

RISK MANAGEMENT

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INTRODUCTION

BIC actively and dynamically manages its risks. The goal is to enhance the Group's ability to identify, manage, prevent, mitigate and monitor key risks that could affect the Group's:

- employees, customers, shareholders' interest, assets, environment or reputation;
- ability to achieve its targets;
- ability to stay true to its values; and
- ability to comply with laws and regulations including codes of ethics.

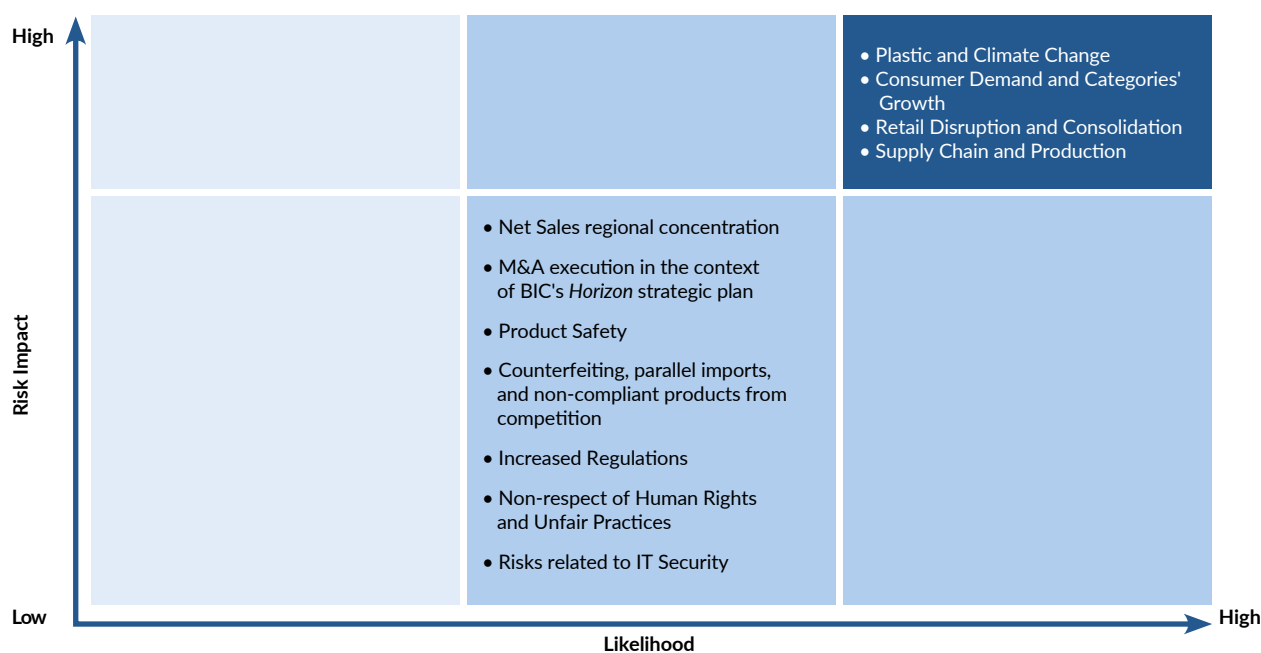
This approach is built around identifying and analyzing the main risks to which the Group is exposed.

A description of the risk management system can be found in *Section 2.4. Risk management and internal control procedures implemented by the Company and Insurance*.

The risks set out below are not the only risks faced by BIC. The risks set out below do not constitute a comprehensive enumeration of all risks that the Group is potentially exposed to. Unforeseeable events may also impact the Group's legal, financial or reputational capabilities.

BIC has taken a series of measures to mitigate the risks. One of these, described in *Section 2.4.4 Insurance. Coverage of risks*, is covering risks through adequate insurance policies.

2.1. MAIN RISKS AND RISK ASSESSMENT



Risk Impact	Low	Medium	High
Risks related to Plastic and Climate Change			X
Risks related to Consumer Demand and Growth in our three business categories			X
Risks related to Retail Disruption and Consolidation			X
Risks related to BIC's Supply Chain and Production			X
Risks related to BIC's Net Sales Regional Concentration		X	
Risk related to M&A execution in the context of BIC's Horizon strategic plan		X	
Risks related to Product Safety		X	
Risks related to counterfeiting, parallel imports, and non-compliant products from competition		X	
Risks related to increased Regulations		X	
Risks related to the non-respect of Human Rights and Unfair Practices		X	
Risks related to IT Security		X	

Ukraine

The Group closely monitors the potential consequences of the Ukraine crisis, on its activities.

