Daiwa
Capital Markets

IFR Disclosure

For the Year Ended 31 March 2023

Daiwa Capital Markets Deutschland GmbH

Please note:

This translation is a courtesy translation only. The German original is the only binding source and prevails in case of doubts or discrepancies.

Contents

Glossary of Terms and Abbreviations

BaFin	The German Federal Financial Supervisory Authority
BVV	BVV Versicherungsverein des Bankgewerbes
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
D&I	Diversity and Inclusion
DCM	Debt Capital Markets
DCMD	Daiwa Capital Markets Deutschland GmbH
DCME	Daiwa Capital Markets Europe Limited
DCME Group	DCME plus subsidiaries / branches
DSGI	Daiwa Securities Group Inc.
EBA	European Banking Authority
ESG	Environmental, Social and Governance
EWI	Early Warning Indicator
ExCo	Executive Management Committee
FOR	Fixed Overhead Requirements
ICAAP	Internal Capital Adequacy Assessment Process
ICR	Internal Credit Rating
IFD	Investment Firm Directive
IFR	Investment Firm Regulation
IVV	Remuneration Regulation for Institutions
K-ASA	K Factor required based on assets safeguarded and administered
K-AUM	K Factor required based on assets under management
K-CMG	K Factor required based on Clearing Margin Given
K-CMH	K Factor required based on Client Money Held
K-COH	K Factor required based on Client Orders Handled
K-CON	K Factor required based on Concentration Risk

K-DTF	K Factor required based on Daily Trading Flow
KFR	K Factor Requirement
K-NPR	K Factor required based on Net Position Risk
KPI	Key Performance Indicator
K-TCD	K Factor required based on Trading Counterparty Default
KWG	German Banking Act
LAB	Liquid Asset Buffer
LoD	Line of Defence
MaRisk	Minimum Requirements for Risk Management
MD	Managing Director
MiFID II	Markets in Financial Instruments Directive
MRT	Material Risk Taker
MTM	Mark-to-Market
PFE	Potential Future Exposure
RAS	Risk Appetite Statement
RCSA	Risk & Control Self-Assessment
RiCo	Risk Management Committee
RLF	Risk Limit Framework
RMF	Risk Management Framework
RtC	Risk to Client
RtF	Risk to Firm
RtM	Risk to Market
SREP	Supervisory Review and Evaluation Process
T1	Tier 1
T2	Tier 2
WpIG	German Investment Firm Act
WVV	Investment Firm Remuneration Ordinance

1 Overview

1.1 Background

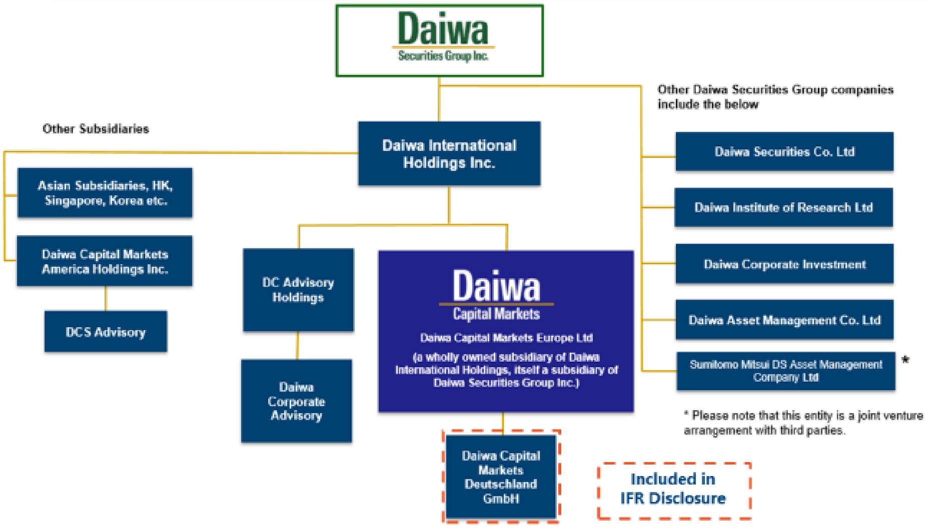
Since 26 June 2021, a new prudential regime applies to investment firms authorised under the Markets in Financial Instruments Directive (“MiFID II”). This new framework, set out in the Investment Firm Regulation ("IFR") and the Investment Firm Directive ("IFD"), significantly revises the prudential rulebook for investment firms by introducing a bespoke regime. Underpinned by the principles of risk relevance and proportionality, the new regime applies a range of rules relating to risk management objectives, capital requirements, financial and regulatory reporting, internal governance and remuneration to investment firms, depending on their classification across a risk spectrum.

Pursuant to section 1 of the German Investment Firm Act (*Wertpapierinstitutsgesetz*, “WpIG”), Daiwa Capital Markets Deutschland GmbH (“DCMD” or “the Firm”) is subject to WpIG since 26 June 2021. DCMD qualifies as a medium-sized investment firm (*Mittleres Wertpapierinstitut*) according to sections 2 (1), 2 (2) and 2 (17) WpIG and is regulated by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, “BaFin”).

The public disclosure is an important part of the IFR as it increases transparency and confidence in the market and gives stakeholders and market participants an insight into how Firms are run.

1.2 Structure

DCMD operates as a wholly owned subsidiary of Daiwa Capital Markets Europe Ltd (“DCME”), based in London, United Kingdom (together “DCME Group”). DCME is itself a subsidiary in the end of Daiwa Securities Group Inc. (“Daiwa Group”, or “DSGI”), one of the largest brokerage and financial services groups in Japan. A Daiwa Holding company acts in between DCME and DSGI.



DCMD is based in Frankfurt am Main, Germany, and currently has no subsidiaries or branches. The Firm was established to enable Daiwa Group to continue offering financial services to EU-based clients following the United Kingdom´s departure from the European Union ("Brexit"). The aim is also to acquire additional clients and business relationships from this new base in Continental Europe.

1.3 Principal Activities

The business lines of DCMD are divided into global product areas with reporting lines to the EMEA Division Heads and to the global Division Heads at group level.

DCMD´s core business involves offering Japanese and Asian financial products and financial services (largely research) to European institutional investors. Additionally, European financial products are offered to Japanese and other non-European clients of the Daiwa Group facilitating access to the European market. The strategy of DCMD´s business activity reflects the links with, and synergies available across the Daiwa Group. The core business lines in accordance with the group business lines are: Cash Equities, Fixed Income Securities, International Convertible Bonds, Debt Capital Markets ("DCM") / Investment Banking and the offering of related financial services (essentially research) to European institutional investors. The repo business, which was not actively marketed by DCMD but offered to approved counterparties for their liquidity management, was suspended at the end of February 2023.

1.4 Basis of Disclosure - Application

This document has been prepared in accordance with the disclosure rules set out in article 46 IFR / section 54 WpIG.

