

## TRILAND METALS LIMITED PILLAR 3 DISCLOSURE

AS AT 31 MARCH 2021

### INTRODUCTION

This disclosure is made in accordance with the Capital Requirements Regulation of the European Union (No. 575/2013) (the “**CRR**”). The CRR, together with the Capital Requirements Directive (No. 2013/36/EU) (“**CRD**” and, together with the CRR, “**CRDIV**”), represents the European Union’s implementation of the Basel III Accord. In the UK, the requirements of CRDIV are implemented by way of the Prudential Sourcebook for Investment Firms (“**IFPRU**”) issued by the Financial Conduct Authority (“**FCA**”). Triland Metals Limited (the “**Company**” or “**Triland**”) is an investment firm regulated by the FCA and therefore subject to CRD IV and the FCA Handbook. Triland is, however, currently exempt from the capital requirements under the CRR. Under the rules of the FCA, Triland is classified as an exempt IFPRU commodities firm.

The CRD, as modified by CRD II-CRD IV, sets out three pillars:

- **Pillar 1:** sets out the minimum capital requirements for measuring the firm’s credit, market and operational risk.
- **Pillar 2:** requires the firm to determine whether its Pillar 1 capital is adequate to cover these risks.
- **Pillar 3:** requires disclosure of certain requirements about the underlying risk management controls and capital position.

This disclosure is intended to satisfy Triland’s obligations under Pillar 3. The disclosures are subject to external verification only to the extent that they have been made in Triland’s Financial Statements for the year ended 31 March 2021.

Additional information on Triland and its risk management controls not required under Pillar 3 can be found in its financial statements.

Triland continues to calculate its regulatory financial resources in accordance with Chapter 3 of the FCA’s ‘Interim Prudential Sourcebook for Investment Businesses’. The guidance to the FCA’s Remuneration Code divides investment firms subject to the Remuneration Code into three proportionality levels. Each proportionality level determines the extent to which the Remuneration Code applies. Triland falls within proportionality level three.

### DISCLOSURE POLICY

In accordance with the rules of the FCA, the Company will disclose the information required under Pillar 3 on at least an annual basis. All disclosures are subject to the rules on immateriality, proprietorship or confidentiality and Triland may take the decision to exclude such from this disclosure.

## RISK MANAGEMENT – OBJECTIVES, POLICIES & DISCLOSURES

Triland has determined that the following are the main risks it is exposed to in the course of its business:

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

Separate Risk Sub-Committees have been established for each of the above risk areas. The Sub-Committees have been provided with terms of reference that require them to consider all matters of relevance and also to review policies and procedures. The Chairman of each Sub-Committee has a formal duty to report to the Risk Committee. The Risk Committee provides an overview monitoring function for each of the Risk Sub-Committees. The Chairman of the Risk Committee is responsible for reporting to the Board on all relevant risk matters.

This overview framework is supported by formal written procedure manuals and a structure of daily, monthly and quarterly reporting facilities. Ancillary information for each of the above noted risk sub-divisions can be found in separate sections in this disclosure document.

In addition to the above defined dimensions of risk, capital risk and strategic risk are recognised as important additional areas. Capital risk is primarily concerned with the financial resources requirements of the business and this is explained below. Strategic risk management is the responsibility of Executive Directors. The company's annual strategy and business plans are agreed by the Board of Directors and the shareholder at the beginning of each financial year. These plans are then reviewed midway through the financial year.

The company is a category 1 subsidiary of Mitsubishi Corporation and therefore is subject to J-SOX control procedures. J-SOX is the informal name for a legislative framework of internal controls over financial reporting (ICFR) that falls within the scope of the Japanese Financial Instruments and Exchange Law ("FINEX").

### MARKET RISK

In the context of Triland's business, market risk is defined as the risk of loss arising from adverse movements in commodity prices, interest rates and foreign exchange rates.

The Company is exposed to commodity price risk as a result of taking proprietary positions and from facilitating customer business in commodities and commodity derivatives. The Company, with approval from its parent company, sets approved trading limits to manage its exposure to commodity price risk.



The Company primarily employs VAR methodologies to monitor the market risks arising in its trading book. The Company uses a one day 99 per cent VAR to calculate its daily risk based on a ten year historical simulation approach.

The Company also operates a scenario stress testing risk management system.

The interest rate risk and foreign exchange risk components of market risk are subject to overview monitoring by the Liquidity Risk Committee. Additional details on these areas are provided in the Liquidity Risk section.

## CREDIT RISK

Credit risk refers to the risk that a customer will default on its contractual obligations and cause a financial loss to the Company.

To mitigate credit risk, the Company may require the deposit of cash margin or other suitable collateral from its customers on a daily basis. The Company also has the ability to call for funds from customers on an intra-day basis. All credit lines are required to be approved internally by the Company's Credit Committee, under the terms of the Company's Adequate Credit Management Policy, with final credit approval being sought from the parent Company when requested credit exceeds the Company's authority.

Triland credit risk department facilitates the credit and risk processes in the establishment of new accounts – both on a fully margined basis and on the granting of unsecured, uncommitted or committed credit facilities. The department also ensures that all credit exposures are within approved credit facilities and where necessary, arranges for cash or acceptable collateral from customers.

