CHAPTER

.3

Risk factors, internal control and insurance

The Group's activities are organised around two divisions:

- ***the Retail & Marketing business (distribution of petroleum products); and***
- ***the Support & Services business (trading-supply, shipping and refining).***

Rubis SCA also owns 55% of the securities of the Rubis Terminal joint venture, which it controls jointly with its partner and which it accounts for using the equity method (see chapter 1, section 1.5).

The diversity in the Group's activities and the nature of the products it handles exposes it to risks that are regularly identified, updated and monitored as part of a rigorous management process aimed at mitigating these risks to the fullest extent possible, in accordance with applicable regulations, international standards and professional best practices.

Rubis has identified 15 risk factors related to its activities that it considers to be significant and specific (including risks related to Covid-19, which are the subject of special monitoring). These risks are divided into four categories (section 3.1).

For many years the Group has also implemented internal control procedures (section 3.2) that contribute to controlling its activities and to the effectiveness of its risk management policy.

Finally, regarding residual risks that cannot be completely eliminated, the Group ensures that they are covered by appropriate insurance policies whenever possible (section 3.3).

3.1 Risk factors

3.1.1 Introduction

Using mapping techniques, Rubis annually reviews financial, legal, commercial, technological and maritime risks liable to have a material adverse effect on its business and financial position, including its results, reputation and outlook. In addition to this risk mapping, a comprehensive review of risks by all the relevant departments is organised in order to select the risks that should be included in this chapter. The selected risks are then presented to the Accounts and Risk Monitoring Committee, a specialised Committee of Rubis SCA's Supervisory Board.

Only those risks deemed **specific to the Group and important for investors to know of** as of the date of this document are described in this chapter. Investors should take all the information contained in this document into consideration.

Risk factors are divided into four categories based on their nature:

- industrial and environmental risks;
- risks related to the external environment;
- legal and regulatory risks;
- financial risks.

These categories are not presented in order of importance. Within each category, the risk factor with the greatest impact as of the date of the risk assessment is presented first. Note that the NFIS (Non-Financial Information Statement) contains a description of non-financial risks. Depending on their importance, some of those risks are also included in the risk factors described in this chapter. To avoid unnecessary repetition for the reader and to present each risk factor concisely, this chapter contains references to chapter 4 "CSR", which includes a detailed presentation of the Group's management of its environmental, social and societal risks.

The description of Rubis' main risk factors (see below) presents the possible consequences in the event the risk does materialise and provides examples of measures implemented to reduce such consequences. The assessment of the impact and probability level of each risk mentioned takes the control measures implemented (net risk) into account.

Probability
Low ▲ Medium ▲▲ High ▲▲▲

Impact
Low ● Medium ●● High ●●●

Category	Risk	Probability	Impact
Industrial and environmental risks	Risk of a major accident in industrial facilities	▲	●●●
	Risk of a major accident in distribution facilities	▲	●●
	Risks related to product transportation		
	• Maritime transportation	▲	●●●
	• Road transportation	▲▲	●●
	Risks related to information systems	▲▲	●
Risks related to the external environment	Country and geopolitical environment risks	▲▲	●●
	Risks related to a health crisis	▲▲▲	●
	Climate risks	▲▲	●
	Risks related to changes in the competitive environment	▲▲	●
Legal and regulatory risks	Ethics and non-compliance risks	▲	●●
	Legal risks	▲▲	●
	Risks related to a significant change in regulations	▲	●
Financial risks	Foreign exchange risk	▲▲	●●
	Risk of fluctuations in product prices	▲▲	●
	Risks related to acquisitions	▲	●
	Risks related to management of the stake-holding in the Rubis Terminal JV	▲	●

3.1.2 Detailed presentation of risk factors

3.1.2.1 Industrial and environmental risks

Rubis Énergie's business lines (Retail & Marketing and Support & Services), which are described in greater detail in chapter 1, entail industrial and environmental risks that may have impacts of varying nature and scope depending on the activities and the type of products handled (fuels, heating fuels, bitumen, liquefied gases). In most countries, these activities are subject to multiple stringent environmental, health and safety regulations requiring the implementation of risk prevention systems (the European Seveso regulations for industrial facilities or the ADR for the carriage of hazardous materials by road, for instance).

RISK OF A MAJOR ACCIDENT IN INDUSTRIAL FACILITIES [1]

Probability: ▲ Impact: ●●●

Description of the risk

Rubis Énergie operates industrial sites where petroleum products (fuels, combustibles, bitumen, liquefied gases) are the main items handled. Such products are inherently flammable and, in some cases, explosive.

The facilities in question are import or storage terminals for petroleum products, gas cylinder filling plants and a refinery. Sixteen sites (six of which not wholly-owned by a Group entity) are classified as Seveso sites (high and low threshold) in the European Union, while 49 similar sites are operated outside the European Union (four of which not wholly-owned by a Group entity).

Although the entities ensure that these facilities and their operations strictly comply with standards predefined by the Group and the regulations applicable to them, a major incident (explosion, fire, massive pollution), including as a result of malicious acts, could occur on a site and cause damage to people, the environment and/or property, as well as to the Group's reputation. The Group, its officers or its employees could be held liable. As no single site makes a significant contribution to the Group's results, only the simultaneous shutdown of several sites could have an adverse impact on the Group's financial situation.

Examples of risk management measures

Due to the nature of Rubis Énergie's activities, the safety of operations is a constant concern for the Company's teams. In addition to strict compliance with the applicable Seveso-type regulations, significant resources are devoted to preventing the risk of accidents, and especially major industrial incidents, including:

- an **active risk prevention approach** through the implementation of proven **HSE** (health, safety and environment) **and quality management systems**, guaranteeing the implementation of rigorous operational processes;
- **investments** totaling €133 million in 2021 for the security, maintenance and adaptation of facilities;
- **membership of professional bodies** such as GESIP (Groupe d'Étude de Sécurité des Industries Pétrolières et Chimiques – Group for Safety Research in the Petroleum and Chemical Industries) and the Joint Inspection Group (JIG), **which provide general operational, training and safety support**;
- the establishment of **crisis management units** that can be swiftly activated in response to a major event in order to limit its consequences.

(1) This risk is described in the NFIS, chapter 4, section 4.2.

RISK OF A MAJOR ACCIDENT IN DISTRIBUTION FACILITIES [1]

Probability: ▲ Impact: ●●

Description of the risk

Rubis Énergie operates a network of 1,026 service stations in 23 countries, most often by entrusting station management to Managers or independent resellers.

Although the quantities of products stored in service stations are limited (frequently less than 80 m^3), the main risk stems from the fact that such facilities are often located in urban or suburban areas and that they are accessible to the public.

An explosion, fire or a massive product leak, including those caused by malicious acts, could result in serious harm to personnel (who most often are not Group employees), customers, local residents, the environment and/or property, and to the Group's reputation.

Examples of risk management measures

In addition to strict compliance with the applicable regulations, measures put in place to prevent risks, and especially major incidents, include:

- the establishment of a **service station operations document base that is focused on risk prevention/ protection**, which notably sets out detailed safety instructions and guidelines for operations, the regular training of Managers and staff, and rigorous monitoring of fuel stocks;
- the implementation of **technical compliance programmes for fuel distribution facilities**, which notably includes the gradual replacement of underground tanks and pipelines by equipment using double wall technology fitted with leak detectors, ensuring continuous leakage monitoring to guard against any possible pollution;
- the rollout of **preventive maintenance** programmes in service stations based on regularly updated descriptive specifications and regular inspections to ensure that maintenance work is carried out properly.

