

Fastmarkets Risk Solutions

presented by

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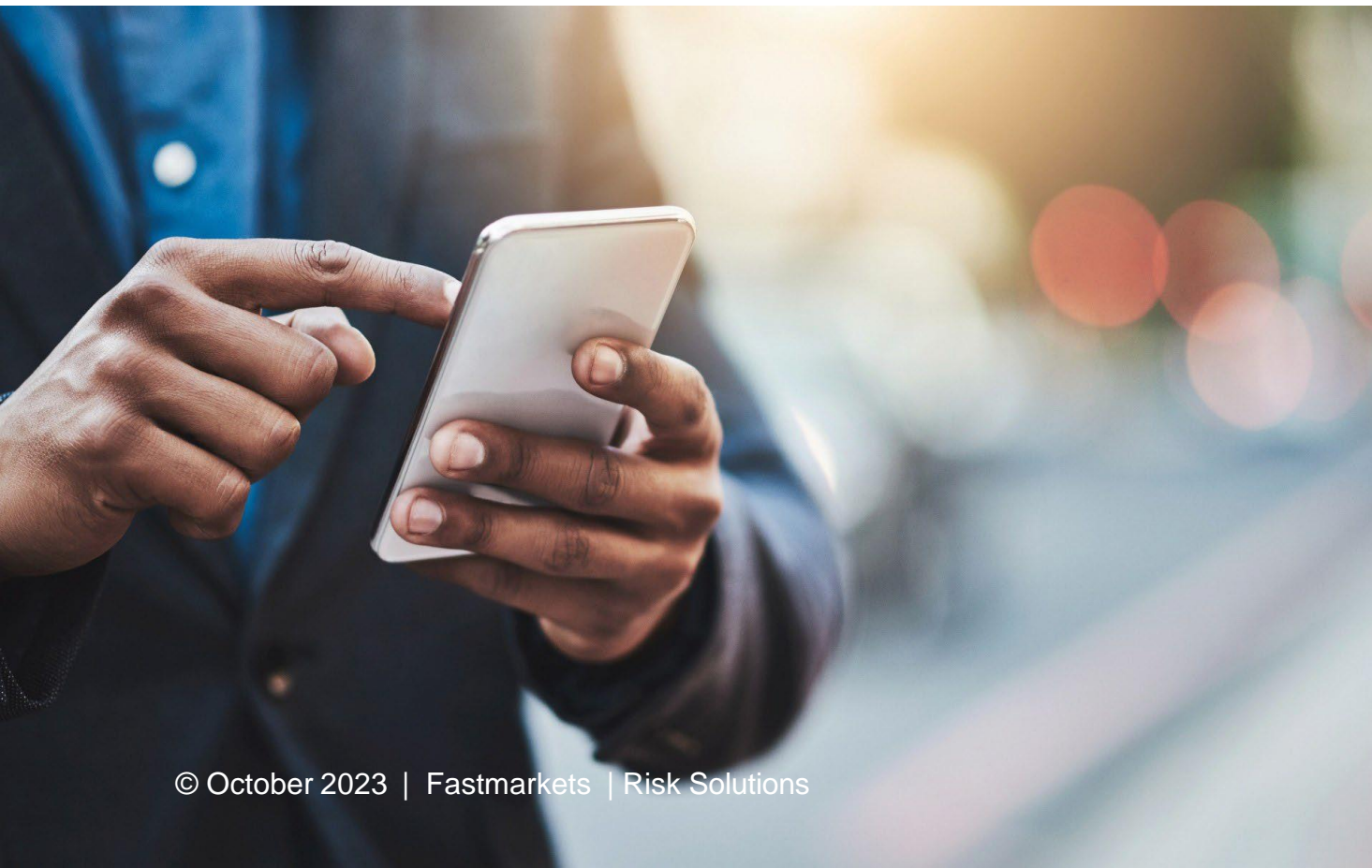
Introduction



This presentation is a description of a risk solutions consulting engagement with Fastmarkets.

The engagement will consist of several consultations and a set of risk measurement and risk management deliverables.

Our risk solutions services are crafted to help companies strategically manage commodity risk using a structured approach.



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Fastmarkets Risk Solutions: What We Do?

