

Pillar 3 and Remuneration Disclosure Policy

TOYOTA TSUSHO METALS LIMITED

As at 31 March 2019

I Introduction

Toyota Tsusho Metals Limited (TTM) is a Category 2 Member of the London Metal Exchange (LME) and is regulated and authorised by the Financial Conduct Authority (“FCA”) pursuant to the Financial Services and Markets Act 2000, as amended by the Financial Services Act 2012 and as subsequently supplemented and amended. TTM is classified by the FCA as an Exempt IFPRU Commodity Firm.

The Capital Requirements Directive (2013/36/EU) and the Capital Requirements Regulation (575/2013) (together referred to as ‘CRD IV’) aim to, amongst other things, implement the Basel Committee on Banking Supervision’s revised Pillar 3 disclosure requirements.

In accordance with Article 498 of CRR, and as amended by the European Commission in COM(2015) 648 Final 2015/0295 (COD), TTM is exempt from the capital requirements of CRR until 31 December 2020 or the date of entry into force of any modifications to the CRR, whichever is the earlier. As an Exempt IFPRU Commodities Firm, TTM is subject to the FCA’s financial resources requirements under IPRU-INV 3 (Interim Prudential Sourcebook for Investment Businesses).

TTM is neither a parent nor a subsidiary undertaking, nor is it part of a UK Consolidated Group for regulatory purposes. As a result, the disclosures that follow are made on an individual basis in accordance with Article 436 of CRR.

Article 431 of CRR requires firms to make certain public disclosures. These are known as Pillar 3 disclosures and this document, along with TTM’s published financial statements, is designed to meet TTM’s Pillar 3 requirements.

Our most recent financial statements can be found on Companies House and this document, as stated in our financial statements, is published on our website: www.ttmetals.com.

In accordance with Article 450 of CRR, this document also contains relevant disclosures on remuneration which are disclosed subject to SYSC 19A of the FCA Handbook and take into consideration the remuneration principles proportionality rule.

In accordance with Article 433 of CRR, this document is updated and published on an annual basis.

2 Governance

The board of directors (the board) of TTM consists of three executive directors and two non-executive directors. The appointment of directors by TTM takes into account their collective knowledge, skills and experience so that they fully understand TTM’s activities and risks.

The board meets formally on a monthly basis. There is also a periodic risk review carried out internally involving the relevant stakeholders (including directors) within TTM and issues are escalated to the board accordingly.

Given the nature and scale of the company’s activities it is not considered necessary to create a remuneration committee as the board oversees remuneration at TTM in accordance with TTM’s Remuneration Policy and aided by the data it has collected from a market aggregator.

3 Risk Management

TTM's activities expose it to a variety of financial risks which are set out in detail in its published financial statements and are set out below in summary form. The board determines the level of risk acceptable to TTM and sets limits which are monitored and assessed.

This high-level oversight is supported by TTM's formal written policies and procedures, its contractual documentation, its monitoring systems and its trade reporting facilities.

- Market/Price risk
This risk arises from adverse movements in the price of derivatives in which TTM trades
- Credit risk
This risk arises from a counterparty defaulting on a contractual obligation involving cash and cash equivalents, deposits with banks and financial institutions, and from derivative financial instrument transactions
- Liquidity risk
This is the risk that TTM is unable to meet funding obligations as they fall due and also applies to certain physically settled markets where it is the risk that TTM is unable to meet its commodity delivery obligations.
- Foreign exchange risk
This risk arises from adverse exchange rate movement in the currencies to which the company is exposed
- Interest rate risk
This is the risk that an asset or position's value will change adversely due to a change in either the absolute level of interest rates, or in the spread between two interest rates, or in the shape of the interest yield curve, or in any other interest rate relationship
- Operational risk
This risk is the potential impact of both financial and reputational loss that could arise from failings in operational processes, systems, or internal controls

4 Capital Resources

Own funds comprise TTM's called up share capital and profit and loss reserves. In addition, the company can call on subordinated loans from acceptable third parties to supplement regulatory capital if required.

As part of its financial resources' requirements under IPRU-INV 3 and in accordance with Article 437 (own funds) and 438 (capital requirements) of the CRR, TTM makes the following daily calculations, which are periodically reported to the FCA and which were, as at 31 March 2019:

- Primary Requirement: £4,955,000
- Position Risk Requirement (PRR)*: £5,142,000
- Counterparty Risk Requirement (CRR)**: £11,706,000
- Total Financial Resources Requirement: £21,803,000
- Financial Resources***: £39,158,000
- Financial Resources Requirement Excess: £17,355,000

* calculated using the maturity ladder approach as set out in IPRU-INV 3 and which includes base and precious metals positions as well as foreign exchange and bullion positions. TTM generally hedges its foreign currency trading positions. As at 31 March 2019, TTM's foreign exchange exposure, as calculated for the purposes of TTM's PRR, was £2,330,546.

** calculated using the mark-to-market method on total exposures to counterparties and which includes base and precious metals positions as well as concentration risk exposures.

*** calculated using the sum of the ordinary share capital, profit and loss account and the value of intangible assets. TTM has access to subordinated loans but did not utilise any of these facilities as part of this figure.

Further details on TTM's risks and calculations, including interest rate and foreign exchange risk, can be found in TTM's financial statements published on Companies House.

In accordance with IFPRU 9.1.3 R, TTM's return on net assets as at 31 March 2019 was 6.27%, being the sum of its net profit for the year divided by the value of its net assets.

5 Remuneration

See the 'Governance' section above for details on TTM's high-level remuneration arrangements.

As part of TTM's Remuneration Policy, TTM takes into account a number of factors including, but not limited to, the SYSC remuneration principles in SYSC 19A and TTM's: strategy, risk appetite, net profit, capital adequacy, liquidity, risk management and, as set out below, individual performance.

Salaries for all staff are reviewed annually at the beginning of TTM's financial year. Fixed remuneration is benchmarked to market rates and is considered according to, amongst other things, level of responsibility, seniority and experience. Variable remuneration is calculated by the board having regard to individual performance and adherence to risk management and compliance policies.

Information on TTM's staff remuneration can be found in its latest published accounts.

Based on TTM's size, nature and complexity, it has decided not to publicly disclose remuneration details as specifically set out at Article 450 of CRR and as applicable to Remuneration Code Staff as set out at SYSC 19A of the FCA Handbook. Such disclosure may make personal data of individual employees identifiable with no clear public benefit. TTM will disclose such data to the relevant authorities as requested and as the law requires.

| Version | Date Published | Reviewer | Changes made |
|---------|----------------|----------|--------------|
| V1.1 | August 2019 | MA | Full redraft |
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