

BASF METAL FORWARDS LIMITED - MIFIDPRU 8 DISCLOSURE

INTRODUCTION

This disclosure is in relation to BASF Metal Forwards Limited (BMFL). BMFL is a wholly owned indirect subsidiary of BASF SE, a German corporation listed on the Frankfurt stock exchange. BMFL is a UK limited company authorised and regulated by the Financial Conduct Authority (FCA) under firm reference 178744.

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (MIFID), BMFL is subject to the prudential requirements of the Investment Firms Prudential Regime (IFPR) contained in the MIFIDPRU prudential sourcebook for MIFID Investment Firms of the FCA Handbook. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. Under the IFPR's firm categorisation, BMFL is categorised as a non-small, non-interconnected (non-SNI) MIFIDPRU investment firm. This disclosure for BMFL is prepared annually on a solo entity basis. The information provided is proportionate to BMFL's size and organisation, and to the nature, scope and complexity of BMFL's activities. The annual audited accounts of BMFL set out further information which complement the information in this disclosure. The audited accounts are available from UK Companies House. This data provided in this disclosure is on the 31st of December 2022 has been ratified and approved for disclosure by the BMFL board of directors.

BMFL executes financial instruments for counterparties to hedge their forward platinum group metals price risk. These activities enhance the relationship between BASF and strategic customers. The company shares infrastructure and skills with its sister company, BASF Metals Limited to leverage existing infrastructure to access the relevant metals markets globally. The primary metals that the Company trades are Platinum and Palladium.

GOVERNANCE

BMFL is managed by the board of directors comprised as follows –

Director	Position	Other directorships
Dr Vasileios Vergopoulos	General Manager	BASF Metals Limited
Mr John Metcalf	Head of Trading	BASF Metals Limited The London Platinum & Palladium Fixing Co Ltd
Mrs Sik Yuen Boegenhold	Regional Controller	BASF Metals Limited
Dr Matthias Dohrn	Director	N/A

The BMFL board is responsible for the culture, business strategy, risk controls and corporate management of the firm. Due to the focused nature of BMFL’s activities the governance model is suitably structured to manage the firm. The board members and management possess the skills, knowledge and experience necessary to perform their functions.

The BMFL board of directors meet on a regular basis to discuss with a typical agenda that may include the following items:

- The performance of the precious metals market, the firm’s recent trading activities and the relationship with the firm’s clients.
- The latest financial position of the firm, business development and prospects for the firm with decisions taken on changes of business strategy.
- A review of the financial risk management framework.
- Personnel and administration matters.
- Compliance.
- Any other business.

The Company is firmly committed to the management of risk, recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity and volatility of markets, facilitated by rapid advances in technology and communications. Risk management is given high priority throughout the Company and is integral to the management of the business.

Responsibility for risk management policies and limits and the level of risks assumed lies with the Board of Directors. The Board charges management with developing, presenting, updating and implementing these policies, controls and limits. The structure is designed to provide assurance that no single event, or combination of events, will materially affect the well-being of the Company.

The Company's Board of Directors and Divisional Management monitor compliance with risk management, assist in assessing market trends, economic and political developments, and providing global strategic direction for all aspects of risk management.

Active, hands-on senior management plays a key role in the identification, evaluation and management of all risks. All credit and new product decisions require direct senior management approval.

The Company has in place an extensive number of limit controls and management information systems to facilitate effective management overview.

The following basic elements of sound risk management are applied to all financial instruments, including derivatives:

- appropriate review by the Board of Directors and senior management
- adequate risk management processes which integrate product sectoral risk limits
- sound measurement procedures and information systems
- continuous risk monitoring and frequent management reporting
- segregation of duties, comprehensive internal controls and internal audit procedures

In accordance with the Senior Management Arrangements Systems & Controls (SYSC) roles and responsibilities are clearly defined to ensure conflicts of interest are managed effectively.

BMFL follows the BASF Group policy on Diversity. The aim of this policy is to ensure that within the BASF Group diversity is fostered and inclusion is lived. To achieve this BASF is firmly committed to equal employment opportunities, and to compliance with all applicable laws that particularly prohibit employment discrimination as detailed in BASF's Code of Conduct.

The diversity objectives include women in leadership positions to mirror the proportion of women in the global BASF workforce. The current non-financial gender target promise for BASF is to reach 30% of women in leadership positions by the year 2030. A second measure specific to BASF in the UK is the Gender Pay Gap which was 6.1% on 5 April 2022 and well below the UK national average of 15.1% in 2021. BMFL strives to make to every recruiting process an opportunity to enhance the diversity within the business.

FUTURE DEVELOPMENT

The Board of Directors have reviewed the Company's business development and noted a lack of economic benefits in providing contract for difference trades to automobile customers; it was decided to notify the Company's clients that no new orders would be taken once discussions have been held with them.

The result of the discussions with the clients was a proposal of an early close out of open positions or holding the open positions to maturity as the client preferred. Once the final contract has matured the firm will apply to de-register the investment firm with the Financial Conduct Authority (FCA).

OWN FUNDS

Table 1 is a breakdown of BMFL's regulatory Own Funds.

Composition of regulatory own funds			
	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	34,717	
2	TIER 1 CAPITAL	34,717	
3	COMMON EQUITY TIER 1 CAPITAL	34,717	
4	Fully paid up capital instruments	34,717	
5	Share premium	-	
6	Retained earnings	9,767	
7	Accumulated other comprehensive income	1,227	
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL	-	
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and adjustments		

Table 2 is a reconciliation of BMFL's regulatory Own Funds from its audited accounts.

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.				
Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.				
Figures should be given in GBP thousands unless noted otherwise.				
		a	b	c
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Debtors falling due within 1 year	138		
2	Investments	-		
3	Cash at bank and in hand	44,170		
4	Derivative financial asset under 1 year	5,878		
		-		
		-		
		-		
		-		
		-		
		-		
		-		
	Total Assets	50,187		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors falling due within 1 year	- 172		
2	Derivative financial liability under 1 year	- 5,902		
	Total Liabilities	- 6,074		
Shareholders' Equity				
1	Called up share capital	34,717		
2	Profit and loss account	9,395		
	Total Shareholders' equity	44,112		

OWN FUNDS REQUIREMENT

BMFL's Own Funds Requirement is highest of the firm's figures for Permanent Minimum Capital Reserve, Fixed Overheads Requirement and K-factor requirement.

1. Permanent Minimum Capital Requirement (PMR) £750,000
2. Fixed Overhead Requirement (FOR) - £633,000
3. K-Factor Requirement - £767,000

BMFL's Own Funds Requirement as of 31st December 2022 was £767,000.

K-factor breakdown	
K-factor requirement: (Sum of)	
K-AUM	0
K-CMH	0
K-ASA	0
	0
	Amount in 0 (£,000)
K-COH	0
K-DTF	1
	1
	Amount in 1 (£,000)
K-NPR	524
K-CMG	0
K-TCD	243
K-CON	0
	767
	Amount in 767 (£,000)

This MIFIDPRU 8 disclosure for BASF Metal Forwards Ltd is published on the website shown below or can be requested from the firm via david.prowse@basf-catalystsmetals.com.

<https://www.basf.com/gb/en/who-we-are/BASF-in-the-United-Kingdom/BASF-Metals-Forwards-Limited--BMFL-.html>