- **Firm Categorisation:** DCMD fulfils the WpIG / IFR criteria for a medium-sized (class 2) investment firm.
- **Level of Disclosure:** The Firm is required to disclose only on an individual entity basis (DCMD solo).
- **Reference Date:** This document has been prepared as at 31 March 2023, which is the Firm's accounting reference date and financial year-end.
- **Frequency:** Disclosure is published annually alongside the Statutory Accounts, or more frequently, if the business undergoes a significant change or if required by BaFin.
- **Location:** The document is published on the Firm's website: *www.de.daiwacm.com/policies/*
- **Governance:** This document is prepared by DCMD Finance. The document is reviewed, challenged and approved by DCMD Management and the shareholder of the Firm. This document was not subject to audit by the Firm's external auditors.

2 Risk Management (Article 47 IFR)

2.1 Overview

DCMD's Management Board (i.e. Managing Directors ("MDs")) has ultimate responsibility for risk management and establishing a risk strategy that is in line with the Firm's business strategy. The overall risk strategy, aimed at permanently and sustainably ensuring DCMD's risk-bearing capacity, is based around the following key components:

- **Risk Management Framework ("RMF"):** Outlines the overarching governance arrangements to promote effective risk management throughout the organisation.
- **Risk Appetite Statement ("RAS"):** Established by DCMD's Management Board, it outlines DCMD's appetite and/or tolerance in relation to all risks categorised as material in the Firm's Risk Inventory.
- **Risk Limit Framework ("RLF"):** Formalises the Firm's processes in relation to the management of risk limits to protect the Firm's risk appetite, including the ownership, setting and reviewing of risk limits.
- **Strategies for Material Risks:** Business and risk strategies will be established to limit and manage risks within the Firm's approved risk appetite and aligned to the overall business strategy; and
- **Stress Testing and Contingency Planning:** Examine how the Firm's business model and risk exposures behave under a range of stress scenarios, and consider relevant mitigating actions relative to the Firm's risk appetite.

2.2 Three Lines of Defence

DCMD's RMF is based upon a three lines of defence ("3LoD") model. The implementation of the three lines of defence is supported by the Firm's overall corporate governance arrangements, which establish a clear organisational structure and allocation of responsibilities for risk management.

- **First Line of Defence:** This refers to those roles in the Firm whose activities generate risks, whether financial or non-financial. This describes the controls the organisation has in place to deal with day-today business. The controls are owned by the "front-line" business divisions and control functions.

- **Second Line of Defence:** This describes the committees and functions (including the Risk Management , Compliance, Regulatory and other risk control functions required by German regulations or Management) that are in place to provide the effective operation of the internal control system and oversight thereof. These committees and functions report independently of the 1LoD and review the management of risk in relation to the Firm's risk appetite.

- **Third Line of Defence:** This refers to the Internal Audit function which is accountable for providing independent and objective assurance on the adequacy of the design and effectiveness of the systems of internal control and risk management.

The three lines of defence model ensures clear delineation of responsibilities between day-to-day operations, independent monitoring and oversight, and assurance over the risk management framework.

To ensure the effective day-to-day monitoring and controlling of risk within DCMD, the Firm has established written policies, procedures and processes for identifying, assessing, treating, monitoring and communicating risks, which ensure that material risks and associated risk concentrations can be identified, assessed, treated, monitored and communicated.

2.3 Material Risks

DCMD has established a Risk Inventory setting out the population of risks implied in pursuing the activities set out in the Firm's business plan and strategy. Each identified risk type is assessed to determine its materiality to DCMD and any existing risk concentrations within certain risk types as well as risk concentrations across different risk types are documented. The Risk Inventory is reviewed annually and approved by the Firm's Management Board.

The material types of risks to which the Firm is exposed are detailed in the following sections.

2.3.1 Market Risk

2.3.1.1 Definition

Market risk is defined as the risk of losses arising from movements in interest rates, credit spreads, stock prices, exchange rates or other market risk factors.

2.3.1.2 Strategy

The key strategy for management of market risk under the current business model is to fully mitigate the trading book risk via back-to-back booking of trades to transfer all positions to DCME.

2.3.1.3 Risk Identification & Assessment

DCMD is exposed to market risk through the purchase and sale of securities and other trading activity, however, the risk is fully mitigated through the back-to-back booking model. Market risk is identified for each position, and then aggregated by business line and overall entity levels.

The principal market risk measure for DCMD's business is a flat daily position which is controlled on a daily basis.

2.3.1.4 Limits & Exposure Monitoring

A framework of market risk limits and early warning indicators ("EWIs") has been established to control risk exposures at the firm and business level. As per DCMD's current business setup, no trading book market risk is allowed and therefore all limits in relation to market risk in the trading book are per definition zero.

Exposures against all market risk limits and early warning indicators are monitored on a daily basis. Ad-hoc analyses can be performed as required to provide further understanding of individual market risks and the Firm's overall risk profile.

2.3.1.5 Reporting

Reporting against all market risk limits and early warning indicators is prepared and submitted to DCMD's Managing Directors on a daily basis. Additionally, monthly reporting is prepared for DCMD's Risk Committee.

Ad-hoc reporting procedures for timely escalation of important matters, e.g. for limit changes or breaches, are in place and have been formalised and documented in DCMD's policies and procedures.

2.3.2 Credit Risk

2.3.2.1 Definition

Credit risk is defined as the potential financial loss arising from a trading counterparty or issuer of financial instruments failing to meet its financial obligations to DCMD, either due to a default or deterioration in credit quality. Credit Risk is also present in the form of nostro balances, which are deposited in treasury accounts at acceptable banking entities.

2.3.2.2 Strategy

Credit risk is limited and managed through a combination of controls including minimum standards/requirements for an entity to be deemed an acceptable counterparty, assignment of internal credit ratings, the use of standard legal agreements and exposure netting where possible as well as collateralisation of exposures.

While Credit Risk management is performed locally, DCMD has outsourced several tasks to its parent to leverage the expertise and knowledge of DCME's Credit Risk team. Responsibility for setting the risk appetite, credit limits and related risk policies and processes remains with DCMD. Additionally, all credit decisions are taken by DCMD.

2.3.2.3 Risk Identification & Assessment

Credit risk is identified bottom-up by transaction/position and aggregated upwards considering the legal enforceability of netting agreements. Credit risk exposure is identified from all trades, positions, nostro balances and custodial balances.

Credit risk exposure represents the aggregation of counterparty risk and issuer risk. Counterparty risk is assessed through a combination of mark-to-market ("MTM") exposure and potential future exposure ("PFE") which is a calculation of additional risk inherent in all open and unsettled transactions, considering netting agreements and ancillary risk associated with any inability to call additional collateral during close out.

2.3.2.4 Limits & Exposure Monitoring

Internal Credit Ratings ("ICR") are assigned to counterparties, which are integrated into the overall limitation of credit risk. Credit rating reviews are conducted periodically based on a formal review cycle. Limits are established for each independent legal entity, and at counterparty group level.