(1) This risk is described in the NFIS, chapter 4, section 4.2.

RISKS RELATED TO PRODUCT TRANSPORTATION [1]

Maritime transportation > Probability: ▲ Impact: ●●●

Road transportation > Probability: ▲▲ Impact: ●●

Description of the risk

The products distributed by Rubis Énergie are considered dangerous insofar as they are flammable or, in some cases, explosive, and may also be subject to accidental spillage liable to pollute the ground and water. The transportation of these products therefore involves a risk attributable to both the nature of the product and the means of transportation used, mainly maritime or road transport.

Maritime transportation

In its supply and shipping activities, Rubis Énergie operates six fully-owned vessels and a further nine time-charter vessels. Rubis Énergie also charters vessels for single voyages.

A major incident involving a vessel (fire, explosion, pollution, navigation accident), including those resulting from acts of piracy, whose probability of occurrence is low but whose impact could potentially be significant, could cause damage to people, the environment and/or property, as well as to the Group's reputation. The Group, its officers or its employees could be held liable.

Road transportation

The transportation of products to distribution sites and customers requires numerous trucks to circulate, which is liable to generate risks to people and the environment. The risk of accidents is elevated in certain areas (Africa, certain Caribbean Islands) due to the poor quality of road infrastructures, driving habits, distances traveled and/or population density on roads. The consequences of a road accident involving hazardous materials are generally limited in terms of space, due to the small quantities transported, but could generate damage to people, the environment, and/or to property and to the Group's reputation in the event of a serious incident such as the explosion of a vehicle, fire or spillage of a vehicle's cargo.

Examples of risk management measures

Maritime transportation

In addition to compliance with the regulations applicable to international navigation (mainly the International Maritime Organisation standards), the following measures have been put in place:

- **systematic vetting of chartered vessels** by a specialised company, Rightship;
- **membership of Oil Spill Response Ltd**, a company that can provide assistance in the event of maritime pollution occurring during the loading/unloading of products at Rubis Énergie terminals;
- as charterer or ship owner, Rubis Énergie insures its **shipping risk with international P&I Clubs**.

Road transportation

In addition to applying the regulations governing the transportation of hazardous goods, additional measures are taken to prevent the risk of traffic accidents:

- **driver training programmes (defensive driving)**, especially in countries where the risk is greatest; special instructions are also applied (prohibition on driving at night, for instance);
- **truck fleet renewal** programmes and the installation of surveillance equipment for vehicles on the move, such as video surveillance and/or geolocation tracking.

(1) This risk is described in the NFIS, chapter 4, section 4.2.

RISKS RELATING TO INFORMATION SYSTEMS

Probability: ▲▲ Impact: ●

Description of the risk

As with most companies, the Group is exposed to risks relating to the use of information systems. The day-to-day management of the Group's activities, and in particular the conduct of its industrial, logistical, commercial and accounting processes, relies on the smooth functioning of all of its technical infrastructures and IT applications. The risk of a malfunction or interruption of critical systems arising from a technical fault (power or network outages, service provider default, etc.) or a malicious act (viruses, computer system intrusion, etc.) cannot be ruled out. The occurrence of such an incident would be liable to impact the work of the Group's teams irrespective of the activity at issue (administrative, commercial or industrial) by slowing down their work and could lead to the loss of personal or sensitive data. The rapid growth of telecommuting and the development of digital processes in all business lines, including recourse to cloud computing, could further increase this risk. However, the fact that the information systems of the Group's various entities are compartmentalised makes it unlikely that a major attack could spread across the Group. If a technical risk were to materialise, only the department of the entity at issue would be affected at the local level.

Examples of risk management measures

The Group continuously adapts its prevention and detection measures and the measures it applies to protect its information systems and critical data, notably by:

- conducting audits of computing infrastructure and test campaigns;
- action plans and investment programmes aimed at continuously enhancing the security and monitoring of information systems and data in order to adapt to constant change;
- implementation of business continuity plans (BCP)/disaster recovery plans (DRP);
- information and training campaigns aimed at raising users' awareness about cyber risks.

3.1.2.2 Risks related to the external environment

Rubis Énergie, and consequently Rubis SCA, is sensitive to cyclical and structural risk factors resulting from its business segment and the countries in which it operates.

COUNTRY AND GEOPOLITICAL ENVIRONMENT RISKS

Probability: ▲▲ Impact: ●●

Description of the risk

The Group (excluding the Rubis Terminal JV) operates in 39 countries. In 2021, it generated 15% of its revenues in Europe, 48% in the Caribbean and 37% in Africa. Some of Rubis Énergie's activities are exposed to risks and uncertainties in countries with fragile governance or that may be experiencing, or may have experienced, political, economic, social and/or health situations that can be described as unstable (notably Haiti, Nigeria, Madagascar or Suriname). In addition to the usual consequences, this instability can in particular have an impact on Rubis Énergie's subsidiaries resulting from a unilateral review of fuel distribution margins or from price structures not being applied by states that regulate the prices of petroleum products. The point of equilibrium nevertheless remains the grant of sufficient margins to operators to ensure a long-term supply of essential products and to maintain adequate safety standards. Another aspect of geopolitical risk is the safety of Group employees, for which strict protection measures are in place in high-risk countries. Personal safety is becoming a priority management issue in certain countries, as is the security of petroleum product storage facilities.

Except in extreme cases, continuity of the fuel distribution activities of subsidiaries is in principle secured, as these products meet the essential needs of populations. The simultaneous occurrence of such events in several countries could have an unfavourable impact on the Group's results.

Lastly, the shipping activity may be exposed to acts of piracy in certain areas in which the Group operates (in the Gulf of Guinea and the Indian Ocean in particular). Such acts could cause harm to individuals on board, damage the vessel itself and its cargo, and cause financial losses due to delays in scheduled deliveries, or even the inability to deliver cargoes.

Russian-Ukrainian conflict: Rubis does not have a presence in Russia or Ukraine and does not source from suppliers in these countries. This conflict has resulted in particular in an increase in the price of oil and gas products on the international markets, which is managed by the Group like any price increase. At the date of publication of this document, the evolution of the conflict is uncertain. The Group remains attentive to the situation and its potential impact on its activities and results, as well as to the indirect impacts of the conflict on the global supply chain.

NB: risks related to the Covid-19 pandemic are discussed in this section 3.1.2.2, following page.

Examples of risk management measures

- **The geographic diversity of the Group's operations mitigates its exposure** to the risks of a given country by limiting concentration of activities, and as such, dependence on that particular country. Moreover, existing risks are assessed at the time acquisitions are made and are taken into account in the operational management of the subsidiaries, which perform regular monitoring in order to anticipate those risks.
- In areas that are particularly exposed to security risks, **employee and site protection measures are reinforced according to the assessment of the surrounding risks**, so as to deal with malicious acts, intrusions, kidnappings, vandalism or theft.
- **To deal with health risks, business continuity plans are established** and measures are taken (vaccination, information campaigns, etc.) to combat infectious or viral diseases (the plague, malaria, Ebola, Covid, etc.).
- Regarding the risk of piracy, **the Group's port facilities comply with the International Ship and Port Facility Security (ISPS) Code**. Recommendations relating to countries designated as "high risk areas" by the International Maritime Organisation are also taken into account.