In 2022, Russia and Ukraine accounted for 2.8% of BIC total Net Sales. Following the onset of the war, BIC paused all media, advertising, hiring, and capital investment in Russia, with the goal to ensure that this business disruption had as little impact on affected team members as possible. Simultaneously, BIC limited

its product selection at retail to basic essential items only and remained diligent in complying with all regulatory decisions, including European and U.S. sanctions. BIC remains in complete control of its brand and intellectual property in Russia to counter any potential moves for brand appropriation. The Group has no industrial presence in these two countries. Please refer to "Risks related to Supply Chain" and "Risks related to IT security".

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2.2. DESCRIPTION AND MITIGATION OF MAIN RISK FACTORS

Risks related to plastics and climate change

Plastics and climate change are major risks for BIC:

- Risks related to plastics encompass:
 - upstream risks: with this material being used in BIC® products, thereby depleting a non-renewable resource that is thus subject to rarefaction and price volatility, and
 - downstream risks: with issues surrounding pollution from plastic waste. In addition, and although BIC® products are not single-use, the regulatory environment surrounding plastics is becoming increasingly stringent. Consumers and public opinion also hold increasingly negative views regarding such products.
- Risks related to climate change include:
 - risk of an increase in raw material costs. Energy efficiency programs, carbon capture and other measures by suppliers might increase raw material production costs;
 - risk of an increase in the cost of alternative plastic sourcing due to growing competition;
 - increased cost of operations linked to the rise of carbon prices.

Level of risk impact: high

Potential Impact on BIC:

The potential impacts on BIC include:

- increased cost of raw materials;
- rarefaction and price volatility of plastics;
- brand image deterioration due to alleged “single-use” plastic products;
- heightened regulations on plastics, impacting BIC’s direct or indirect operations;
- carbon regulations affecting operating costs;
- disruption or interruption to production activities due to extreme weather events related to climate change;
- environmental labelling of products, thereby impacting sales.

Examples of Risk Mitigation:

- A comprehensive **Sustainable Development Program** designed to limit the environmental impact of BIC’s activities. This covers BIC’s activities, products and supply chain, supplemented in 2018 by the commitments in the Writing the Future, Together program, including:
 - improving the environmental and/or societal footprint of BIC® products (2025 Commitment: #1 Fostering sustainable innovation in BIC® products).
This goal is based on rolling out a comprehensive eco-design process as part of each product category’s innovation processes. This will allow BIC to mitigate the following risks:
 - the plastics challenge, and
 - the carbon footprint of its products;
 - the use of 100% renewable electricity by 2025.
- With this, the Group is looking to reduce its greenhouse gas emissions by purchasing renewable energy. It will also study the potential production of renewable electricity on-site;
- a circular economy approach fully embedded into BIC’s historical approach to its products, including its 4R philosophy (Reduce, Recycled or Alternative, Refillable, Recyclable).
- **Ambitious commitments on plastics:**
 - by 2030: BIC aims for 50% non-virgin petroleum plastic for its products, with a goal of 20% by 2025;
 - by 2025: 100% of BIC’s consumer plastic packaging will be reusable, recyclable or compostable.

In 2022, BIC undertook a study to review the physical risks from climate change to all its facilities and those of some contract manufacturers and suppliers. The analysis included 248 facilities globally, including manufacturing centers, offices, residential buildings, warehouses and land owned by a third-party supplier or owned and leased by BIC.

The climate hazards included in the analysis were heat stress, water stress, floods, sea-level rise, and hurricanes and typhoons (tropical cyclones).

The most prevalent hazards for BIC were found to be floods and heat stress. Many of the exposed facilities are owned by third parties or leased. All these initiatives and those mentioned in the Group’s Sustainable Development Strategy in Chapter 3 help mitigate the risks.

Risks related to Consumer Demand and Growth

BIC is exposed to changing consumer trends for its products as a result of consumer preferences and attitudes to its products across all three categories – Human Expression, Flame for Life and Blade Excellence.

Global consumer trends may include:

- growth in Digital Writing technology;
- reduced tobacco use;
- changing shaving habits.

Level of risk impact: high**Potential Impact on BIC:**

- A lack of viable responses would impact sales and profitability.
- Changing consumer habits impacting BIC's three categories might result in:
 - a shift to e-learning in stationery;
 - lower tobacco consumption in lighters;
 - less frequent shaving in shavers.