Risk Measurement, Hedging, Operations Checklist



Payout diagrams for in-depth understanding of payout provided



Discuss operational setup - settlements, invoicing, compliance, legal, systems, accounting



Interactive hedging education: Risk before, during and after



Identify financial products available from various market makers and exchanges



Discuss risks



VaR modeling and scenario hedging analysis



Evaluate physical exposure and design financial solutions



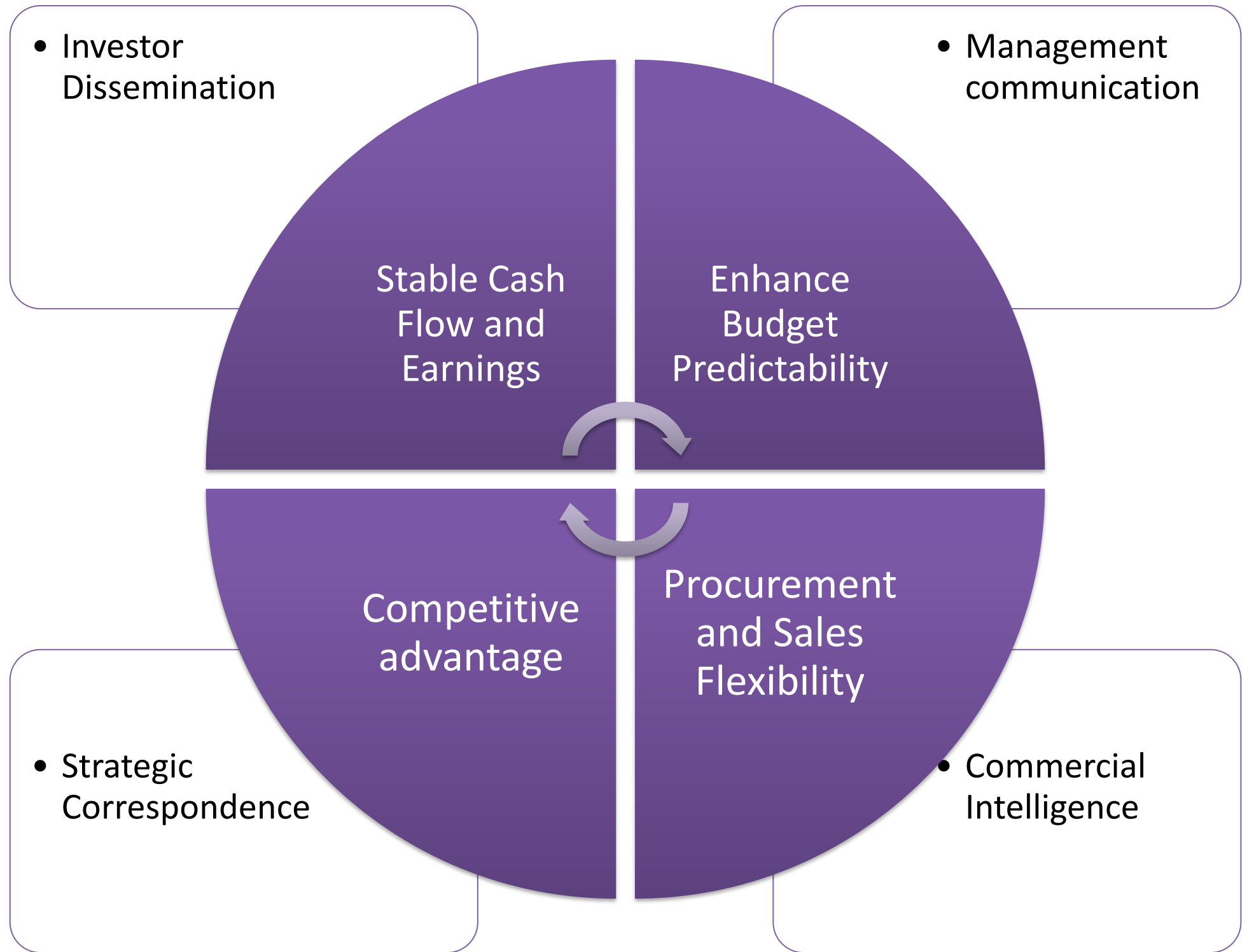
Hedging Benefits

Enhance predictability of cash flows

Improved budgetary forecasting

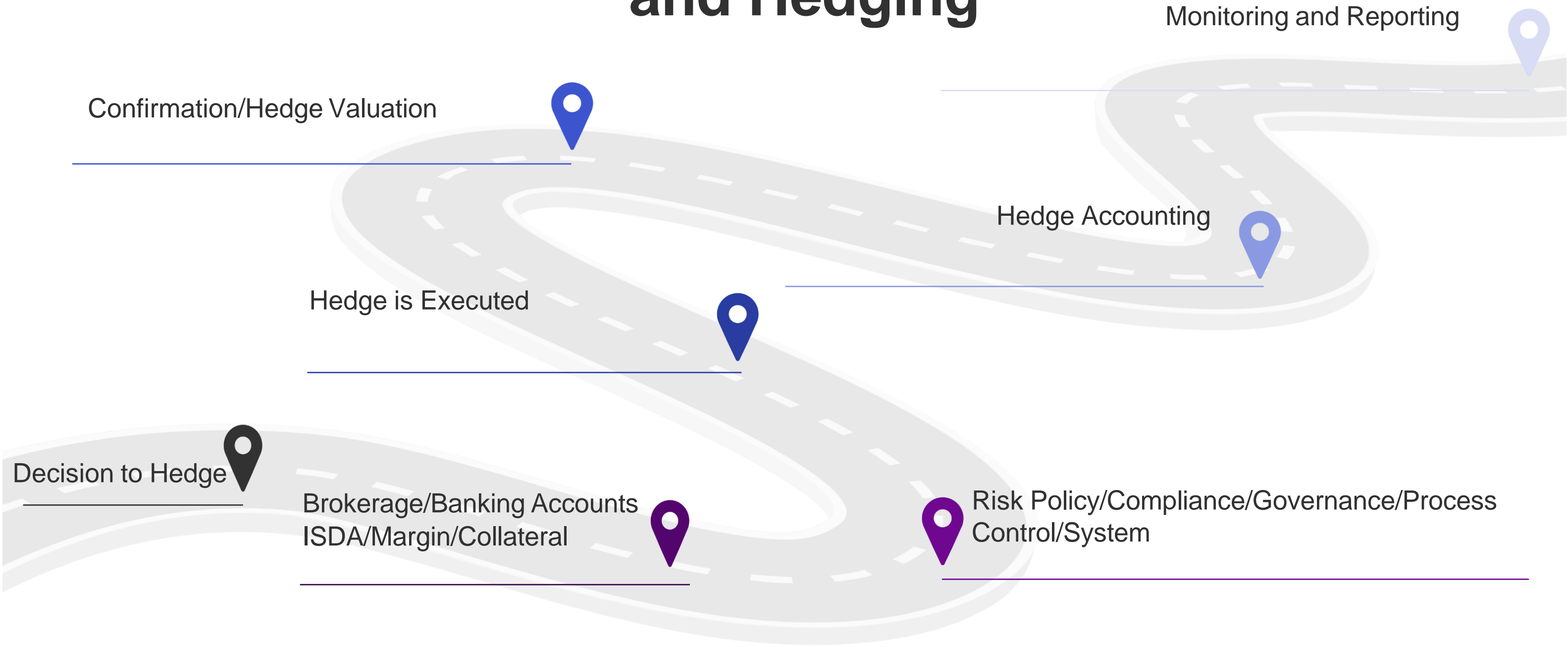
Market share improvements using flexible pricing options