RISKS RELATED TO A HEALTH CRISIS

Probability: ▲▲▲ Impact: ●

Description of the risk

The occurrence of a serious health crisis or a pandemic can affect the health of employees and therefore their availability. The occurrence of such an event may also lead governments to adopt measures restricting the movement of people and goods, or even lockdown measures to reduce the circulation of a serious contagious disease. Depending on their nature, scope and duration, such governmental measures may thus affect the distribution of petroleum products in diverse ways according to the product markets and countries or geographical areas. The distribution of fuels and liquefied gases, some of which meet basic needs (production of cold and heat, cooking, mobility for essential activities, etc.), is considered by governments as essential. The continuity of these activities must be ensured in order to meet these needs, while preserving the safety of employees and customers. As for the distribution of liquefied gases to the agrifood industry and sales of bitumen (West Africa), these activities are generally less sensitive to the health context. However, sales of jet fuel to airlines may be more severely and durably affected in the event of restrictions on international mobility leading to a decline in tourism and aviation. Nevertheless, this activity represented only 6% of Rubis Énergie's total gross margin in final distribution for the 2021 financial year. Moreover, the potential long-term shutdown of certain industries that are heavy consumers of LPG (particularly in southern Africa, Morocco and Madagascar for Rubis Énergie) in such a context may lead to a decline in volumes sold and thus impact the Group's financial performance and cash flow. Lastly, upheavals tied to a major health crisis are also a breeding ground for greater political, economic or social instability, particularly in countries with weaker governance in which the Group operates.

Covid-19: The Group's performance in 2021 was marginally penalised by Covid-19, which continued to affect aviation, network and commercial sales in particular. Across all its subsidiaries, the Group did not make use of the aid schemes put in place by governments.

Examples of risk management measures

In a health crisis, the Group focuses on controlling the main risks, namely:

- protecting the health of its employees and, more generally, that of external service providers working on its industrial sites, by implementing health protocols, constantly monitoring inventories and procurement of protective equipment, banning international travel, and having recourse to teleworking for positions that allow it, etc.;
- the operational continuity of its industrial and commercial activities with a permanent concern for the safety of facilities and operations, by implementing business continuity plans that take industrial, environmental and other safety requirements into account;
- following through on its commitments to customers, as well as managing the risk of defaults. However, this risk remains low due to the nature of payments in the main business sectors affected. Small airlines generally pay upfront (no specific customer outstandings), while service stations have no cash flow problems as most customers also pay upfront. In addition, large industrial customers, such as electricity companies, are often guaranteed by states;
- implementing strict financial discipline in order to maintain a strong balance sheet;
- monitoring country risks (see the risk factor entitled "Country and geopolitical environment risks").

Covid-19: the management of the Covid-19 health crisis has demonstrated the effectiveness of the management measures implemented reactively and agilely, both at Group level and by the various entities.

CLIMATE RISKS (1)

Probability: ▲▲ Impact: ●

Description of the risk

Physical risk

In 2021, the Group generated 48% of its revenues in the Caribbean zone, which is particularly exposed to natural and climate risks, the intensity of which is tending to increase (earthquakes, hurricanes, etc.). The occurrence of extreme events could affect the integrity of its sites, especially the import terminals necessary for the supply of petroleum products, which are generally located in coastal areas. This could disrupt the operations of the subsidiaries in question and in turn cause operating losses. Nevertheless, the most recent cyclones in the Caribbean had a moderate effect on the Group's earnings.

To a lesser extent, Rubis Énergie's Retail & Marketing activity is exposed to changes in temperature, mainly during mild winters in Europe (15% of Group consolidated revenues), which affects fuel sales volumes in the heating market.

Transition risk

Rubis is exposed to its sector's energy transition challenges. Changes – sometimes rapid – in the regulatory environment and in policies in support of a low-carbon economy (carbon tax, energy saving certificates, obligation to blend fuels) could impose a significant reduction in CO_2 emissions and make other less carbon-intense energies more competitive in the long term. In addition, growing concern among stakeholders (customers, investors, insurers, employees, civil society, etc.) about climate change is liable to have an adverse effect on the Group's petroleum product Retail & Marketing business, its financial position, its image, appeal and its outlook, with varying levels of uncertainty that are sometimes hard to measure over the long term. The immediate impact is considered to be low to moderate, depending on the products and areas in question.

Examples of risk management measures

- The Group is committed to **monitoring the vulnerability of its existing and future facilities** and of its activities, by taking climate change projections into account and by taking all appropriate safety measures, including by factoring natural hazards into the design and operation of exposed facilities.
- **Geographic diversification** (presence on three continents) and the **broadening of the Group's scope** greatly limit exposure to the climate hazards that may be experienced in any given area.
- The **diversification of business lines and products sold**, both by product category and by user (automotive fuel, aviation fuel, diesel, fuel oils, liquefied gases, bitumen and lubricants) limits the impact of a climate event.
- **Setting an objective regarding reducing CO_2 emissions** (scopes 1 and 2, reference year 2019) by 30% in 2030 and commitment to setting additional objectives (reduction of scope 3A emissions, *i.e.*, excluding products sold, reducing the carbon intensity of products sold, development of an internal price for carbon) in the Group's CSR Roadmap, Think Tomorrow 2022-2025. These objectives will be defined upon the completion of an evaluation on decarbonising activities that is in the process of being finalized.
- The Group has implemented measures to increase the **energy efficiency of the most energy-intense industrial facilities**, such as Rubis Énergie's refinery in Martinique, so as to reduce their carbon footprint.
- The establishment of a **governance structure and teams responsible for monitoring climate challenges** (regulatory, technical, societal changes) and **identifying development opportunities** should further reduce these risks in the near future. The Climate & New Energies team created in 2020 supports the Climate Committee and coordinates the operational efforts made by all Group subsidiaries.

(1) *This risk is described in the NFIS, chapter 4, section 4.2.2.3.1.*

RISKS RELATED TO CHANGES IN THE COMPETITIVE ENVIRONMENT

Probability: ▲▲ Impact: ●

Description of the risk

The Retail & Marketing business operates in an intense competitive environment. Competitors' profiles are changing, with the entry into the distribution business of trading players who have a competitive advantage over a larger part of the value chain in markets that are highly dependent on the import of petroleum products, or of local players supported by governments. In addition, the use of fossil fuels is gradually facing competition from other energies, although this phenomenon is to date still confined to a few regions in which the Group operates, mainly in Western Europe.

Failure to account for these various developments in the Group's strategy could have an impact on its development outlook, results, financial position and reputation.

Examples of risk management measures

- **Rubis Énergie favours markets in which the Group enjoys a leading position, controls its supplies and/or has strategically located logistics facilities (maritime import terminals, refinery, pipeline connection)**. External growth around its areas of activity helps increase intra-group synergies and boost competitiveness.
- **The regular extension of Rubis Énergie's portfolio of suppliers** (stockists, refiners, traders) contributes to the competitiveness of supplies.
- **In Europe**, Rubis Énergie's activity is mainly focused on the distribution of liquified gas, which is considered to be a transitional energy.
- **Compliance with high safety, product quality and ethics standards** is a differentiating competitive advantage, especially in markets where local players are unable to meet the requirements of international customers.

3.1.2.3 Legal and regulatory risks

ETHICS AND NON-COMPLIANCE RISKS [(1)]

Probability: ▲ Impact: ●●

> **Description of the risk**
>
> Given the geographic location of a large part of its activities, the Group pays particular attention to the risk of breaches of ethics and compliance rules. Rubis ensures that all its employees act in accordance with the values of integrity and compliance with applicable internal and external standards, and ensures that the same standards are complied with in the entities in which it holds a significant stake (primarily the Rubis Terminal JV). In a context of increased judicialisation, with supervisory authorities enjoying broad powers, non-compliance with laws and regulations (such as anticorruption laws, international economic sanctions, the GDPR, competition) or claims against the Company and/or its officers could expose the Group to consequences that are harmful to its financial equilibrium (administrative, civil, criminal penalties), reputation, attractiveness, values, sources of financing and, ultimately, its growth and results.