Examples of Risk Mitigation:

- Focus Research & Development (R&D) on product innovations and brand positioning to address the decline and change in consumer demand.
- Adopt a Consumer-lens to category expansion.
- Expand in fast-growing Creative Expression and Digital Writing markets.
- Focus on sales growth in Developing Markets.
- Increase total addressable markets.

Risks related to Retail Disruption and Consolidation

BIC® product sales may be adversely impacted by:

- the consolidation of retail customers via e-commerce; and
- the potential reduction in pricing power related to pressure from retailers for lower pricing, increased promotional programs and direct-to-consumer channels.

Level of risk impact: high**Potential Impact on BIC:**

- Changing consumer buying habits may reduce pricing power through e-commerce channels and impact BIC's sales.

Examples of Risk Mitigation:

- Serve consumers wherever they shop across all channels from e-commerce to hypermarkets, stationery stores and small traditional trade stores.
- Expand in e-commerce by covering the spectrum from Pure-Play e-retailers to omni-retailers and rolling out the Direct To Consumer offering.
- Roll out of compelling consumer displays in retail stores and strengthen search efforts in e-commerce to drive sales conversion.



Risks related to BIC's supply chain and production

As a consumer products manufacturing, distribution, and sales-oriented organization, BIC is exposed to the risk of interruptions to production and internal and external supply chains issues. These may arise from raw material shortages or operational disruptions at suppliers. This is particularly true during critical seasonal buying periods like "back-to-school" in Stationery.

BIC operates a number of manufacturing and warehousing facilities across the globe. Nevertheless, certain products may be concentrated within specific regions, which may be impacted by a catastrophic event.

BIC is exposed to specific risks associated with the storage and use of hazardous substances. These include:

- gas for lighters;
- solvents for permanent markers and dry-wipe markers;
- solvents for industrial cleaning processes.

Level of risks impact: high**Potential impact on BIC:**

- A reliance on the supply chains of outside vendors may result in a shortage of raw materials if the vendor suffers a catastrophic event and/or disruption.
- A lengthy supplier qualification process may impact the availability of potential suppliers.
- A risk of losing key input materials if a supplier changes a formulation.
- A significant supply chain disruption may lead to BIC's inability to meet consumer demand and/or commitments.
- Certain plastics used in BIC products may see significant competition from other sectors. This may reduce the availability of raw materials and inventory.
- Reliance on specific raw materials and a significant cut in plastics from suppliers due to environmental regulations may impact product development.
- Interdependencies between BIC facilities may be impaired if a peril causes an inability to ship products from a manufacturing facility to distributors. This may affect the ability to supply goods to consumers.
- The continuing presence of Covid-19 could impact BIC's Global Supply Chain.
- The current crisis in Ukraine may continue to affect the supply and prices of certain raw materials.

Examples of Risk Mitigation:

- The BIC Procurement team focuses on supplier acquisition, supplier qualification and onboarding. It is also responsible for alternative sourcing and materials.
- Mitigating controls are in place to look for multi-supplier sourcing.
- An enhanced communications platform between sales and production teams allows to "right-size" product quantities and locations.
- BIC Logistics teams developed a logistics supplier mitigation strategy and warehousing optimization plan to minimize disruptions to distribution (sea and road freight).
- People and Capabilities programs are in place to enhance the strategy and maturity of functions required for global supply chain disruptions.

In all BIC factories:

- attention is paid to implementing and monitoring preventive measures and safety systems for gas and solvent storage areas;
- suitable control devices and equipment are in place to minimize risks from hazardous chemical substances;
- priority is given to the use of appropriate fire prevention systems including fire detection and control equipment;
- hazard and risk assessments are undertaken;
- procedures are put in place to identify, assess and prevent incidents and accidents;
- the workforce is trained to recognize potential hazards, as well as to take preventive and corrective action;
- compliance with local regulatory requirements is an integral part of the daily management of facilities;
- strategic inventories are held in some factories to cover critical materials and components;
- training programs are in place in all factories to back up the critical processes and ensure flexibility to cover market needs;
- maintenance programs are in place in all factories to protect key equipment and technical processes.

Certain Group factories are subject to the European Union SEVESO Directive, that identifies industrial sites that could pose significant accident risks. The SEVESO plants have emergency procedure protocols (*plan d'opération interne* and *plan particulier d'intervention*) and a major hazard prevention policy. Both SEVESO plants (BJ75 lighter factory and BIMA stationery factory) have also implemented a safety management system.

All other plants have equivalent emergency plans to address risks with potential off-site consequences.

