolute discretion. Severance payments are determined in line with applicable policies and practice and subject to appropriate governance.

### **Identification of material risk takers**

In accordance with the regulatory requirements, the Firm has identified Material Risk Takers ("MRTs"). The identification process was carried out in accordance with DWS's policies and is based on an assessment of the impact of the following categories of staff on the risk profile of the Group, the Firm and/or on assets it manages: DWS Board Members/Senior Management, Control Functions, voting members of a DWS Committee, individuals heading Portfolio Management, Coverage, Product Development, Outsourcing, Trading, Marketing and Human Resources. Considering the DWS corporate structure, not all of these functions sit within the Firm, but services are often provided by DWS employees employed outside of the Firm.

### **Determination of variable compensation and appropriate risk-adjustment**

The total amount of variable compensation is subject to appropriate risk-adjustment measures which include ex-ante and ex-post risk adjustments. The robust methodology is designed to ensure that the determination of variable compensation reflects DWS's risk-adjusted performance as well as the capital and liquidity position.

A number of considerations are used in assessing the performance of the business units. Performance is assessed in the context of financial and non-financial targets based on balanced scorecards. The allocation of variable compensation to the infrastructure areas and in particular to the control functions depends on the overall results of DWS, but not on the results of the business areas they oversee.

Principles for determining variable compensation apply at individual employee level which detail the factors and metrics that must be taken into account when making individual variable compensation decisions. These include, for instance, investment performance, client retention, culture considerations, and objective setting with performance assessment based on the 'Total Performance' approach. Furthermore, any control function inputs and disciplinary sanctions and their impact on the variable compensation have to be considered as well.

The financial targets are subject to appropriate risk adjustment, in particular by referencing the degree of future potential risks to which DWS may be exposed, and the amount of capital required to absorb severe unexpected losses arising from these risks. For the DWS Infrastructure functions, in particular the Control Functions, the performance assessment is based on the achievement of cost and control targets.



Ex post risk adjustment of variable compensation: performance conditions and forfeiture provisions are key elements of DWS deferred compensation structures and support the alignment of awards with future conduct and performance whilst also allowing for an appropriate back-testing of the initial performance assessment. Performance conditions critically contribute to effectively enforcing a sound risk culture, a primary objective of DWS 's compensation strategy.

Consistent with past practice, all employees who receive deferred awards are subject to possible forfeiture of all or a portion of unvested/undelivered awards. In conjunction with the scope of the risk adjustment measures, the duration for which the performance conditions and forfeiture provisions are applicable is equally important and is reflected in the application of such conditions up to the vesting and/or delivery of awards.

Performance conditions and forfeiture provisions are reviewed on an annual basis and with reference to any change in regulatory requirements. These conditions & provisions include:

- DWS Performance Conditions: DWS Profit before Tax, DWS Economic Capital Surplus, DWS Common Equity Tier 1 Capital
- Forfeiture (Malus) Conditions in particular: Inaccurate Performance Measures; Breach of Policy, Laws, or Regulations; Control Failures; Regulatory Requirements; Significant Adverse Event
- Clawback (for Material Risk Takers only): in case of significant loss or material regulatory sanction or failure to comply with appropriate standards of conduct.

### **DWS' core elements of variable compensation**

Both the franchise and the Individual components of variable compensation may be awarded in cash, share-based or fund-based instruments under the DWS deferral arrangements.

DWS has determined that for all MRTs awarded variable compensation at least 40% to 60% of their variable compensation must be granted under deferral arrangements subject to a deferral period of at least 3 years. At least 50% of all deferred and all non-deferred variable compensation for MRTs shall consist of share-linked or fund-linked instruments. The instruments shall be subject to an appropriate retention period which DWS has determined to be 6 months for IFPR MRTs, following the vesting of each tranche.

No MRT deferral exceptions were applied by the Firm for the 2023 performance year.

### **Quantitative disclosures**

Deutsche Alternative Asset Management UK Limited did not employ staff in 2023. Therefore, no quantitative disclosure is provided.