The credit risk department performs annual reviews of existing customers that have been granted credit facilities. A Credit Committee meets regularly to consider credit matters and is chaired by the CFO.

## LIQUIDITY RISK

Liquidity risk is defined as the risk that a firm, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure resources only at excessive cost.

The Company primarily manages liquidity risk by conducting monthly stress tests based on extreme conditions. The stress tests are produced using formal written approved bases and policies. The results are regularly reviewed to ensure that a cushion of adequate resources and available banking facilities are maintained.

Interest rate risk represents the sensitivity of Company profitability to changes in interest rates. The Company employs various procedures to manage interest rate risk. The Company generally hedges its foreign exchange risk exposures.

## OPERATIONAL RISK

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems, or from external events (including legal risk).

The Company manages operational risk through the Operational Risk Committee that provides a review and monitoring function. The application of the JSOX control procedures enables the employment of a further level of management. The overall objective is to ensure the provision of a strong control based environment.

## FINANCIAL RESOURCES

Financial resources consist of share capital, profit and loss reserves and subordinated loans. At 31st March 2021 the Company's Capital Resources were £117.118m which included £45m of subordinated loan facility. The Company is required to maintain sufficient financial resources to meet the levels of risk arising from its activities as defined under FCA regulatory rules.

The Company is subject to the capital requirements of Chapter 3 of IPRU-INV of the FCA Handbook which sets capital requirements based on the risks (including credit risk and market risk) assumed by the Company. The Company manages its capital by performing a daily computation of the capital requirements and ensures that its capital exceeds these requirements. The Company monitors its daily capital calculation and may obtain subordinated loans to cover any shortfall.

## FINANCIAL RESOURCES REQUIREMENT

a) Primary Requirement consists of a base requirement and liquidity adjustments. At 31st March 2021 Triland's Primary Requirement was £15.396m.

b) Position Risk Requirement (PRR) is calculated by using the "Maturity Ladder" approach on all the Company's commodity positions including options and including gold which is deemed to be a currency under FCA rules. At 31st March 2021, Triland's PRR was £20.63m.

c) Foreign Exchange Requirement (FER). The Company generally hedges its foreign currency trading positions. At 31st March 2021 Triland's FER was £0.212m.

d) Counterparty Risk Requirement (CRR) is calculated by Triland on total exposures to counterparties on the marked to market method and in accordance with the relevant FCA rules. At 31st March 2021 the CRR for Triland was £43.273m.

At 31 March 2021, the Company held standby letters of credit and collateral as follows:

1. Cash Balances: £339.120m
2. Standby Letters of Credit: £9.178m
3. Metal Warrants: £nil

Triland's exposures as at 31 March 2021 were as follows:

1. Trade customers £678.702m
2. LME Clear £698.788m
3. Bank deposits £35.615m

No geographical distribution of exposures is disclosed as the directors consider that this information is confidential.

## REMUNERATION DISCLOSURES

Chapter 19A of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook includes a disclosure requirement for an IFPRU firm's approach to linking remuneration to risk.

Under the FCA's Remuneration Code (the "Code"), Triland falls under proportionality level three, which allows it to disapply some of the technical requirements of the Code and proportionately apply the Code's rules and principles in establishing Triland's policy.

The Code requires Triland to consider its processes and procedures for those senior staff who are covered by the Code and whose professional activities have a material impact on the Company's risk profile ("Code Staff"). Triland is satisfied that the policies in place are appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

Code Staff includes senior management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers and whose professional activities have a material impact on the firm's risk profile. Triland has developed a risk based methodology to assess which members of staff are Code Staff.

The remuneration governance arrangements are divided between business line managers, executive directors and the board of directors. Fixed remuneration is determined on the basis of the role of the individual employee, including responsibility and job complexity, performance and local market conditions. Performance based remuneration motivates and rewards high performers who strengthen long-term customer relations, generate income and limit risks.

## INFORMATION ON THE LINK BETWEEN PAY AND PERFORMANCE

Code Staff remuneration is based on competitive market-based wages that fairly compensate employees for skills provided, work performed and responsibility undertaken. The Company operates a staff annual bonus scheme, which is neither contractual nor guaranteed and is entirely discretionary. It is based on combination of both business and individual performance and includes monetary and non-monetary factors.

## AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION BROKEN DOWN BY BUSINESS AREA

In the year ending 31st March 2021 aggregate remuneration for the Company (which has only one regulated business area) was £9.174m, excluding pension costs and social security costs.



## AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY SENIOR MANAGEMENT AND MEMBERS OF STAFF WHO HAVE A MATERIAL IMPACT ON THE RISK PROFILE OF THE FIRM

The Company is a small tier three firm and is subject to data protection legislation when disclosing remuneration information. Data protection laws prohibit disclosing information which will result in individual information being easily identifiable. Remuneration disclosures will therefore be made on a limited basis in terms of any publicly or company-wide circulation. However, all necessary information will be made available to the FCA on request.