Exposures against all credit risk limits are calculated and reviewed on a daily basis. This includes monitoring of risk concentrations in regard to counterparty rating, counterparty type, counterparty country of risk and counterparty country of risk rating. Additionally, ad-hoc analyses can be performed as required to provide further understanding of individual credit risks and the Firm's overall risk profile.

2.3.2.5 Reporting

Daily reports at granular levels (e.g. exposure by division) are distributed to front office business areas and include details necessary to enable front office to manage their exposures against allocated limits.

Summary reports are also prepared on a daily basis and distributed to DCMD senior management, including the Managing Directors.

Monthly reporting is prepared for the Risk Committee, Executive Committee and Management Board, respectively. Reporting and escalation procedures have been established in accordance with Daiwa standards and requirements of BaFin's Minimum Requirements for Risk Management (*Mindestanforderungen an das Risikomanagement*, "MaRisk").

Ad-hoc reporting procedures for timely escalation of important matters, e.g. for limit changes or breaches, are in place and have been formalised and documented in DCMD's policies and procedures.

2.3.3 Funding and Liquidity Risk

2.3.3.1 Definition

Liquidity risk is defined as the risk that a company is unable to meet its obligations as they fall due, leading to an inability to support normal business activity and meet liquidity regulatory requirements.

Funding risk is defined as the risk that a firm is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of a firm.

2.3.3.2 Strategy

Liquidity risk is limited and managed through a combination of controls including a Liquid Asset Buffer ("LAB") calibrated to stressed cash outflows, maturity gap mismatch management, as well as cash flow and balance sheet management processes.

2.3.3.3 Risk Identification & Assessment

Risks are identified through a series of liquidity and funding risk drivers, such as intra-day liquidity and funding concentration risk.

Risks are assessed on a periodic basis utilising tools and methodologies, such as cash flow and balance sheet size management, as well as contingency funding planning. The main tool for mitigation of liquidity risk in DCMD is the Liquid Asset Buffer. The LAB is set on the basis of DCMD's failed trades history is re-calibrated on an annual basis in line with business activity and any changing regulatory requirements.

2.3.3.4 Limits & Exposure Monitoring

A framework of risk limits and early warning indicators has been established in regard to regulatory liquidity requirements as well as the profile of secured and unsecured funding.

Exposure against all approved limits is calculated on a daily basis. Due to the outsourced Operation function, the intraday custodian liquidity is managed and controlled by DCME Operations, with oversight from DCMD.

2.3.3.5 Reporting

Summary reports are being prepared on a daily basis and distributed to DCMD's senior management.

Monthly reporting is prepared for the Risk Committee, Executive Committee and Management Board respectively (as applicable).

Any limit breaches are escalated as and when they occur in accordance with DCMD's established processes and procedures.

2.3.4 Operational Risk

2.3.4.1 Definition

Operational risk is defined as the risk of losses arising from failed internal processes, people and systems, and from external events. Operational risk notably includes outsourcing & vendor risk, financial crim risk, model and legal risks as material sub-categories.

2.3.4.2 Strategy

DCMD's primary aims are the early identification, recording, assessment, monitoring, prevention and mitigation of operational risk, as well as timely and meaningful management reporting.

2.3.4.3 Risk Identification & Assessment

The components of the operational risk framework have been designed to identify risks from both a top-down and bottom-up perspective. The Operational Risk function has a number of tools and methodologies at its disposal to help identify key operational risks to the Firm, including scenario analysis, business disruption risk assessment, information security threat analysis, Risk & Control Self-Assessment ("RCSA"), capturing and analysing internal and external risk events (where deemed necessary) and targeted risk reviews.
Utilising these tools and methodologies, risks are assessed on a periodic basis based upon a standard probability and impact assessment.

2.3.4.4 Limits & Exposure Monitoring

In comparison to market and credit risk, the sources of operational risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. In this respect,

risk mitigation or limitation methods for operational risk vary accordingly. The RAS measures provide a framework for limiting the net risk the Firm tolerates in relation to operational risks, as assessed through the other components of the framework including the RCSA and Key Performance Indicator ("KPI") reports for outsourcing.
Risks in regards to outsourcing are monitored on a monthly basis via an established KPI reporting process and any breaches to the agreed thresholds and service level agreements escalated, as appropriate. Additionally, the RCSA process provides an annual review and monitoring opportunity for the key risks identified.

2.3.4.5 Reporting

Monthly reporting is prepared for the Risk Committee providing qualitative and quantitative operational risk information including details about notable risk events/losses, operational risk RAS measures as well as outsourcing performance measured against agreed KPIs (including details of breaches).

Additionally, any operational risk incidents are reported as and when they arise in line with the reporting process formalised and documented in DCMD's policies and procedures.

2.3.5 Conduct Risk

2.3.5.1 Definition

Conduct Risk is defined as the risk that the behaviour of employees or the firm itself causes detriment to clients, counterparties or to the integrity of the markets where DCMD operates.

2.3.5.2 Strategy

Conduct Risk is inherent in most aspects of DCMD's activities, however DCMD seeks to avoid conduct risk and have preventative measures in place to mitigate against conduct risk.

2.3.5.3 Risk Identification & Assessment

DCMD utilises a number of tools and methodologies to help identify (potential) conduct risk within the Firm including pre-employment staff screening, trade surveillance and monitoring of electronic communications.
The collection, reporting and analysis of internal conduct risk events data enables the Firm to identify weak controls, ineffective processes or activities and ensures that the Firm takes appropriate and mitigating action.

2.3.5.4 Limits & Exposure Monitoring

In comparison to market and credit risk, the sources of conduct risk are difficult to identify comprehensively and the amount of risk is also inherently difficult to measure. In this respect, risk mitigation or limitation methods for conduct risk vary accordingly. The RAS measures provide a framework for limiting the net risk the Firm will tolerate in relation to conduct risk. Conduct risk events are captured, reported and mitigated as they arise. Mitigation will consider enhancement of both first line of defence (operational) processes and second line of defence risk management processes.

2.3.5.5 Reporting

The conduct risk report forms part of the monthly reporting at the Risk and Executive Committee. The report provides qualitative and quantitative conduct risk information, including details of notable conduct risk events and the historic development of the number conduct risk incidents.

2.3.6 Other Material Risks

2.3.6.1 Definition

The other material risks section comprises risk types which have been identified as material to DCMD but which are not already included in any of the above categories. These are:

- Group Risk
- Capital Risk
- Business Risk
- Regulatory Compliance Risk
- Governance Risk
- Reputational Risk

2.3.6.2 Group Risk

Group Risk is the risk arising from being a member of the Daiwa Group with all the advantages and possible disadvantages.