Cost protection from rising input prices





Fastmarkets Risk Solutions: Operations Checklist and Hedging

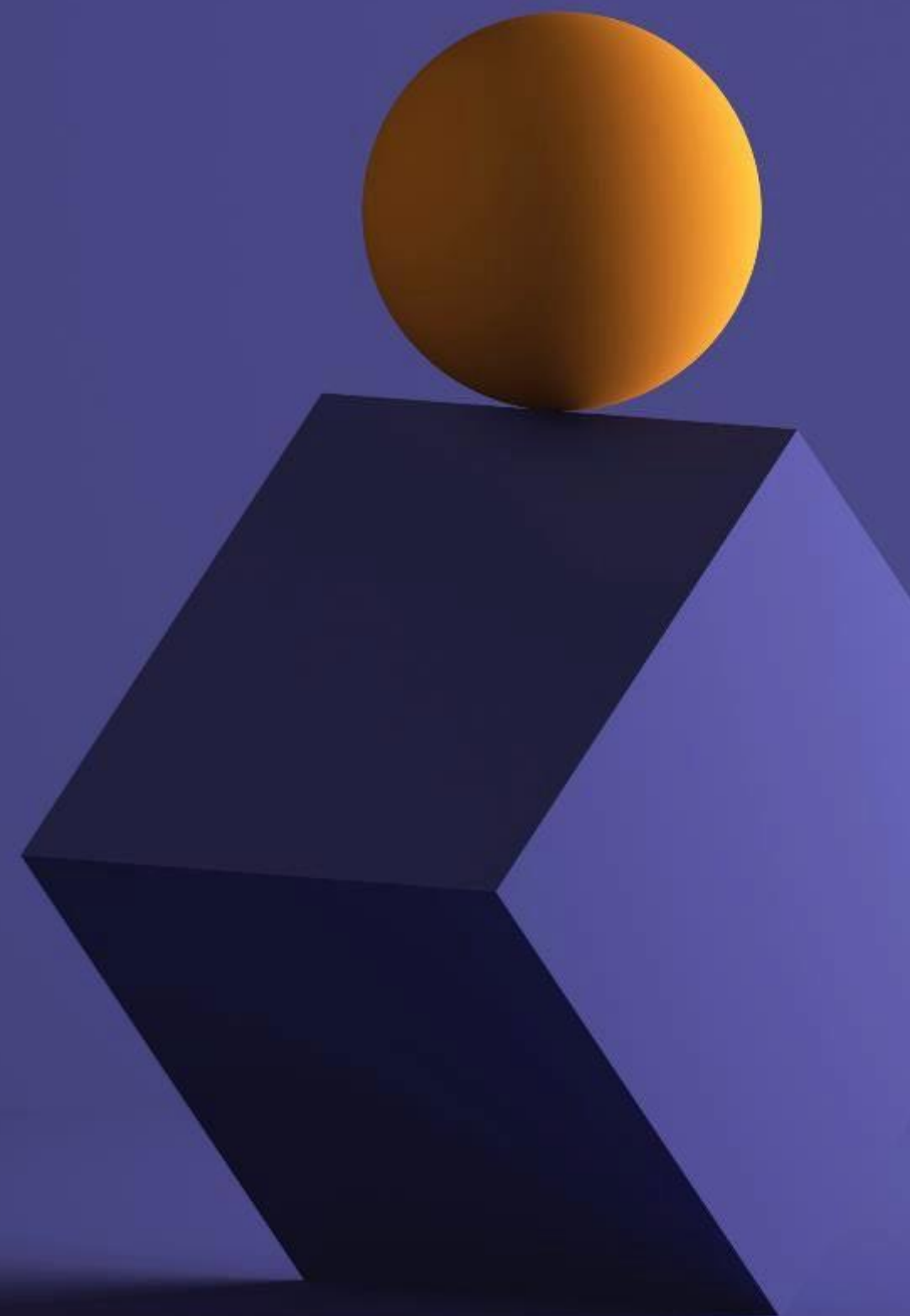




Scope of work and deliverables



Risk Measurement
Hedging
Operations



Scope of deliverables

Initial consultation

Engagement Initial Consultation

- Detail how the combination of physical and financial purchases can benefit commercial operations
- Discuss physical contracts using an index price
- Describe price risk and the general impact on returns
 - Discuss the tools used to evaluate and mitigate risk
 - Futures over-the-counter the counter hedging
 - The nuances of futures contracts
 - Value at Risk (VaR) of commodity price risks
 - Conditional Value at Risk of commodity price risks
 - Sharpe Ratio of company returns with commodity price risk
- Describe financial hedging products
 - Describe payout
 - Discuss the risk management process
- Discuss risk parameters
- Describe prices that comprise the potential greatest risks
- Discuss the risk mitigation process
- Detail physical commodity purchases and sales
- Detail deliverables
- Discuss operations checklist