Examples of risk management measures

The Group closely monitors ethic and non-compliance risks by establishing measures designed to prevent such risks from materialising:

- **a specific system for preventing the risk of corruption and non-compliance with international economic sanctions**, which includes in particular a documentary framework that formalises the ethics guidelines in accordance with which all Groups employees must carry out their professional activities; training dedicated to these issues; an internal "Rubis Integrity Line" whistleblowing system allowing each employee to report breaches of ethics rules (described in chapter 4, section 4.5.1.1). The governance rules in place within the Rubis Terminal JV provide for the application of ethics standards that are at least equivalent to those applied within the Rubis Group;
- **Group-level governance** including: the creation in 2017 of a CSR & Compliance Department tasked with overseeing and coordinating the development and implementation of the Group's compliance policy and managing risks and issues relating to CSR; the appointment of a Compliance Manager for each division; a network of 35 Compliance Advisors (including four within the Rubis Terminal JV) in each of the countries where the Group operates.

(1) *This risk is described in the NFIS, chapter 4, section 4.4.4.1.*

LEGAL RISKS

Probability: ▲▲ Impact: ●

Description of the risk

Rubis conducts its business in France and abroad in complex legal and regulatory environments that are constantly evolving.

Rubis Énergie's activities are generally subject to strict and complex regulations in the fields of environmental protection and industrial safety. The receipt or renewal of operating licenses, port concessions or leases concerning the land on which facilities are located is subject to compliance with these regulations. The loss of an authorisation to operate a major site, such as the Martinique refinery, a key import site for the supply of a country or any other essential infrastructure, that significantly contributes to the Group's results could have adverse consequences on the Group's results or outlook.

The other major legal risks relate to litigation between the Group and its customers, suppliers and service providers, or local residents in the event of major pollution. Litigation may also occur following acquisitions of companies or in the context of joint ventures. In tax matters, the Group's subsidiaries may be subject to tax and customs controls or to procedures conducted by the national authorities in which there is no guarantee that the tax authorities will agree with the positions taken by the Group, even if the Group considers them to be correct and reasonable in the context of its activities. Such disputes could relate to significant amounts that could affect the Group's results, particularly as concerns transfer pricing policy.

On the date hereof, there are no governmental, legal or arbitration proceedings (including any proceedings of which the Company is aware), either pending or threatened, that are liable to have or have had in the last 12 months a significant impact on the Group's financial position or profitability.

Examples of risk management measures

- **These risks are primarily managed and monitored by Rubis Énergie's Finance and Legal Departments** in collaboration with the subsidiaries and with the assistance of external specialised consultants and firms. Rubis SCA's Corporate Secretary works closely with the subsidiaries' Legal Departments regarding any significant issues or disputes that are liable to have a material impact on the Group.
- In tax matters, **Group companies ensure that tax returns and payments are submitted in accordance with local regulations**. Moreover, the Group does not have any subsidiaries that are not underpinned by economic activities (essentially, local commercial operations).
- The Group assesses the risks associated with pending litigation and **sets aside provisions** in accordance with applicable accounting policies to cover risks that it is able to assess reliably (see note 4.11 to the consolidated financial statements).

RISKS RELATED TO A SIGNIFICANT CHANGE IN REGULATIONS

Probability: ▲ Impact: ●

Description of the risk

Environmental regulations

The growing trend towards stricter environmental and industrial safety regulations for both the Retail & Marketing and Support & Services businesses could generate significant additional costs to bring facilities into compliance, which could have an impact on the business of the Group's entities and results. Both in France and abroad, sites and products are subject to increasingly stringent rules governing environmental protection (water, air, soil, noise, nature protection, waste management, impact studies, etc.), health (workstation, product chemical hazards, etc.) and the safety of employees and local residents.

In addition, for most of the Group's activities, when sites are closed, applicable regulations will require sites to be secured, dismantled and then rehabilitated from an environmental point of view after decommissioning. The associated costs could significantly exceed the provisions set aside by the Group and have a negative impact on its operating results. Future expenses for site restitution are accounted for by the Group in accordance with the accounting policies described in note 4.11 to the consolidated financial statements.

Tax regulations

The signature of a tax agreement by the international community in autumn 2021 will lead to major reforms in international taxation. The OCED has published rules to ensure that multinational companies are subject to a 15% minimum tax rate starting in 2023. The European Commission has proposed a directive on defining a calculation basis that seeks to realign taxation rights with value creation and by setting a minimum tax rate. These reforms should be approved at the European level by 30 June 2022 and at the local level before the end of 2022. In addition, due to budgetary constraints, which have been exacerbated by public debt resulting from the Covid-19 health crisis, certain states are introducing new tax measures and are providing their Audit Departments with enhanced powers.

Examples of risk management measures

- **The teams carry out constant regulatory monitoring.** In addition, the situation of each site is regularly reviewed as regards existing or future regulatory obligations.
- The Group contributes to developing standards adapted to the challenges facing the industry, notably through sector-based professional bodies or unions.
- Rubis's assessment of the associated risks has led the Group to recognise **provisions totaling €29 million** for clean-up and renewal of fixed assets (see note 4.11 to the consolidated financial statements).
- Group companies ensure that tax filings and payments are made in accordance with local regulations. They prepare the necessary tax filings depending on the countries in which the Group conducts its activities.
- In accordance with its legal obligations, Rubis has carried out its country-by-country reporting by declaring the breakdown of its profits, taxes and activities by tax jurisdiction and has established documentation regarding the transfer pricing applied between Group companies (Transfer Pricing Documentation – Master File).

3.1.2.4 Financial risks

FOREIGN EXCHANGE RISK

Probability: ▲▲ Impact: ●●

Description of the risk

Due to its international footprint and its business sector, Rubis is naturally exposed to fluctuations in foreign currencies (excluding the euro, its functional and reporting currency), and mainly fluctuations in the US dollar, as most of the Group's revenues are generated in that currency. Rubis Énergie buys petroleum products on international markets in US dollars, whereas the sales and expenses of the Group's international subsidiaries outside the euro zone are generally expressed in their local currency, which fluctuates widely for certain countries (*e.g.*, Nigerian naira and Haitian gourde). Consequently, currency fluctuations are liable to impact the Group's results, both upwards and downwards.

Moreover, in some countries (Jamaica, Nigeria, Haiti, Madagascar, Suriname), the lack of foreign currencies (shortage of dollars) can cause temporary difficulties in petroleum product supplies, which are purchased on international markets in dollars, thereby impacting the activity of the subsidiaries located there.

Examples of risk management measures

- Except for specific cases, **end customers are invoiced in the functional currency of the distributing entity**.
- Where possible, **foreign exchange hedges on product purchases** are put in place if the US dollar exchange rate used to establish the product's sales price in local currency is fixed in advance, in order to preserve the margin.
- **The depreciation of local currencies is reflected in selling prices to the extent possible** when currency hedging is not possible.
- **Letters of credit are negotiated with the banks** of the relevant countries in order to guarantee that US dollars can be obtained at the official rate.

RISKS OF CHANGES IN PRODUCT PRICES

Probability: ▲▲ Impact: ●

Description of the risk

With a few exceptions, Rubis Énergie's business is not very sensitive to product prices and changes in such prices. In certain areas where Rubis Énergie operates, fuel prices are administered, which makes it possible to preserve margins in these countries (40% of volumes are generated in countries where prices are administered). However, in some countries, administered price structures are not always applied or do not sufficiently account for variations in product prices on international markets, especially in pre-electoral periods, generating a shortfall for the relevant entities (Madagascar, Haiti).