Group risk is limited and managed through a combination of controls including:

- DCMD has independent governance and decision-making.
- DCMD's capital resources, capital and liquidity adequacy are ensured on a standalone basis, and sufficient to ensure an orderly wind-down of the entity without the need for group support.
- Group dependency is considered when assessing risks to DCMD's business for stress testing purposes.

- Formal outsourcing control processes have been established to manage risks arising from associated services provided by the parent company.

2.3.6.3 Capital Risk

Capital risk is defined as the risk of capital depletion resulting from losses or requirements to repatriate to group, resulting in insufficient resources to continue normal business activities.

Capital risk is limited and managed through a combination of controls and DCMD ensures adequate capital resources through:

- Prudent assessment of internal capital requirements within the Internal Capital Adequacy Assessment Process ("ICAAP").
- Establishing a buffer above maximum capital requirement (higher of regulatory requirement and ICAAP) as risk appetite measure.
- Regular stress testing to identify changes in risk profile requiring management action to mitigate.

2.3.6.4 Business Risk

Business risk is defined as the risk of loss of profits due to changes in the external business environment.

Business risk is limited and managed through a combination of controls including:

- Vulnerability of the Firm's business model to changes in the external business environment are assessed through:
    - Stress testing
    - Business planning
- Risks identified will be addressed by:
    - Adjusting the business strategy accordingly
    - Setting aside capital against downside risk within ICAAP assessment.

2.3.6.5 Regulatory Compliance Risk

Regulatory compliance risk is defined as the risk of non-compliance with regulatory requirements/ obligations.

Regulatory risk is limited and managed through a combination of controls including:

- Risk and control self-assessment.
- Regulatory Control Matrix.
- Experienced staff and external advice.

2.3.6.6 Governance Risk

Governance risk is defined as the risk of inadequate governance structures which do not enable an organization to reliably achieve objectives, address uncertainty and act with integrity.

Governance risk is limited and managed through a combination of controls including:

- DCMD has adopted a Three Lines of Defence Model ensuring clear delineation of responsibilities between day-to-day operations, independent monitoring and oversight, and assurance.
- DCMD has established several committees as part of the overall governance arrangements.

2.3.6.7 Reputational Risk

Reputational risk is defined as the risk arising from adverse perception of the Firm on the part of customers, counterparties, shareholders, investors, or regulators, reputational issues and unfavourable public opinion.

Reputational risk is limited and managed through a combination of controls including:

- Internal Compliance and Credit Risk counterparty checks to avoid undertaking business in high-risk or sanctioned jurisdictions, or with high-risk counterparties.
- A comprehensive set of clearly written policies and procedures reducing the likelihood of any reputational risk events.
- Any proposed transaction or business activity which poses a reputational risk higher than that normally associated with DCMD's core business activities will be formally considered by the Risk or Executive Committee.

2.4 Climate Risk

DCMD acknowledges that climate change, and society's response to it, presents potential risks relevant to its business strategy and presents unique challenges not normally faced by financial institutions. The timeframe involved is beyond conventional business and risk planning horizons yet the degree and nature of the response and its timing will influence the impact of any physical and transitional risks.

In recognition of current guidance, the Firm is analysing its own response in relation to governance, risk management, scenario analysis and disclosures. DCMD does not propose to treat climate change as a risk in its own right but rather a driver affecting risks already captured in the inventory to varying degrees. These may then be managed through those established risk processes or may result in some modified treatment following assessment.

It should be noted that DCMD has no direct exposure to climate risk as it does not grant any loans or is involved in any weather (or other) derivatives. The cash securities business as a broker-dealer service has only indirect climate risk as clients might want to trade more bonds or equities with a clear distinction of climate risk.

2.5 Stress Testing

DCMD has formalised a Stress Testing Policy which is reviewed and approved on an annual basis by DCMD's Managing Directors. The policy outlines DCMD's approach to stress and reverse stress testing.

Stress tests are performed monthly and the results are reported to the relevant Committees.
Where appropriate, calculations are combined with qualitative techniques/assessment to support and complement the use of models and to extend stress testing to areas where effective risk management requires greater use of expert judgement.

A Reverse Stress Test is carried out on a semi-annually basis and reported to the relevant Committees.

As a summary comment by Management the overall risk profile of DCMD is considered "low" based on the back-to-back booking model approach in combination with the plain vanilla product offered.

3 Governance Arrangements (Article 48 IFR)

3.1 Oversight of Governance Arrangements by the Management Body

3.1.1 Governance Structure

The Management body of DCMD (i.e. the Managing Directors) have ultimate responsibility for the overall management of the Firm in accordance with the policies set out by Daiwa Group.

The MDs are also responsible for establishing and monitoring the effectiveness of the Firm's corporate governance framework and approving the Firm's Corporate Governance Policy and the Firm's strategic direction and risk appetite.

The MDs have the duty to

- act in accordance with the Firm's constitution, and
- only exercise powers for the purposes for which they are conferred.

The allocation of tasks is governed by DCMD's Business Assignment Plan. In order to meet their responsibilities, the MDs have delegated the day-to-day running of the Firm to the business unit managers, divisional heads or senior staff within the organisation. The allocation and segregation of duties allocated in the various functions is documented and recorded in accordance with the Firm's organisation handbook and goes right up to the MD level. The Firm's MDs do not hold any additional directorships beside their role as Managing Director.
Due to the size of DCMD in combination with the new setup of DCMD there is currently only one diversity strategy element which is that the two MD's should have a different nationality.

3.1.2 Committee Structure

DCMD Management has established several committees to assist it with detailed review/analysis of key topics, including the oversight of risk and regulatory matters, financial and internal control adequacy, and conduct, culture and reputational matters.

Each committee is governed by its own terms of reference, which are reviewed periodically, setting out the individual responsibilities of the committee. Action points are established and tracked and formal minutes are taken documenting discussions and challenges during the meetings.

DCMD has an **Executive Management Committee** ("ExCo") which acts as DCMD´s management committee and has the objective of assisting DCMD's Management with the task of providing continuous oversight of key business areas in the context of approved budgets and business plans.

DCMD's **Risk Management Committee** ("RiCo") manages DCMD's structural and business risk framework for the assessment and allocation of financial resources in a way that is consistent with the agreed strategy, business plans and risk appetite of the Firm.

Within the scope of its authorities, the Risk Management Committee is also responsible for:

- Approval of underwriting commitments/transactions.
- New product approval.
- Overseeing the framework for the management and control of material outsourcing arrangements.

The Risk Management Committee meets regularly once a month (12 meetings in the financial year running from 01 April 2022 – 31 March 2023). The voting members are both Managing Directors, the Head of Finance/Operations/IT, the Head of Credit & Operational Risk as well as the Compliance Officer. DCMD's parent company is represented with non-voting members representing Finance, Risk and Corporate Planning.

3.2 Conflicts of Interest

Information on dealing with conflicts of interest is set out in DCMD's Conflicts of Interest Policy which is reviewed on an annual basis. The policy sets out how the Firm seeks to prevent and deal with conflicts of interest if they arise and is giving a summary of procedures for managing conflicts, including requirements for disclosure and outside business interests.