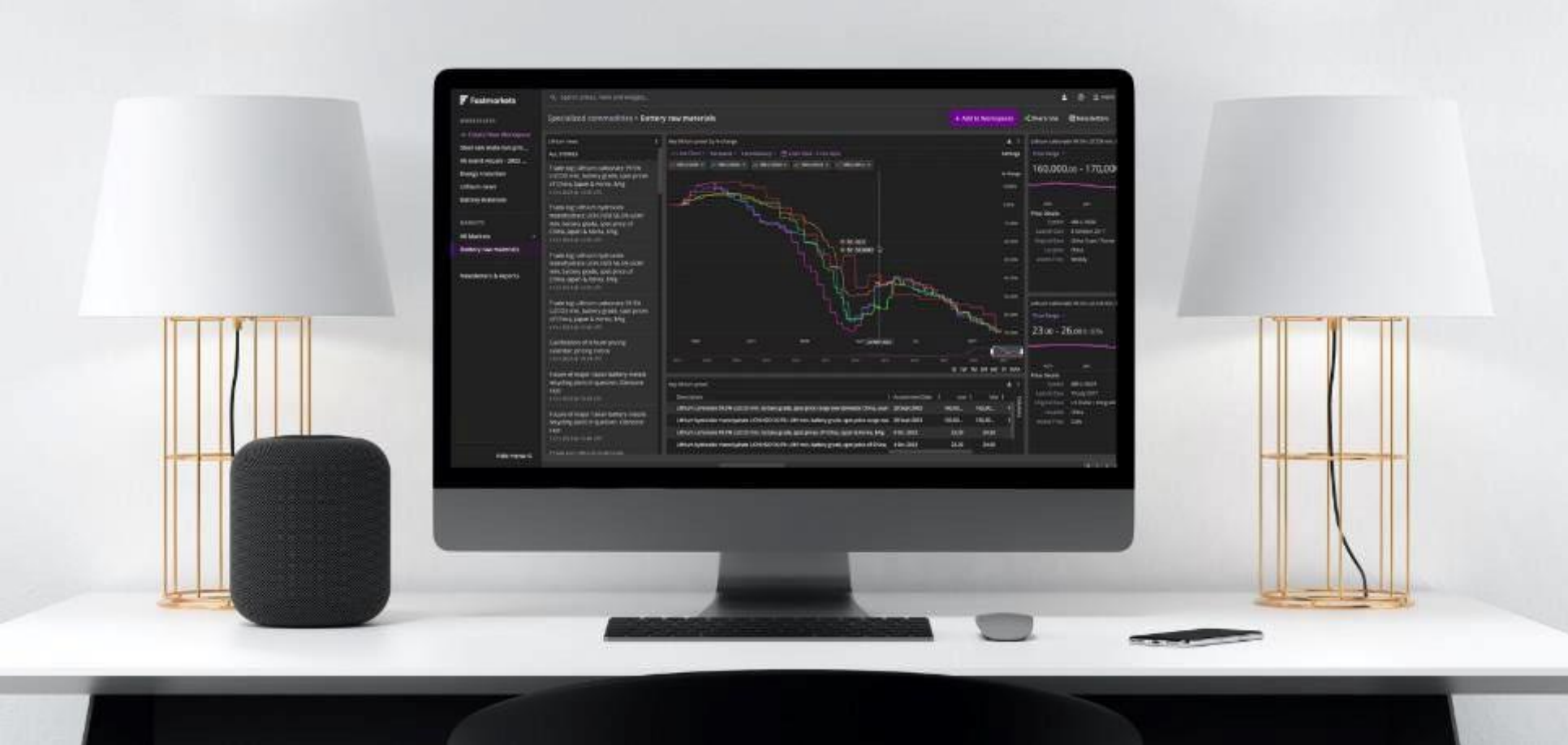
Scope of deliverables

Risk Measurement

Risk Measurement Deliverables

- Value at Risk and cVaR on price exposure
- VaR with hedges
- Correlation price exposure
- Historical and forecast volatility
- Detail physical commodity purchases and sales exposure
- Talk about risk in volume and notional terms





Value at Risk using Fastmarkets' prices

- Trading desks and portfolio managers commonly use **Value at Risk (VAR) Analysis** to determine outsized risk of loss during a defined period
- Fastmarkets' market-reflective price data facilitates:
 - An analytical approach to calculate VaR
 - The ability to calculate correlations and volatilities to run simulation VaR
- There are several assumptions used to calculate a VaR analysis
- Understand your Expected Shortfall (ES)