The LPG distribution business, which is less regulated, is more exposed to the risk of product price variations. As it can take longer to pass on changes to customers in certain markets, temporary mismatches can occur, both upwards and downwards.

Examples of risk management measures

- **Rubis Énergie's diversification**, both geographically and by product category, makes it possible to reduce the consequences of the materialisation of this risk on results.
- **Increases in product costs are generally passed on to the customer**, either contractually or unilaterally, market conditions permitting. Failing this, temporary mismatches may arise.
- **Product purchases may be hedged** when the product selling price is fixed and determined in advance.
- Rubis Énergie has a **Supply Department** that allows physical flows of product supplies to be secured and optimised upstream.

RISKS RELATED TO ACQUISITIONS

Probability: ▲ Impact: ●

Description of the risk

Acquisitions are an integral part of Rubis growth strategy. The risks of transactions of this nature are mainly related to difficulties or delays in the Group's integration of acquisitions and, in particular, the implementation of the Group's management standards. Risks relating to the evaluation of assets and liabilities may also emerge after the completion of an acquisition, as the quality of the information provided is sometimes limited by the local regulatory framework. Lastly, external environmental factors could affect the achievement of expected benefits, including the macroeconomic environment, country risks as described in section 3.1.2.2, changes in the specific markets in which the transaction takes place, the response from or changes in the competition, or the loss of a competitive logistics advantage. There is a risk of impairment related to these risks.

Following major acquisitions in recent years, the Group has recorded significant goodwill (€1,231 thousand as of 31 December 2021).

Moreover, the Group's strategy to diversify in favour of less carbon intensive energy resulted in two operations in 2021:

- the acquisition of a stake of 18.5 % in HDF Energy at the time of that company's IPO. This investment is classified in the Group's consolidated balance sheet as a financial asset evaluated at fair value through other comprehensive income. As such, the Group is exposed to a loss in value;
- the announcement of the acquisition of 80% of Photosol France, (completed on 14 April 2022) which is one of the leading independent developers of renewable electricity in France.

Examples of risk management measures

- Rubis SCA's Managing Partners and Rubis Énergie's General Management conduct a detailed examination of the companies or assets they plan to acquire as part of **the due diligence process, in order to better understand the contingencies, anticipate risks and integrate those risks into the valuation of the project**.
- **A structured acquisition integration procedure is implemented**, including in particular the appointment of a Chief Executive Officer familiar with the Group's rules and processes and the relevant business line.
- In accordance with IFRS, **Rubis tests goodwill for impairment** at least once a year, and whenever Management identifies an indication of loss of value (see note 4.2 to the consolidated financial statements). Impairment is recognised if the recoverable value falls below the net book value, with recoverable value being the greater of the value in use and fair value, less costs to sell.
- Rubis SCA's Managing Partners and Rubis Énergie's General Management conduct a detailed analysis of the investment programmes of the various Group subsidiaries to ensure that the expected value creation is realistic.
- Regarding the Photosol France acquisition: keeping management teams who have in-depth knowledge of their business in order to ensure business continuity and development.

RISKS RELATED TO THE MANAGEMENT OF THE INVESTMENT IN THE RUBIS TERMINAL JV

Probability: ▲ Impact: ●

Description of the risk

The Rubis Terminal JV, created as part of the partnership concluded in April 2020 between Rubis SCA and an infrastructure fund, is 55% and 45% owned (respectively) and jointly controlled by the two partners. Due to Rubis SCA's loss of exclusive control, this activity has been accounted for in Rubis SCA's consolidated financial statements using the equity method starting 30 April 2020 (see notes 3.2.2 and 9 to the consolidated financial statements).

This partnership aims to support the development of the bulk liquid Storage activity (operated by Rubis Terminal Infra and its subsidiaries, formerly Rubis Terminal) by strengthening its existing positions on its markets (ARA zone, France and Spain), diversifying its offering, and enabling it to consider new development opportunities . The partnership makes it possible to share economic and financial risks by limiting the amount of capital committed.

As a partner in this joint venture, Rubis SCA could be exposed to a risk that its stake loses value if there are difficulties in implementing the strategy defined with its new partner, which could affect the achievement of the expected benefits.

In addition to the usual factors relating to the external environment (such as changes in competition and country and geopolitical risks) and legal and regulatory risks (such as the loss of an operating license, major litigation, significant changes in environmental regulations) that are liable to influence the Rubis Terminal Infra's development, a deadlock should the partners disagree on decisions to be adopted or the partner's failure to respect its commitments and obligations could have unfavourable consequences on expected results. This partnership's success therefore depends in particular on the efficiency of the governance framework put in place.

Furthermore, Rubis could be exposed to image risk if a major operational risk materialises (particularly an industrial risk) as a result of the joint venture's name being associated with the Group. Finally, as Rubis SCA holds 55% of the joint venture's capital, it may be held liable if Rubis Terminal Infra fails to comply with regulations applicable to entities considered as subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code.

Examples of risk management measures

Rubis SCA has chosen as its partner a major infrastructure fund that has a long-term investment policy. This fund, which has a global footprint, invests in line with the best international ESG standards.

The Group ensures that its interests as a partner are protected, notably through the signature of a **shareholders' agreement, its representation on the joint venture's governance bodies** (Board of Directors) and **regular reporting from Rubis Terminal Infra's Management** (see section 3.2.4).

Contractual arrangements enabling conflicts and deadlocks within the partnership to be resolved are included in the shareholders' agreement.

Rubis ensures that the same level of standards as those implemented in its controlled entities are complied with by Rubis Terminal Infra's Management teams by monitoring indicators and reports submitted by Management.

3.2 Internal control

3.2.1 Internal control framework

Framework

For the following description of internal control procedures, Rubis referred to the French Financial Markets Authority (Autorité des Marchés Financiers - AMF) guide dated 22 July 2010, which sets out a reference framework for risk management and internal control.

However, Rubis adapted the AMF framework's general principles to fit its business and own characteristics.

Objectives

Rubis has put in place a certain number of procedures designed to ensure that:

- its activities comply with laws and regulations;
- the instructions and strategic goals defined by the corporate bodies of Rubis SCA and its subsidiaries are applied;
- the Company's internal processes run smoothly, particularly processes that contribute to safeguarding its assets;
- financial information is reliable;
- a process exists for identifying the principal risks tied to the Company's business;
- there are tools to prevent fraud and corruption.

Like any internal control system, the system put in place by Rubis cannot provide an absolute guarantee that the Company will be able to achieve its objectives and eliminate all risks.

Scope

The procedures described below apply to Rubis Énergie, which is wholly owned by Rubis SCA, and to Rubis Énergie's sub-subsidiaries.

The Rubis Terminal JV is managed jointly with the partner. The joint venture's General Management is responsible for setting up and ensuring internal controls (in accounting, financial and risk matters) in accordance with applicable standards and regulations and its shareholders' expectations. Details about this joint venture are provided in section 3.2.4 of this chapter.

System components

Although it has acquired an international scale, Rubis wishes to remain a decentralised organisation that is close to the field so that it can provide its customers with solutions that are adapted to their needs by having the ability to take the necessary operational decisions quickly. Regular exchanges, conducted whenever necessary, between the Management Board, on the one hand, and the General Management and functional departments of Rubis Énergie and its foreign subsidiaries on the other hand, are the cornerstone of this organisation.

This managerial model gives the Manager of each industrial site or subsidiary a large degree of autonomy for managing his/her activity. However, such a delegation of responsibility is closely tied to complying with established procedures regarding accounting and financial information and risk monitoring, as well as regular controls by Rubis SCA's relevant departments and by Rubis Énergie's functional departments (see sections 3.2.2.3 and 3.2.3.2).