3.3 Approach to Diversity

3.3.1 Overview

Diversity and Inclusion ("D&I") is one of the element for establishing and maintaining good culture driven from the top in order to deliver higher standards of conduct and to maintain a competitive advantage. Consequently, part of our London Head Office business strategy and one of the main objectives of our shareholder is a commitment to create, support and promote a diverse environment at the Firm, irrespective of ethnicity, race, sexual orientation or gender.

DCMD's parent company, DCME, has been continually building on its D&I strategy to increase gender balance, including making female appointments to the Board.

Additionally, DCME is a proud signatory to the Women in Finance Charter, an HM Treasury initiative, which aims to achieve gender balance at all levels across financial services. DCME´s gender pay gap reports, prepared in line with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, are published annually on DCME's website. As part of a Japanese owned group, DCME has joined the Japan D&I Group representing another step forward in promoting diversity at our parent company.

DCME Group's emphasis on and commitment to promoting a diverse workplace are set out in DCMD's parent company's D&I Policy (serving as well as a guideline for DCMD as a DCME subsidiary in the Daiwa Group), which seeks to treat all our employees and agents working on behalf of the Firm fairly, inclusively and free from harassment or discrimination. Due to the low staff size if DCMD there is no local D&I policy at the moment but DCMD is following where possible the D&I approach by its Head Office.

3.3.2 Board Recruitment and Diversity

In the financial year 01 April 2022 – 31 March 2023, DCMD employed on annual average 19.75 staff and 2 Managing Directors. About 39.2% of average staff during the financial year were women, meaning that DCMD has almost achieved the Women in Finance target of its parent company (40%). The Managing Directors are represented by one Tokyo delegate (market side) and one German Managing Director (back office side). In its current size, DCMD is not able to implement the target ratios and the respective status review of its parent company. The objective is to ensure that any expansion of the Management body represents a balance of knowledge, experience, ability and diversity. In addition DCMD is employing staff from seven different nations with different cultural background.

4 Own Funds (Article 49 IFR)

4.1 Composition of Regulatory Own Funds

The Firm's own funds are exclusively Common Equity Tier 1 ("CET1") capital (share capital reduced by losses (carried forward)) and other positions to be deducted (exclusively regulatory amortization of intangible assets).

At 31 March 2023 and during the year, the Firm complied with all externally imposed capital requirements in accordance with the rules set out in IFR.

Table 1 - Composition of Regulatory Own Funds (EU IF CC1.01)

Audited and approved Financial Statements as of 31 March 2023

	Item	Amount in k EUR	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	31,417.86	
2	**TIER 1 CAPITAL**	31,417.86	
3	**COMMON EQUITY TIER 1 CAPITAL**	31,417.86	
4	Fully paid up capital instruments	35,000.00	Liabilities 4.a
5	Share premium	--	
6	Retained earnings	-3,492.00	Liabilities 4.b
7	Accumulated other comprehensive income	--	
8	Other reserves	--	
9	Minority interest given recognition in CET1 capital	--	
10	Adjustments to CET1 due to prudential filters	--	
11	Other funds	--	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-90.14	
13	(-) Own CET1 instruments	--	
14	(-) Direct holdings of CET1 instruments	--	
15	(-) Indirect holdings of CET1 instruments	--	
16	(-) Synthetic holdings of CET1 instruments	--	
17	(-) Losses for the current financial year	--	
18	(-) Goodwill	--	
19	(-) Other intangible assets	-90.14	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	--	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	--	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	--	

23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	--
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	--
25	(-) Defined benefit pension fund assets	--
26	(-) Other deductions	--
27	CET1: Other capital elements, deductions and adjustments	--
28	**ADDITIONAL TIER 1 CAPITAL**	--
29	Fully paid up, directly issued capital instruments	--
30	Share premium	--
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	--
32	(-) Own AT1 instruments	--
33	(-) Direct holdings of AT1 instruments	--
34	(-) Indirect holdings of AT1 instruments	--
35	(-) Synthetic holdings of AT1 instruments	--
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	--
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	--
38	(-) Other deductions	--
39	Additional Tier 1: Other capital elements, deductions and adjustments	--
40	**TIER 2 CAPITAL**	--
41	Fully paid up, directly issued capital instruments	--
42	Share premium	--
43	(-) TOTAL DEDUCTIONS FROM TIER 2	--
44	(-) Own T2 instruments	--
45	(-) Direct holdings of T2 instruments	--
46	(-) Indirect holdings of T2 instruments	--
47	(-) Synthetic holdings of T2 instruments	--
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	--
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	--
50	Tier 2: Other capital elements, deductions and adjustments	--

Daiwa Capital Markets

4.2 Reconciliation of Own Funds

The below tables shows the reconciliation of DCMD's regulatory own funds to the balance sheet in the Firm's audited financial statements.

Table 2 - Reconciliation of Own Funds to Audited Balance Sheet (EU IF CC2)

Audited and approved Financial Statements as of 31 March 2023

	Item	Amount in k EUR	Cross reference to EU IF CC1.01
ASSETS - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*			
1	Cash and Due from Banks	30,955.76	
1a	Due Daily	30,955.76	
1b	Other Receivables	0.00	
2	Due from Customers	9,831.34	
3	Intangible Assets	90.14	
4	Fixed Assets	86.21	
5	Other Assets	738.92	
6	Accrued Items	126.05	
7	**TOTAL ASSETS**	**41,828.43**	
LIABILITIES - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*			
1	Due to Customers	8,719.38	
1a	Due Other		
1aa	Due Daily	8,719.38	
1ab	With Agreed Terms/Notice Period	0.00	
2	Other Liabilities	77.07	
3	Reserves		
3a	Other Reserves	1,523.98	
4	**Shareholders' Equity**	**31,508.00**	
4a	Fully Paid Up Capital Instruments	35,000.00	Row 4
4b	Retained Earnings	-3,492.00	Row 6
5	**TOTAL LIABILITIES & EQUITY**	**41,828.43**	

4.3 Main Features of Own Instruments Issued by DCMD

The below tables shows the main features of own instruments issued by the firm as of 31 March 2023.

Table 3 - Main Features of Own Instruments Issued by DCMD (EU IF CCA)

	Item	Comment
1	Issuer	Daiwa Capital Markets Deutschland GmbH
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	German Law
5	Instrument type (types to be specified by each jurisdiction)	GmbH-Shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	EUR 35 million
7	Nominal amount of instrument	EUR 35 million
8	Issue price	N/A
9	Redemption price	N/A
10	Accounting classification	Share capital
11	Original date of issuance	30/07/2018
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / Dividends	
17	Fixed or floating dividend/coupon	None
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A

34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	www.handelsregister.de

5 Own Funds Requirements (Article 50 IFR)

5.1 Approach to Assessing the Adequacy of Own Funds

5.1.1 Regulatory Requirements and ICAAP Process

According to article 9 (1) IFR, investment firms need to have sufficient own funds compared to the stipulated capital adequacy requirements.

