

Managing Risks

Mitigating Risks 360°

Our corporate risk management approach is driven by the core objectives to deliver our long-term business goals and maximize shareholder value. The strategy and processes we devised are aimed at swift and effective identification, measurement, control, monitoring and reporting of risk. The process is also reinforced by a rigorous internal controls system.

With our business model built on integration of the supply chain to distribute and deliver energy, the risk management approach revolves around extracting optimal gross contribution per metric ton (GCMT) from our global supply chain operations. Our hedging position naturally is set against the most critical financial risk – price volatility of our physical fuel oil inventory. We adopt flexibility in our hedging strategy to remain agile in various conditions.

Structure

Chemoil's governance structure for risk management comprises three levels. The Risk Control Department, headed by the Risk Control Officer, takes shared responsibility for managing different aspects of risks. They report to the Executive Risk Management Committee (ERMC), formed by the CEO, CFO, Vice President of

Supply and Distribution, and the Director of Risk Management. The ERMC in turn reports to the Board of Directors.

Process

Our risk management process adopts a top-down approach. Under the overriding umbrella of business objectives are the risk identification and risk assessment functions. Upon risk monitoring and reporting, we segregate acceptable risks, which are taken up within specific parameters, from unacceptable risks, which are either insured against or hedged.

Features

Segregation and clarity in roles

Clearly segregated roles between strategic and tactical risk takers, as well as facilitators, are vital to Chemoil's enterprise risk management. Successful risk management relies on strong teamwork from these three broad roles.

Our strategic risk takers formulate the strategy and determine the nature of risks taken. They represent the highest levels of authority in the company i.e. Board of Directors and

stability & vitality

Our proactive and streamlined management, together with our finance and operations people, are critical to mitigating risks all round and ensuring Chemoil's stability and vitality in powering ahead.



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management. Tactical risk takers are responsible for operational level decision-making within parameters laid by the strategic risk takers. Risk managers facilitate communications up and down the organization, from strategic to tactical risk takers, in an independent manner.

Independence in functions

Chemoil's risk management department operates with total independence to be thoroughly effective. Information for business and risk management is acquired through independent channels, and the department performs analytical roles as well.

Risk management is categorized under our middle office functions reporting to the CFO, thereby establishing a sound control infrastructure to minimize risk exposure of the Group across the front to back office functions.

Real-Time, Round-The-Clock Business Continuity

Risk management operations are carried out at various offices, wherever our trading, supply and marketing activities are located. This enables

real-time monitoring of risk exposures and spontaneous management reporting 24/7. The deliberate arrangement facilitates active risk reporting, and minimizes the time gap between potential deviations and rectifications.

The core risk management team's location is centralized in India and this allows our risk management activities between the hub and global offices to take place round-the-clock in all time zones. Underlying this 'live' approach in managing our operational and financial risks is our business continuity objective, the success of which is also grounded on our human capital management and leadership succession.

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Recent Developments

We have strengthened our risk management team with a dedicated Risk Control Officer.

Additionally, our efforts on building a mathematical model have produced encouraging results. The implementation of this quantitative tool, which will be efficient, user-friendly and feature-rich, is in the final stage. The challenges of unprecedented market volatility and difficult economic conditions have proved to be valuable for us to make vital improvements to the model. Currently, the model is undergoing testing and verification, while users are receiving training.

We have upgraded our existing trading and risk management platforms to accommodate existing and future business requirements in our constant effort to improve our systems and processes. Currently in the advanced stage of implementation, the individual components of the integrated solution have already been consolidated.

During the year, we stabilized our dashboard reporting to the members of the Board, which includes the key parameters of market risk that are monitored by the risk management team and senior management members.