Lastly, the Management Board informs Rubis SCA's Supervisory Board (through its Accounts and Risk Monitoring Committee) of the essential characteristics of the Group's internal control and risk management procedures. The Supervisory Board ensures that the main identified risks have been taken into account in the Company's management and that systems designed to ensure the reliability of accounting and financial information are in fact in place (see chapter 5, section 5.3.2).

3.2.2 Accounting and financial internal control

Rubis SCA controls its head of division subsidiary Rubis Énergie (Retail & Marketing and Support & Services businesses) in collaboration with Rubis Énergie's General Management. It defines the Group's strategy, promotes and finances its development, makes the related key management decisions, and ensures they are implemented by both its direct and indirect subsidiaries. Rubis SCA has established accounting and financial structures and procedures that contribute to reliable internal controls being implemented.

3.2.2.1 General organisation of the Group

DEPARTMENTS WITHIN THE SUBSIDIARIES AND RUBIS SCA

Rubis SCA's and Rubis Énergie's Consolidation and Accounting Departments consolidate the Group's accounts on a quarterly, half-yearly and annual basis. Their work involves:

- checking that the consolidated financial statements are consistent with the provisional consolidated results prepared by the subsidiaries;
- verifying that IFRS has been correctly applied;
- analysing the consolidated financial statements through an analytical review, explaining changes in each item between two reporting dates.

They also monitor standards with a view to identifying any impact of proposed accounting reforms on the Group's financial statements.

These departments are assisted by a specialist audit and accounting firm, and work under the oversight of the Managing Partners, the Chief Financial Officer and the Director of Accounting and Consolidation.

Accounting and financial information prepared by the subsidiaries is reported to Rubis SCA, *via* the Consolidation and Finance Departments and, ultimately, to the Management Board.

THE ACCOUNTS AND RISK MONITORING COMMITTEE OF THE SUPERVISORY BOARD

The main assignments of the Accounts and Risk Monitoring Committee (whose members and functioning are described in chapter 5, section 5.3.2) are as follows:

- examining the financial statements, ensuring consistency of methods, quality of data and completeness, and ensuring that the financial statements give a true and fair view;
- monitoring internal control procedures with respect to accounting and financial matters and risk exposure.

To carry out its work, the Accounts and Risk Monitoring Committee hears all the key individuals in the information chain: the Management Board, Managing Director, Chief Financial Officer, Director of Accounting and Consolidation, Rubis SCA's Corporate Secretary, the CSR Director & Chief Compliance Officer, and the Statutory Auditors.

The members of the Accounts and Risk Monitoring Committee have access to the same documents as the Statutory Auditors and examine the summary of the Statutory Auditors' work.

3.2.2.2 Preparation and reporting of accounting and financial information

The internal control system relies on several channels for reporting information designed to comprehensively identify sensitive issues.

PROCEDURE MANUALS

Two manuals have been issued to harmonise the internal control and accounting treatment of the various transactions carried out:

- the internal control manual;
- the accounting policies manual.

There are also formalised memoranda and procedures covering areas such as:

- delegations and limitations of powers in terms of incurring expenses (including investments), approving invoices, and bank payment authorisations;
- sales management, to define the special terms and conditions granted to customers, limit the total outstanding amounts authorised, obtain bank guarantees, etc.

INFORMATION SYSTEMS

Rubis Énergie has a centralised information system that makes it possible to consolidate all financial information: management reports for each company, standardised by type of business line/activity; quarterly accounts, monthly margin analyses, monitoring of capital expenditures, budgetary and management forecast monitoring in three phases (initial budget approved in year Y-1 including a three-year plan, budget forecast updated in the second quarter and then in the fourth quarter of year Y). All financial data is archived and backed up daily.

Automatic consistency checks are also carried out directly by the IT system in order to limit any input errors. Documents stored in the central system also serve as a reference and a basis for reconciliation for the internal audit teams during their missions.

Rubis Énergie also operates a document management system that allows its various subsidiaries to share technical, HSE and legal information. Major investment and construction projects are thus closely monitored by Rubis Énergie's Technical Department.

BUDGETS AND REPORTING

Budgets are drawn up at the end of the year by Rubis Énergie's subsidiaries and sub-subsidiaries successively, as part of a rolling three-year budget plan based on management elements and budget indicators defined and standardised by business line. The indicators are defined by General Management and operational management in accordance with Rubis strategy.

Budget indicators include gross margin, EBITDA, EBIT, net income, capital expenditure, internal financing capacity, cash flow and free cash flow, debt, volumes, carbon footprint reduction.

At Rubis Énergie, budgets are drawn up by each subsidiary by country. They are reviewed by the division's Management Control, Audit and Consolidation Department before being presented to Rubis Énergie's General Management. After discussion and/or revision of the budgets presented to Rubis Énergie's General Management, the Management Control, Audit and Consolidation Department prepares a consolidated budget that is then reviewed by Rubis Énergie's General Management and forwarded to Rubis SCA for review at Management Committee meetings.

Rubis Énergie's Finance and Management Control Department prepares monthly reports and analyses differences between actual data, budget forecasts, and data from prior financial years.

The reports are issued within 10 calendar days after the end of the month and are then examined and compared with initial forecasts at the Management Committee meeting, with the Management Board in attendance.

FINANCING AND CASH MANAGEMENT

Rubis SCA's and Rubis Énergie's Finance Departments are responsible for negotiating with banks to raise acquisition financing. They also analyse bank covenants. Cash investments are made in cash instruments, excluding any speculative or risky investments.

FINANCIAL STATEMENTS

The companies falling with Rubis Énergies' scope prepare quarterly, half-yearly and annual consolidation packages. The half-year and annual financial statements are reviewed and audited by the Statutory Auditors. Rubis SCA's Finance and Consolidation Departments prepare the Group's consolidated financial statements in accordance with the standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Consolidation procedures include a set of controls to guarantee the quality and reliability of financial information.

3.2.2.3 Supervisory bodies

The internal control system relies on technical and operational procedures designed to identify sensitive issues, and on a lean and streamlined organisation built around Rubis SCA's Management Board and General Management and Rubis Énergie's functional and operational departments in order to ensure the effectiveness of the internal control systems *via* the Management Committees. An internal control manual was drafted in 2020 in collaboration with the French Institute of Audit and Internal Control (IFACI), making it possible to list all the control points to be complied with in each area in which Rubis Énergie's subsidiaries operate. The new manual should enable the Group's various companies to conduct self-assessments on a regular basis and to continue to ensure that the risks of fraud and failures are properly controlled.

RUBIS ÉNERGIE'S FUNCTIONAL DEPARTMENTS

Rubis Énergie's functional departments carry out regular and necessary checks on the procedures in place in their respective fields. Reporting procedures and indicators make it possible to have high-quality monitoring.

INTERNAL AUDIT

Internal audit is an independent and objective activity that makes it possible to ensure that operations are properly controlled and that the procedures in place are constantly improved. Internal audits allow Rubis Énergie's General Management to reach its targets by assessing its risk management, control and corporate governance processes *via* a systematic and methodological approach, and to make recommendations to improve their efficiency.

At Rubis Énergie, this function is part of the Management Control, Audit and Consolidation Department. The Director of the department and his/her colleagues carry out internal audits on the entire scope of the Retail & Marketing and Support & Services businesses. These audits are planned with Rubis Énergie's General Management at the beginning of the year. There are numerous fields of inquiry, which mainly cover verifying that local and Group processes are correctly applied, notably as regards preventing corruption, improving internal control and accounts closing procedures, inventory, cash and fixed asset controls, and controls of all other off-balance sheet commitments and liabilities recorded in the audited company's accounts. The audit may also cover capital expenditures and analyse differences between expected returns and actual profitability.