The capital requirements for medium-sized investment firms are determined according to article 11 IFR as the highest of the amounts from fixed overheads requirement according to article 13 IFR, permanent minimum capital requirement according to article 14 IFR and K-factor requirement according to article 15 IFR.

For DCMD, the fixed overheads requirement is the highest of the three amounts. See section 5.2 for K-factor requirements breakdown and fixed overheads requirement.

DCMD applies a 50% Supervisory Review and Evaluation Process ("SREP") add-on, which DCMD received as an initial add-on in 2018 due to it being a newly set-up company. DCMD has not yet received any further guidance about this capital add-on.

The Internal Capital Adequacy Assessment Process is still based on the guidelines issued by BaFin in May 2018 and in addition referenced to the MaRisk and article 25a German Banking Act (*Kreditwesengesetz*, "KWG"). Due to the change in regulation, DCMD is now under the IFR and WpIG regime and the KWG formally no longer applies. BaFin has asked investment firms to continue to comply with MaRisk in an individually appropriate way until BaFin has issued "a new MaRisk for investment firms" under WpIG rules. Until new rules are presented by the regulator, the existing ICAAP rules are applied.

The BaFin ICAAP guidelines require two major approaches / reviews:

1. Normative Perspective
2. Economic Perspective

Both approaches (normative and economic) are equally important for the steering and control of DCMD's capital requirements. The ICAAP reporting is done on a monthly basis and form an integral component of the 3-year business plan.

The ICAAP process encompasses as such various aspects of internal governance with a particular focus on:

- identification, monitoring and mitigation of harms;

- business model planning and forecasting; recovery and wind-down planning; and
- assessing the adequacy of financial resources

The 3-year business plan considers profit and loss, business changes, as well as capital and liquidity requirements over the planning horizon. In addition to the capital usage, DCMD reviews the material risks for any additional risk which is not captured under the IFR rules as risk-based capital requirements.

The following additional risk are relevant under the normative base scenario:

- Liquidity Risk
- Operational Risk
- Credit Risk
- Market Risk

As part of the ICAAP process, DCMD establishes its own funds threshold requirement and its liquid assets threshold requirement to ensure the Firm can remain viable in addressing any potential harm from ongoing activities and can wind-down in an orderly way. For harms not adequately mitigated through systems and controls or driven by an activity not covered by the K-Factor Own Funds Requirement, DCMD assesses whether additional own funds and/or liquid assets are required. DCMD currently has no requirement for a formal written recovery action plan or a wind-down plan in addition to the stress scenarios in the ICAAP (Normative Adverse Approach). These plans, apparently depending on the size and the importance of a company for the European Financial Market, were not yet required by the German regulator BaFin.

5.1.2 Own Funds Adequacy

DCMD assesses the adequacy of its own funds on a regular basis against a variety of own funds requirement assessments. On a business as usual basis the Regulatory Reporting and Risk Section assess the own funds headroom against Fixed Overheads Requirements ("FOR"), K-Factor calculations and ICAAP, as well as additional SREP requirements.

The Risk Department also undertakes monthly stress testing of own funds available and own funds requirements to assess the headroom under stress. Levels of own funds usage against IFR limits are monitored and reported on a daily basis.

5.1.3 Liquid Assets Adequacy

The Firm regularly reviews key elements of the liquidity adequacy assessment, determining the Firm's requirements for liquid assets, ensuring that these remain appropriate to cover the liquidity and funding risks in normal and stressed conditions. Under the new IFR rules the minimum liquidity is set as one third of the Fixed Overhead Requirement to cover potential outflows in the future. For DCMD this approach is working well as DCMD is currently using a 100% hedged book approach where deals are hedged within the Daiwa Group, keeping liquidity risk to a minimum. The liquidity amount is monitored and reported daily.

5.2 K-Factor Requirement and Fixed Overheads Requirement

The table below shows the K-Factor Requirement ("KFR"), broken down into three groupings and the amount of Fixed Overheads Requirement as of 31 March 2023.

Table 4 – K-Factor and Fixed Overheads Requirement

Audited and approved Financial Statements as of 31 March 2023

Item			Amount in k EUR
K-Factor	Risk to Client ("RtC")	∑ K-AUM, K-CMH, K-ASA, K-COH	147.6
	Risk to Firm ("RtF")	∑ K-TCD, K-DTF, K-CON	302.3
	Risk to Market ("RtM")	Either K-NPR or K-CMG	28.5
Fixed Overheads Requirement			1,597.3

6 Remuneration (Article 51 IFR)

DCMD follows the requirements for publishing the information relating to the Firm's remuneration for 2022/2023 in accordance with article 51 IFR.

6.1 Basis of Disclosure

Based on section 1 WpIG, DCMD is subject to the WpIG since 26 June 2021. DCMD qualifies as a medium-sized Investment Firm pursuant to section 2 (17) WpIG. Based on this classification, regulations on the remuneration system can be found in section 46 WpIG and, in accordance with the ordinance authorization given in section 46 (3) WpIG, in the Investment Firm Remuneration Ordinance (*Wertpapierinstituts-Vergütungsverordnung*, "WVV"), issued 19 October 2022 and still in revised draft modus and not yet confirmed and issued as final. As a medium-sized investment firm, DCMD as such is in principle no longer subject to the requirements of section 25a (5) to (6) KWG and the related Remuneration Regulation for Institutions (*Institutsvergütungsverordnung*, "InstitutsVergV", "IVV" 4.0). For the time being and unless the new WVV is issued in its final version DCMD is following rules stipulated in IVV 3.0.

The European regulations of EBA/GL/2021/13, on which the remuneration rules for investment firms are based, are to be implemented for reference periods beginning on or after 30 April 2022, which would impact DCMD's financial year 01 April 2022 – 31 March 2023. Nevertheless as mentioned BaFin has not yet finalised the new WVV and DCMD will update its remuneration policy in accordance with the new rules when implemented in Germany.

6.2 The Reward Strategy's Purpose

The objectives of the Firm's Reward Strategy are as follows:

- The Firm undertakes to reward all employees fairly, regardless of job function, race, religion, colour, national origin, sex, sexual orientation, marital status, pregnancy, disability or age.
- It is the policy of the Firm to operate competitive remuneration policies to attract, retain and motivate an appropriate workforce for the Firm.
- The Firm is also committed to ensuring that its reward practices encourage high standards of personal and professional conduct, support sound risk management and do not encourage risk taking that exceeds the level of tolerated risk of the Firm, and are aligned with the Firm's regulatory requirements.
- Rewards for all staff will be aligned to financial and non-financial performance criteria and risk profile, and in all cases will be in line with the business strategy, objectives, values, culture and long-term interests of the Firm.

