

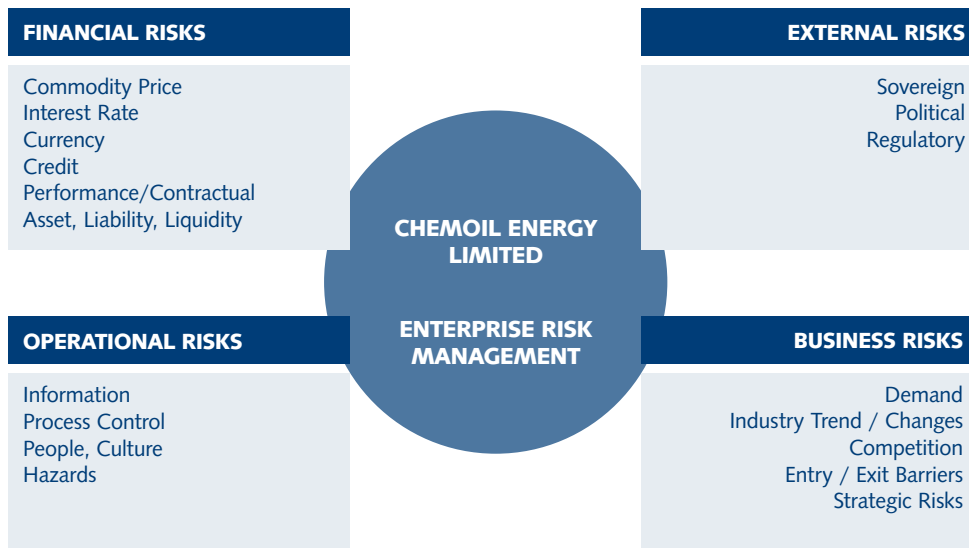
RISK MANAGEMENT

OVERVIEW

In its 25-year history, risk management process at Chemoil has evolved through various stages. The risk management function at Chemoil is designed to align the processes with the core objective of increasing shareholder value. The Group believes that the key components of the risk management approach are robust and comprehensive processes devised to identify, measure, control, monitor and report risks. The process is reinforced by a rigorous system of internal controls.

Chemoil's business is "Delivering Energy." The distribution nature of the business requires successful integration of the supply chain operations. Chemoil's business model revolves around maximising the margins extracted from the distribution supply chain operations. Such a model facilitates Chemoil to have a naturally-hedged position in the most important financial risk – price volatility.

FRAMEWORK



STRUCTURE

The organization structure for risk management at Chemoil consists of 4 levels. The Group has the risk management department consisting of all the members of the team managing the risk. The risk management department reports to The Executive Risk Management Committee (ERMC). This committee comprises the CEO, CFO, VP Supply and Distribution and the Head of Risk Management. The ERMC reports to the Board of Directors.

PROCESS

The risk management process at Chemoil follows the top-down approach. Risk identification followed by the assessment process happen under the broad umbrella of business objectives. Acceptable and unacceptable risks are segregated. Acceptable risks are taken up with specific limits and boundaries. Unacceptable ones are either insured or hedged.



FEATURES

Segregation of roles

Successful risk management depends on clear segregation of roles between the strategic risk takers, tactical risk takers and risk facilitators. Strategic risk takers set the strategy and determine the nature of risks the company will take. They represent the highest levels of authority in the company (Board of Directors, Management). The tactical risk takers are responsible for decision-making at the operating level. Such decisions are made within the purview of the broad perimeter laid out by the strategic risk takers. Risk managers facilitate communication up and down the organization from strategic to tactical risk takers in an independent manner.

Independent functioning

Chemoil's risk management department operates with complete independence in order to ensure that the company's operations are in line with the risk management policies and procedures. Information pertaining to business as well as risk evaluation comes through independent channels. The functions at Chemoil are divided into Front office, Middle Office and Back Office functions. Risk management forms part of the Middle Office functions, thereby establishing proper control infrastructure, maintaining the Group's overall risk exposure and performing analytical roles as well.

"Real-time" and "Round the clock"

Risk management operations are carried out at various global offices wherever trading, supply and marketing activities are conducted. This enables real-time monitoring of risk exposures as well as spontaneous management reporting. Such an arrangement not only provides active risk reporting but also assures the Management that the gap between potential deviation and rectification is narrowed to a great extent. Also, due to the fact that the core risk management team is situated at a central "hub", risk management activities are conducted round the clock. Between the central hub and the global offices, risk management activities are performed round the clock across all time zones.

RECENT DEVELOPMENTS

During 2006, various entities within the Group were consolidated onto a global, standardized risk management platform. This measure is aimed at the centralisation of risk control processes and group-wide optimisation of risk-reward relationship. The transition is being implemented in defined phases and includes technical, functional and IT systems integration.

Chemoil's public listing on 14 December 2006 marks a new milestone in the Group's history of growth. In view of its new status as a public-listed company, Chemoil is in the process of conducting an external review of its risk management methodology. An independent professional consulting firm has been identified and nominated for this purpose. This process of risk audit will happen over next few months of 2007.