Scope of deliverables

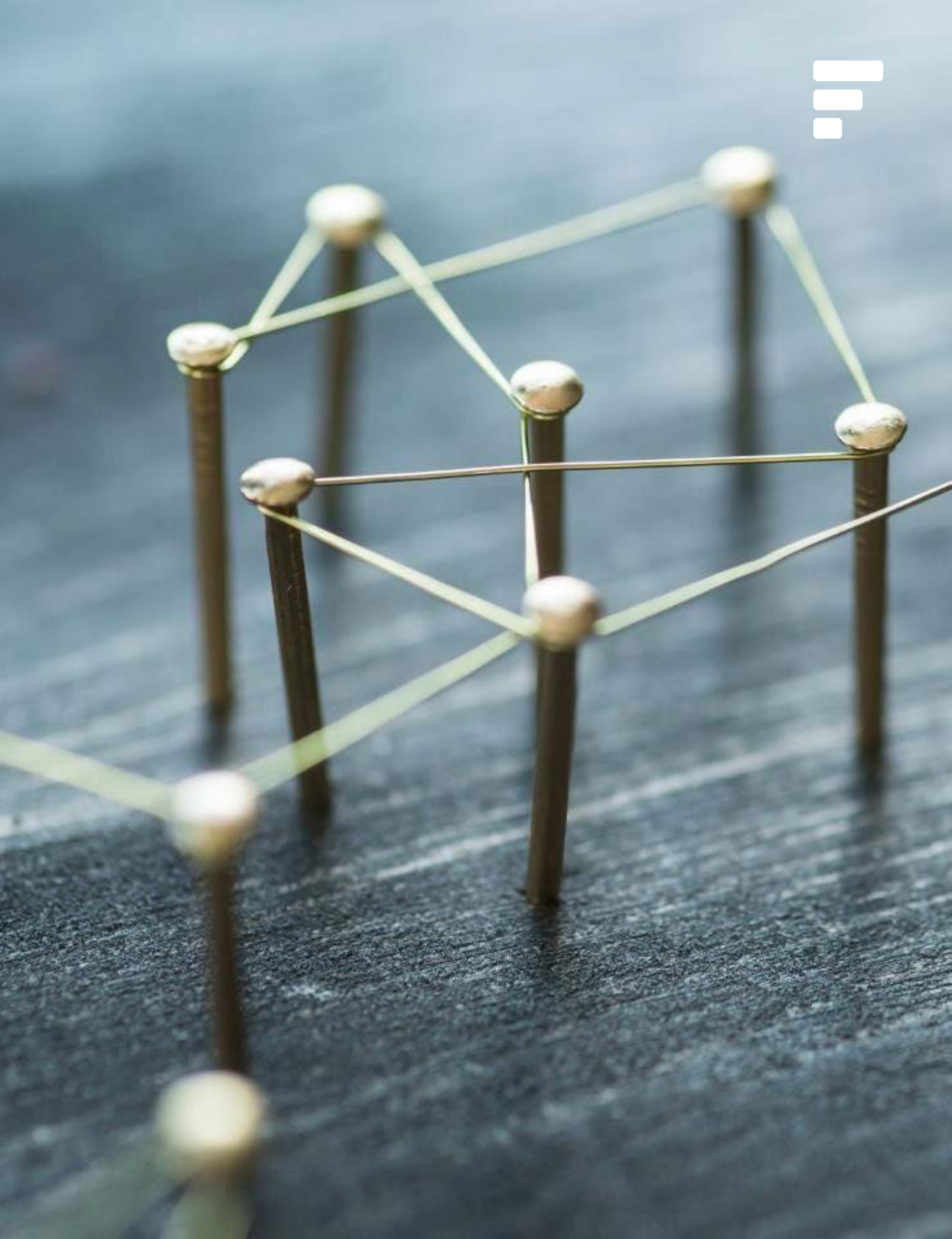
Hedging Deliverables

Hedging Deliverables

- Discuss hedging and actionable hedging tools
- Discuss pricing of potential hedges
- Describe the role of the Market Maker (for OTC transactions and discussion of ISDA or confirmations)
- Examine futures markets
- Discuss potential ongoing price risk management and operational setup
- Create periodic hedging and risk report



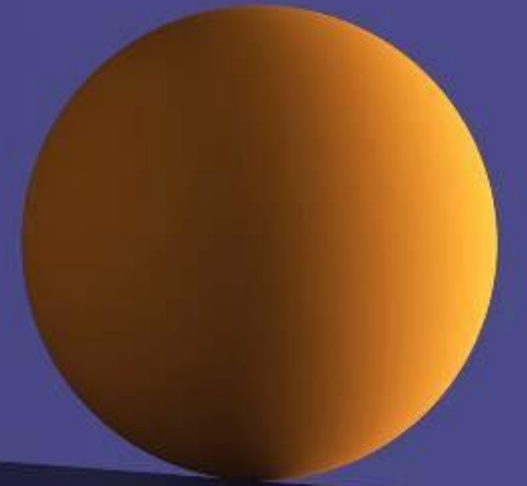
Operations Checklist



Scope of work and deliverables



Operations Checklist
Hedging



Scope of deliverables

Operation Checklist

Engagement

- Detail the pros and cons of exchange versus over-the-counter hedging.
- Facilitate the Setup brokerage/bank relationship
 - Discuss margin
 - Discuss collateral
 - Discuss ISDA
 - Discuss confirmation
 - Discuss Settlement
- Introduction to ISDA/Legal
- Describe risk policy
 - Compliance
 - Regulatory Framework
 - Governance
- Discuss system/technology setup
- Introduce Hedge Accounting Specialists



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