The auditor has complete freedom to conduct his/her work as he/she deems appropriate and is independent from the local management when performing this task. The audit brief and report template follow a standard model so that the conclusions can be efficiently understood by all recipients, namely the General Manager of the audited company, the Finance Department and Rubis Énergie's General Management. The risk factors identified during internal audits are also used to update the relevant company's risk mapping.

The audit recommendations include a timetable for the implementation of corrective actions, which must be followed by the company at issue. The proper implementation of these corrective actions is also automatically verified during the next audit of the relevant company. In addition, each subsidiary sends Rubis Énergie's General Management a monitoring report on the implementation of audit recommendations every two months until all the measures recommended by the internal audit have been definitively implemented.

The consolidators are also responsible for analysing the monthly results and the consistency of the data supplied each month by all consolidated companies. This work makes it possible to anticipate accounting errors and improves the reliability of the Group's financial statements.

Each Rubis Énergie subsidiary is audited once every two years, on average. In 2021, due to the restrictions on movement resulting from the Covid-19 pandemic, the audit programme was significantly disrupted. It was able to resume in the second half of the year when quarantine measures in certain countries were eased. In the first half of the year, the internal audit teams essentially worked remotely to help subsidiaries use the internal control manual properly and to strengthen local anticorruption procedures. Internal audit also looked at the development of IT tools making it possible for Rubis Énergie to better manage risks and associated action plans. After validating expressions of need made by Rubis Énergie's various operating departments, these new tools should contribute to enhancing risk management and reinforcing control and due diligence procedures by the end of 2022.

THE SUBSIDIARIES' MANAGEMENT COMMITTEES

Control procedures are structured around Rubis Énergie's Management Committee.

A Management Committee has been established for each country or region. This Committee meets twice a year and includes: the country's CEO, General Management, Finance Department, Management Control, Audit and Consolidation Department, Technical Department, the division's Resources and Risks Department, and Rubis SCA's Managing Partners, Managing Director and Chief Financial Officer.

During these meetings, budget reporting and dashboards are analysed, along with the performance and results of each business line, development projects and project monitoring, and events considered to be significant for the Company and Group, as much in terms of strategy and operations as in terms of personnel. Questions and issues raised at previous meetings may also be reviewed if necessary. Non-financial issues, such as the roll out and implementation of the CSR strategy (and in particular the CSR Roadmap, Think Tomorrow 2022-2025) and decarbonation projects are also carefully reviewed during these Management Committee meetings.

Therefore, it is ultimately the Management Committees that analyse the financial and non-financial information collected through the reporting process set up by Rubis Énergie's operational departments and those of its sub-subsidiaries. The entire reporting cycle is based on standardised principles and a single database that is shared by all teams within the finance and operational departments involved in reporting.

RUBIS SCA'S SUPERVISORY BODIES

Rubis SCA's Consolidation and Accounting Department runs numerous checks aimed at ensuring that financial information is reliable, particularly during account closing reviews.

Rubis SCA's Managing Partners, Managing Director and Finance Department regularly analyse the subsidiaries' financial statements and periodically meet with Rubis Énergie's General Management in order to conduct an assessment, evaluate risks and the corrective actions that may be necessary to achieve the Group's objectives (both financial and CSR). Lastly, the Group's Director of CSR & Compliance maintains ongoing dialogue with the subsidiaries on various topics, including litigation, trademarks, insurance, risk identification and monitoring (mapping), compliance (anticorruption, embargoes, etc.).

3.2.3 Internal risk management

All major risks, the monitoring of these risks and the corresponding policies for covering these risks are described in detail in section 3.1 of this chapter and in chapter 4.

In terms of risk, the Group operates in business sectors that are tightly controlled and regulated. The Group's structure is designed to reflect this circumstance. All French sites covered by the Seveso directive have safety management systems whose main purpose is to define the organising Partnersation, staff functions, procedures and resources that allow the Group to establish and implement a prevention policy for major accidents.

In addition, Group entities often operate their activities in the framework of ISO 9001 and ISO 14001 quality certifications, particularly with respect to the adoption and application of procedures and instructions relating to safety and the environment (see chapter 4, section 4.2.1.2). Accordingly, they follow processes that are extremely formalised.

Internal control procedures for risk management and monitoring seek to cover all of the Group's businesses and assets. They are based on a process for identifying and analysing the main risks which is reinforced by the appropriate organisation, allowing General Managers to address these risks and maintain them at an acceptable level.

3.2.3.1 General organisation of the Group

THE SUBSIDIARIES' AND RUBIS SCA'S DEPARTMENTS

In the same way as for accounting and financial internal control, internal risk management is subject to monitoring by the subsidiaries' operational departments, which keep Rubis SCA regularly informed.

At Rubis Énergie, the headquarters' Technical Departments (QHSE) establish information reporting procedures and preventive measures for anticipating and managing risks, as described in chapter 4, section 4.2.1.

Rubis Énergie's Technical Department reports information on the main risks to its General Management. Certain events may also be discussed by the Management Committee. Lastly, Rubis Énergie lays out these main risks to the relevant departments of Rubis SCA (Managing Partners, Accounting and Consolidation Department, Finance Department and Corporate Secretary in charge of the Legal Department, CSR & Compliance Department) through different transmission channels, such as risk mapping (see section 3.2.3.2 below).

THE ACCOUNTS AND RISK MONITORING COMMITTEE

The Accounts and Risk Monitoring Committee reviews how internal control and risk management procedures are organised, as described in this section 3.2.2.1 of this chapter and in section 5.3.2 of chapter 5.

3.2.3.2 Identification and monitoring of the main risks

The internal control system relies on several channels for reporting information on the main risks, which are designed to exhaustively identify sensitive areas.

RISK MAPPING

Rubis has developed and conducted mappings of risks to which the Group's various activities may be exposed. The analysis of these risks also takes into account their occurrence and their financial and reputational impact (on a scale of one to five). The mapping was conducted in close cooperation with Rubis SCA's Legal, Consolidation, and Finance Departments, together with the operational Managers and Rubis Énergie's Financial and Technical Departments. A self-assessment is carried out at regular intervals to identify new risks.

The risks analysed have been divided into different families: market risk, accounting miscalculation, insurance, and commercial, environmental, industrial, climate, supply chain, social, legal, and IT risks. The legal risk category also includes issues related to fraud, contractual breaches and, until 2017, corruption risks. In 2018, the Group carried out a specific process to assess the corruption risks to which entities may be exposed, in accordance with the Sapin II law (see chapter 4, section 4.4.1.1).

The maps are completed annually by the operational Managers of the industrial sites and by the Directors of the French and international subsidiaries, assisted by Rubis Énergie's functional Managers. They are updated during the year at Management Committee meetings.

The maps aim to provide on a yearly basis the monitoring status of the significant risks that have been identified and to describe any measures that have been taken or need to be taken to mitigate them if they cannot be completely eliminated.

All these maps are consolidated by Rubis Énergie. This consolidation, together with a review of the major events and non-financial issues of the past year, are sent by Rubis SCA's Management Board to the Accounts and Risk Monitoring Committee at special meetings dedicated to risks (see chapter 5, section 5.3.2). In turn, the Accounts and Risk Monitoring Committee and the Management Board report to the Supervisory Board at its meetings in March and September.

