

Pillar 3 and Other Regulatory Disclosures

Introduction

Koch Metals Trading Limited (KMTL) is authorised by the Financial Conduct Authority (FCA) to conduct business under the Financial Services and Markets Act 2000 as amended by the Financial Services Act 2012. Under the rules of the FCA, KMTL is classified as an Exempt IFPRU Commodity Firm.

This disclosure is made in accordance with the Capital Requirements Regulation (575/2013) of the European Union ("CRR") as amended by the Capital Requirements (Amendment) (EU Exit) Regulations 2018 (UK CRR). The UK CRR, together with the Capital Requirements Directive ("UK CRD IV"), represents the UK's prudential regime for banks, building societies and certain investment firms. In the UK, the requirements of UK CRD IV are implemented by way of the Prudential Sourcebook for Investment Firms ("IFPRU") issued by the Financial Conduct Authority ("FCA"). Koch Metals Trading Limited (KMTL) is an investment firm regulated by the FCA and therefore subject to UK CRD IV and the FCA Handbook. KMTL is, however, currently exempt from the capital requirements under the UK CRR.

KMTL therefore calculates its regulatory financial resources under the terms of Chapter 3 of the FCA's BIPRU sourcebook.

The FCA requires Exempt IFPRU Commodities firms to make certain public disclosures to market participants. These are known as Pillar 3 disclosures and this document, together with the company's published financial statements, is designed to meet KMTL's Pillar 3 requirements.

Disclosure Policy

The KMTL Board of Directors' policy is to review and approve the issue of the KMTL's Pillar 3 disclosures on an annual basis, unless otherwise required. These disclosures are prepared in conjunction with the publication of the company's annual financial statements and will be made on the company's website. The Board of Directors will be responsible for approving the appropriateness of the disclosures including their verification, and for assessing whether the disclosures convey their risk profile comprehensively to market participants.

Article 432 of the Regulation allows firms to omit one or more of the disclosures listed if the information provided by such disclosure is not regarded as material, subject to some exceptions. The Regulation similarly, subject to some exceptions, allows firms to omit items of information if the information is regarded as proprietary or confidential. The Board of Directors will review any such omissions as part of its regulatory review and approval process.



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Disclosure Data

This disclosure is prepared in conjunction with the financial statements for the financial year ended 31st December 2021.

Risk Management Objectives and Policies

A review of the following areas of risk is included in KMTL's published financial statements:

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

Own Funds

Own funds comprise the firms called up share capital, profit and loss reserves and a subordinated loan.

At 31st December, 2021 the Company's own funds were USD 232,862,000 comprising: -

Share Capital USD 10,000,000

Retained Profit USD 177,859,000

Subordinated Loan USD 45,003,000

Total Own funds USD232,862,000

Financial Resources Requirement USD 143,497,000

Excess of Financial Resources USD 89,365,000

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Governance

Section 4.3A.11R of the FCA's Handbook, Senior Management Arrangements, Systems and Controls ("SYSC"), requires us to explain on our website how we comply with the requirements of SYSC 4.3A.1R to SYSC 4.3A.3R and SYSC 4.3A.4R to SYSC 4.3A.11R.

The KMTL board of directors has overall responsibility for the firm and defines, oversees and is accountable for the implementation of its governance arrangements including those necessary to ensure compliance with SYSC 4.3A.

KMTL has the following diversity policy to promote diversity on the board of directors.

"Management Board Diversity Policy

Koch Metals Trading Limited ("KMTL") understands and values the benefits that diversity can bring to its senior management team. KMTL acknowledges that a diverse board should make good use of differences in the skills, knowledge, experience, educational and professional background, race, gender and other characteristics of its directors. Varying skills and backgrounds are combined in an environment which values the input of every director and due regard will be given to this when identifying and selecting future candidates for board appointments and reviewing current board composition.

Board appointments are made on merit by assessing candidates against objective criteria, taking account of the specific skills and experience needed to ensure a rounded board and the diversity benefits each candidate can bring to the overall board composition."

The KMTL board of directors believes that the diversity policy is meeting its objectives.

Members of the KMTL board of directors undergo regular training and induction, and have an experienced and extensive support organisation to assist them in fulfilling their management and supervisory functions. KMTL has established procedures to ensure that members of its board of directors do not hold more directorships than is appropriate taking into account individual circumstances and KMTL's activities.

Remuneration Code and Policy

KMTL operates a remuneration policy which complies with the requirements of the FCA's Remuneration Code at SYSC 19A. Its policy is intended to be consistent with and promote sound and effective risk management. The policy is subject to annual review and approval by the Board. Having regards to the applicable proportionality framework, KMTL considers itself to be a Tier 3 firm.

Information on link between pay and performance

The firm operates an annual bonus scheme. It is an entirely discretionary scheme, with awards being based on a combination of both business and individual performance. Individual performance appraisals are assessed taking into account contribution to long-term value creation, compliance, innovation, use of resources and contribution to company culture. KMTL may at its discretion decide to subject larger bonus payments to deferral. Additional longer-term incentives to senior individuals may be recommended by an individual's supervisor, and are subject to approval by the President and Vice-President, HR.



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Aggregate quantitative information on remuneration

The firm's aggregate remuneration for categories of staff whose professional activities have a material impact on its risk profile was £2,879,500 for the year ended 31st December 2021.

Aggregate quantitative information on Remuneration Code Staff, broken down by senior management and members of staff who have a material impact on the risk profile of the firm

As KMTL considers itself to be a Tier 3 firm and is subject to data protection legislation when disclosing remuneration information, it is concerned that public disclosure of this information will result in individual information being easily identifiable and has therefore not disclosed this information.