- The Firm will not allow any unfair or unjust practices that impact on pay.

6.3 Governance

Given its small size, the Firm has neither appointed a Remuneration Officer (*Vergütungsbeauftragter*) nor established a Remuneration Committee (*Vergütungskontroll-ausschuss*) as it does not qualify as a significant institution (*bedeutendes Institut*) pursuant to section 1 (3c) KWG, respectively section 25d (12) 1 KWG in connection with section 15 IVV, section 25d (3) 1 KWG and section 25d (3) 8 KWG, respectively section 44 (3) 2 WpIG.

The setting of remuneration rules is the responsibility of the Managing Directors and the Shareholder, respectively. To have sufficient governance DCMD is using the Remuneration Committee from its Head Office to review and approve the variable remuneration components on a yearly basis.

6.4 Control Functions

Senior individuals in control functions, including risk and compliance, must provide inputs for remuneration decisions, specifically in relation to individuals involved in any reportable incident or notable events. The Firm considers its control functions to be Risk Management, Compliance, Finance and Internal Audit.

DCMD is required by the relevant Remuneration Code to ensure that employees engaged in control functions are independent from the business units they oversee, have appropriate authority and are remunerated in such a way to attract qualified and experienced staff and to reward the performance against the objectives linked to their functions, independent of the performance of the business areas they control. Thus, the calculation of bonus for employees in this category is totally disconnected from any specific areas of business, and whilst the overall performance of the Firm will be a contributing factor, the primary factors will be the degree to which specific functional objectives have been achieved and the achievement of personal objectives.

DCMD is using the Remuneration Committee of its parent company to review all of its variable compensations. In respect of each control function’s input into remuneration decisions, the Firm’s Chief Risk Officer (“CRO”) and the Chief Financial Officer (“CFO”) of DCMD need to confirm the effect of any annual bonus payments in writing on the capital and liquidity of DCMD.

Internal Audit is responsible for ensuring that the implementation of the Remuneration Policy is, at least annually, subject to central and independent internal or external review for compliance with policies and procedures.

6.5 Material Risk Takers

Based on IVV 3.0 only significant institutions are required to determine by way of a risk analysis whether they have staff who qualify as Material Risk Taker ("MRTs"), i.e. staff whose professional activities have a material impact on the overall risk profile. DCMD has categorised all staff as either "Identified Staff" or "not Identified Staff" under the new upcoming rules. However, this does not yet have any consequences in the context of DCMD's remuneration guideline. Although DCMD's parent company is considered to be a significant institution in the UK and required to identify MRTs, DCMD (despite belonging to the same group as DCME) does not qualify as its total assets have not reached or exceeded an average (or individually per year) of EUR 15 billion at the respective reporting dates of the last four financial years (section 1 (3c) KWG).

Nevertheless and under a group perspective employees of DCMD may be identified as part of DCME´s current Material Risk Taker framework. Where employees are identified as MRTs, the remuneration arrangements for these individuals will be compliant with the relevant remuneration regulations applicable to DCME staff. To note: the Managing Directors of DCMD are regarded as Risk Takers under this Head Office policy. The parent companies Remuneration Policy is applied consistently to MRTs in DCMD and DCME.

6.6 Reward Strategy in Practice

DCMD rewards staff with fixed and often with variable remuneration in the form of salaries and bonuses, respectively. All remuneration is currently offered in cash; no other instruments are offered as remuneration currently (this praxis will change under the new remuneration rules to be announced by BaFin).

The factors that determine remuneration include an employee's responsibilities, seniority, and experience. It is also possible that the variable remuneration is set to zero. The fixed remuneration is considered high enough that staff can earn their living.

A Discretionary Bonus Scheme is operated annually to reward and encourage good financial and non-financial performance, as well as high standards of personal and professional conduct. All employees are eligible for the Discretionary Bonus Scheme. There is no separate scheme for the Firm's MRTs.

The Fixed Remuneration consists of base salary, contributions to DCMD's pension plan and "other benefits". The Fixed Remuneration is reviewed annually against general market benchmarks with any increase being solely at the Firm's discretion. It is set at an appropriate level to allow a fully flexible policy to be operated in respect of the award of any discretionary bonus. Fixed Remuneration is an annual salary divided by twelve and paid on a monthly basis twelve times a year. DCMD pays an amount of 3.5% of the gross salary on a monthly basis (max. EUR 500.0) into a pension fund for banks and financial services provider (*BVV Versicherungsverein des Bankgewerbes*, "BVV"). The amounts of these salary components have been determined in advance and their terms have been communicated clearly to all staff. Furthermore, the grant of such benefits and their amount is transparent and cannot be changed unilaterally by the Firm and these benefits are neither performance related nor conditional. The Firm does not provide additional discretionary early retirement benefits to employees.

Variable Remuneration is determined on the basis of a multi-year performance assessment framework in DCMD's remuneration policy. The Firm will undertake efforts to ensure that the Variable Remuneration of Secondees is aligned with the provisions of the old IVV 3.0 and the EBA guidelines on remuneration as reflected in this Remuneration Policy. Nevertheless, it should be noted that DCMD will not implement a "share component", or similar, as variable remuneration part for this specific policy until BaFin has issued the finalised WVV. But DCMD is aware that the next DCMD remuneration policy will have such a "share component" incorporated as this is a formal requirement which DCMD will follow based on the external BaFin rules.

Variable Remuneration is paid on a discretionary and non-guaranteed basis using the following objectives and key performance indicators:

The total Variable Remuneration for Front Office staff shall not exceed 100% of the Fixed Remuneration, unless the Firm has raised the limit for the Variable Remuneration of the Front Office staff in accordance with section 6 (2) old IVV 3.0 in connection with section 25a (5) 5-9 KWG. This requires internal approval from the shareholder. Under no circumstances may the total Variable Remuneration exceed the statutory limit of 200% of the Fixed Remuneration.

The total Variable Remuneration for Back Office (including the Control Units) staff shall not exceed 50% of the total annual Fixed Remuneration. If somebody is not employed with the Firm for a whole fiscal year, the Variable Remuneration shall be paid on a pro-rated basis.

Under the current regime there is no deferred variable remuneration in place for DCMD due to its size.

DCMD has not paid any guaranteed or on-boarding bonus since inception. Guaranteed bonuses and/or buying out deferred variable remuneration may be used in exceptional circumstances to attract individuals through buying out variable remuneration accrued but unpaid whilst at their previous employer.

The remuneration policy in DCMD is reviewed by the Head of Compliance.

Management is responsible for reviewing remuneration proposals (fixed and variable). DCMD is using the Head Office Remuneration Committee to ensure consistency with internal and external guidelines as well as within the Daiwa Group.

6.7 Link between Pay and Performance

In calculating the bonus pools, DCMD considers the Firm's performance in line with the Overall Business Strategy as well as the performance of each individual business unit.