HSE AND CSR REPORTING AND PROCEDURES

Rubis Énergie's functional departments have established reporting, analysis and information-sharing systems covering health, safety and environment (HSE) issues. These systems are described in greater detail in chapter 4, section 4.2.1.2.

Rubis SCA's CSR & Compliance Department has also implemented an IT tool for reporting and analysing CSR data (environmental, safety, social, compliance and societal) as described in chapter 4, section 4.5.2 (methodological note in the Non-Financial Information Statement).

3.2.3.3 Supervisory bodies

The control system is based on management accountability and risk monitoring entrusted by the Managing Partners to each subsidiary's CEO and on a system of internal and external audits.

RUBIS ÉNERGIE'S FUNCTIONAL DEPARTMENTS

Rubis Énergie's General Management is ultimately responsible for the risk management policy, within the framework defined by Rubis SCA's Managing Partners.

The operational Managers of each site are assisted by Rubis Énergie's functional departments: Technical/HSE Department, Finance Department, Management Control Department, Audit and Consolidation Department (including Compliance), Resources and Risks Department.

At larger sites, these Managers are supported by a Quality and/or HSE Engineer.

Entity Directors have overall responsibility for risk management and control at their facilities. In addition, Rubis Énergie has a Technical Department that regularly provides operational advice and conducts inspections of facilities with the aim of guaranteeing compliance with uniform operational, safety and environmental standards.

As part of its decentralised structure, the Group encourages quality and independence among its employees, who are responsible for all aspects of their role, including risk management.

THE SUBSIDIARIES' MANAGEMENT COMMITTEES

At meetings of subsidiaries' Management Committees (see section 3.2.2.3), an item bearing on the review and monitoring of risks is regularly included on the agenda and is the subject of discussions between the Directors of the subsidiaries and the Managing Partners.

INTERNAL AUDIT

Certain non-financial risks are included in the internal audit programmes. Accordingly, verifying the reliability of ethics and anticorruption policies is one of the issues addressed during inspections performed locally by Rubis Énergie's Management Control, Audit and Consolidation Department. The Covid-19 pandemic disrupted and limited on-site work at subsidiaries in the first half of 2021, but the activity progressively resumed during the second half of the year. Rubis Énergie's internal audit teams did, however, continue to monitor the rollout of anticorruption measures in its subsidiaries and helped the various Group entities with the roll out of internal control tools. In a decentralised organisation such as Rubis, continual strengthening of internal controls remains a priority. This is all the more the case in a context in which international travel is restricted.

STANDING EXTERNAL BODIES

These are:

- French Regional Environment, Development and Housing Departments (DREALs), which are responsible in France for regular inspections of industrial facilities and for the application of the "Safety Management System" in view of ensuring that the subsidiary has its business risks under control. Similar systems exist for the sites of certain foreign subsidiaries;
- ISO certification bodies, such as AFAQ (Association Française de l'Assurance Qualité) or LRQA (Lloyds Register Quality Assurance), which regularly audit certain ISO 9001-certified Rubis Énergie subsidiaries. During these audits, facilities are regularly checked for compliance with procedures, processes and operating practices put in place as part of the Quality plan to ensure they keep their certification and identify areas for improvement.

3.2.4 Rubis Terminal JV

The General Management of Rubis Terminal Infra is responsible for implementing and ensuring internal control (in accounting, financial and risk matters) in all of the joint venture's subsidiaries, in accordance with applicable standards and regulations. Rubis SCA exercises its control through monthly reports sent by Rubis Terminal Infra's General Management to the designated members of the Board of Directors, on which Rubis SCA has representatives.

Rubis Terminal Infra's budget is drawn up by its General Management in conjunction with the Finance Department and is approved by RT Invest's Board of Directors.

Rubis Terminal Infra's General Management provides RT Invest's shareholders with an annual update of the consolidated risk maps of all its subsidiaries (technological risk map; financial, legal and commercial risk map; corruption risk map) as well as a review of the major events and non-financial challenges of the past year.

3.3 Insurance

The Group has taken out several insurance policies in order to offset the financial consequences of materialised risks. The main policies cover both property damage and operating losses as well as civil liability.

Specific policies have also been put in place for the Group's newly-developed businesses.

Finally, the Group has also taken out a policy covering its General Managers' civil liability.

Insurance programmes are taken out with leading international insurers and reinsurers. The Group believes that these programmes are suited to the potential risks tied to its activities. However, the Group cannot guarantee that in the event of a claim, and an environmental claim in particular, all financial consequences will be covered by insurance. The Group also cannot guarantee that it will not suffer any losses that are uninsured.

3.3.1 Rubis Énergie (Retail & Marketing and Support & Services)

International programmes taken out by Rubis Énergie on behalf of itself and its subsidiaries have been renewed with leading insurers.

3.3.1.1 Property damage and parametric insurance

The "All Risks except" policy was renegotiated for one year with modified guarantees and a significant increase in premiums.

The Damages guarantee in the event of fire and similar events provides compensation in the amounts of €200 million per claim for terminals and €15 million per claim for service stations. This contractual limit was calculated on the basis of the maximum amount of possible loss.

Our exposure to natural events, particularly in the Caribbean, is covered in the amount of €15 million per claim and per event.

As the deductibles for natural events have increased, a parametric hurricane insurance policy has been set up covering sites in the Caribbean, with compensation capped at €5 million.

In compliance with local laws, for subsidiaries located outside the European Union, Rubis Énergie's international programme is taken out from our lead insurer's local network. Rubis Énergie's policy provides coverage where there are differences in terms and limits.

3.3.1.2 Civil liability

Rubis Énergie's programme covers operating liability and post-delivery liability. Coverage amounts to €150 million per claim, all damages included, and the programme has been renewed with the same insurers.

In compliance with local laws, for subsidiaries outside the European Union, Rubis Énergie's first-line international programme with minimal coverage is taken out from our insurer's local network. The Group policy provides coverage where there are differences in terms and limits.

The Group environmental liability policy was taken out in 2020 for a term of two years for Rubis Énergie and its subsidiaries. Compensation is capped at €40 million per claim and covers environmental liability, damage to biodiversity and clean-up costs.

Due to its refining activities, SARA continued the contract taken out in 2020 for specific first-line cover for two years in the amount of €20 million per insurance period. The Master programme is a second line insurance.

The aviation liability coverage taken out by Rubis Énergie for its subsidiaries that distribute aviation fuel has been renewed under the same terms in the amount of US$1 billion for risks related to damage caused to third parties during refueling.

3.3.1.3 Shipping

Charterer's civil liability insurance has been taken out for Rubis Énergie's activities/subsidiaries with a P&I Club, a member of the International Group, with guarantees of US$500 million and US$1 billion in the event of pollution. The six ship-owning companies are covered for their civil liability by the same P&I Club belonging to the International Group.

A Group Cargo insurance policy was renewed to cover damage to goods. It is capped at US$60 million for all Rubis Énergie subsidiaries.

A vessel hull policy has been taken out to cover for damage and machinery breakdown.

3.3.1.4 Other risks

A political risk policy (excluding the mandatory pools) has been taken out in the amount of €80 million.

3.3.2 Rubis SCA

General Managers' civil liability

General Managers of Rubis SCA and its controlled subsidiaries are insured, as are General Managers of designated 50%-owned joint ventures.

The policy covers the financial consequences of incidents resulting from any claim involving the individual or joint and several civil liabilities of the insured persons and attributable to any professional misconduct committed by such insured persons in the performance of their management duties.

The cover is capped at €10 million per year for front-line insurance, €10 million per year for second-line insurance and €30 million per year for third-line insurance, all losses combined.


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