The bonus pools for Front Office business units are calculated primarily based on their financial performances, and the Control Function pools are calculated separately, to ensure that their compensation is independent of the business units they control. Individual staff performance is measured against financial and non-financial factors, and supported by the Annual Performance Assessment Process. The range of criteria with which bonuses are determined varies between individual business units.

6.8 Aggregate Remuneration Data

In addition to the above overview of DCMD's remuneration policy according to article 51 (a-b) IFR, the Firm publishes the following aggregate remuneration data, in line with article 51 (c) IFR.

Table 5 – Aggregate Remuneration Data[1]

Audited and approved Financial Statements as of 31 March 2023

	Item	Amount in k EUR
1	**Remuneration awarded in the financial year**	**1,693**
2	of which, fixed (cash and remuneration in kind)	1,301
3	of which, variable	392
4	Number of beneficiaries	9
5	**Amount and forms of awarded variable remuneration**	**--**
6	of which, paid upfront	--
7	*Cash*	--
8	*Shares*	--
9	*Share-linked instruments*	--
10	*Others*	--
11	of which, deferred	--
12	*Cash*	--
13	*Shares*	--
14	*Share-linked instruments*	--
15	*Others*	--
16	**Amount of deferred remuneration awarded for previous periods**	**--**
17	of which, to vest in the financial year	--
18	of which, to vest in subsequent years	--
19	**Amount of deferred remuneration due to vest and be paid out in the financial year and paid**	**--**
20	of which, reduced through performance adjustments	--
21	**Guaranteed variable remuneration awarded during the financial year**	**--**
22	Number of beneficiaries	--
23	**Severance payments awarded in previous years but paid during the financial year**	**--**
24	**Severance payments awarded during the financial year**	**--**
25	of which, paid upfront	--
26	of which, deferred	--
27	Number of beneficiaries	--
28	Highest amount awarded to a single person	--

[1] *Due to the small size of DCMD and data protection considerations, the Firm has opted to present an aggregate view of the remuneration awarded to senior management and members of staff whose actions have a material impact on the risk profile of the investment firm.*

6.9 Statement on Exemptions

In line with article 51 (d) IFR, the Firm comments on whether it benefits from a derogation laid down in article 32 (4) IFD.
DCMD exceeds the balance sheet threshold of EUR 100 million over the four-year period immediately preceding the given financial year as outlined in article 32 (4 a) IFD.

As described, DCMD has based its remuneration policy still on the old IVV 3.0 rules and not on the new drafted WVV rules. No exemptions are used based on IVV 3.0.

This approach has been reviewed and accepted by our year-end auditor.

7 Investment Policy (Article 52 IFR)

DCMD exceeds the balance sheet threshold of EUR 100 million over the four-year period immediately preceding the given financial year as outlined in article 32 (4 a) IFD and referred to in article 52 (1) IFR, which means DCMD is obliged to make a disclosure in regard to its Investment Policy as outlined in article 52 IFR.

According to article 52 (1 a-d) IFR, the following shall be disclosed by the Firm:

(1) The proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
(2) A complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with article 52 (2) IFR, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
(3) An explanation of the use of proxy advisor firms;
(4) The voting guidelines regarding the companies the shares of which are held in accordance with article 52 (2) IFR.

According to article 52 (2) IFR, DCMD has to comply with the above disclosure requirements as per article 52 (1) IFR only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended.

DCMD holds the entirety of its capital in cash, diversified across a number of nostro accounts with reputable and highly-rated financial institutions. The trading positions are fully hedged on a 100% back-to-back approach which results in a flat position every time a trade is done. Therefore DCMD holds no shares (direct or indirect) in any legal entity.

8 Environmental, Social and Governance Risks (Article 53 IFR)

According to article 53 IFR, from 26 December 2022, investment firms which do not meet the criteria referred to in article 32 (4) IFD shall disclose information on Environmental, Social and Governance ("ESG") risks, including physical risks and transition risks, as defined in the report referred to in article 35 IFD.

As outlined above, DCMD does not meet the criteria of article 32 (4) IFD and thus has to make a disclosure regarding ESG risks for the first time for the financial year ending 31 March 2023 and biannually thereafter (article 53 IFR).

8.1 Definition ESG Risks

8.1.1 ESG Risks

ESG Risks are defined as events or preconditions in the areas of environmental, social or governance, the occurrence of which can have a potentially negative impact on the firm's assets position, financial situation or financial performance.

ESG Risks are not an independent risk class, but rather risk drivers within existing risk types.

8.1.2 Environmental Risk

Environmental Risk is the risk of any negative financial impact on the institution stemming from the current or prospective impacts of environmental factors on its counterparties or invested assets.

Physical Risk is a sub-category of Environmental Risk and refers to the current or prospective impacts of the physical effects of environmental factors. Physical Risk can be categorised either as acute, if it arises from weather-related or climate events and an acute destruction of the environment (e.g. flooding or heat waves), or chronic, if it arises from a progressive shift in climate and weather patterns or a gradual loss of ecosystem services (e.g. rising sea levels).

Transition Risk is another sub-category of Environmental Risk and refers to the current or prospective impacts of the transition to an environmentally sustainable economy, which includes for example changing customer behaviour or policy changes to promote adaptation to climate change.

8.1.3 Social Risk

Social Risk is the risk of any negative financial impact on the institution stemming from the current or prospective impacts of social factors on its counterparties or invested assets. Social factors include e.g. equality, workplace health and safety and diversity.

8.1.4 Governance Risk

Governance Risk is the risk of any negative financial impact on the institution stemming from the current or prospective impacts of governance factors on its counterparties or invested assets. Governance factors include e.g. anti-bribery and anti-fraud policies, accountability and codes of conduct.

8.2 ESG Risk Profile

Within Market Risk, ESG risks, including physical and transition risks, could have a negative impact on the assets position, financial situation or financial performance of an issuer, which in turn could have a negative effect on the price of its securities.
Since DCMD conducts all trades on a back-to-back basis with its parent company and thus does not have market risk, ESG risks do not hold an increased significance within the Firm's market risk profile.

Within Credit Risk, ESG risks, including physical and transition risks, could have a negative impact on the assets position, financial situation or financial performance of DCMD's counterparties, which in turn could result in rating downgrades and a reduction in a counterparty's ability to honour its financial obligations to DCMD.
Given the very short duration of any financial trading obligation (trades are conducted with standard settlement terms, e.g. T+2) and the fact that ESG risks usually only have a gradual impact on the financial situation or the rating of DCMD's counterparties, ESG risks do not hold an increased significance within the Firm's credit risk profile.

ESG risks, including physical and transition risks, can act as risk drivers in all other material risk categories of the Firm. However, given DCMD's business model, the back-to-back trading setup, as well as the Firm's top down and bottom up awareness of ESG, ESG risks do not hold an increased significance within the Firm's other material risks.