Risks related to BIC's Net Sales regional concentration

BIC's Net Sales are concentrated in a few key markets, notably the U.S., Brazil and France.

Level of risk impact: medium**Potential impact on BIC:**

- Such concentration of revenue generation potentially exposes BIC to risks of shifting consumer demand or regulatory environment in those markets.

Examples of Risk Mitigation:

- Ongoing focus on sales in future growth markets.
- Roll-out of a portfolio approach.

Risk related to M&A execution in the context of BIC's strategic plan Horizon

BIC's *Horizon* strategic roadmap includes targeted acquisitions to strengthen BIC's existing activities and develop into adjacent businesses.

Level of risk impact: medium**Potential impact on BIC:**

- Execution of the deal, including the valuation and due diligence of the target businesses.
- Integration planning and execution of the acquired companies, including failure to capture synergies.

Examples of Risk Mitigation:

- A dedicated centrally-led M&A team is in-place with professionals with extensive M&A backgrounds.
- A clear operating model has been established with strong governance and clear accountability.
- A disciplined process supports due diligence and execution to identify and assess value creation.
- A strong planning process governs integration, focusing on delivering the synergies identified during the due diligence process.
- Creation of an integration team to ensure we capture the synergies and execute the underwriting plan.

Risks related to product safety

The risk related to product safety and consumer health and safety is placing non-compliant or unsafe products on the market.

Level of risk impact: medium**Potential impact on BIC:**

- Impact on consumer health and safety.
- Impact on the Brand image (consumers), BIC's reputation and business interests.
- Potential costs associated with possible market withdrawal or recall and/or fines.

Examples of Risk Mitigation:

- The Product Safety Policy includes commitments to ensure that products designed and manufactured by the Group are safe for health and the environment.
- BIC embeds regulatory compliance and product safety risk management into its strategy through a rigorous set of processes. The millions of consistent quality products that BIC supplies every day are verified by multiple tests and risk assessments.
- Consumer health and safety concerns are part of product design and manufacturing. Since 2019, the BIC Watch List has been factored into product ratings in EMA. The product safety team works closely with the product design teams to stay abreast of changes to the list and ensure its incorporation into product improvement.

For further information please see *Section 3.3.4 Product Safety*.



Risks related to counterfeiting/gray goods, parallel imports and non-compliant products from competitors

Counterfeits of the best known BIC products circulate throughout Africa, the Middle East, Eastern Europe and South America. They are mostly manufactured in Asia. These counterfeits, often of low quality, are mainly focused on our products' shape and on the BIC® trademark.

Additionally, gray goods (i.e., genuine BIC products made for specific markets and smuggled into another country) that violate U.S. regulations pose product recall risks.

The Group faces competition from low-cost lighters that often do not comply with safety standards, the ISO 9994 international safety standard, and the EN 13869 child resistance standard.

Level of risk impact: medium**Potential impact on BIC:**

- Impact on the Brand image (Consumers).
- Unfair competition with non conform or counterfeit products.
- Costs associated with possible market withdrawal or recall and/or fines.

Examples of Risk Mitigation:

- The Legal Department decides on relevant courses of action against such counterfeits, gray goods and non-compliant products by closely working with local authorities and law enforcement agencies. These courses of action include:
 - judicial and administrative actions;
 - monitoring program of leading e-commerce platforms;
 - market surveillance, traceability measures, and collaboration with local authorities to prevent illegal importation of gray goods to the U.S.
- BIC also targets non-compliant lighters through communication efforts geared toward stakeholders (customers, market surveillance authorities, EU Commission, EU Parliament, etc.).
- The Group continues to advocate to reinforce market surveillance in Europe. Some of the Group's proposals have been included in the EU Commission's General Product Safety Regulation proposal (June 30, 2021). An almost final draft was issued in December 2022. It lacks key elements to allow any significant improvement in enforcing safety requirements.
- In 2022, BIC worked to improve lighter safety standards in Mexico, advocated in Brazil for the maintenance of strict legislation on lighter market surveillance and strengthened market surveillance campaigns in Argentina.
- In 2022, the ISO 9994 safety standard has become mandatory for the first time in a U.S. State (Connecticut).

Risks related to heightened regulations

Restrictions, prohibitions and proposed prohibitions are increasingly common in the fields of chemical substances and plastics, particularly in North America and Europe. In the EU, the "New Green Deal for Europe" scheme aiming at making Europe the first carbon neutral continent by 2050, includes an ambitious plan "the Ecodesign plan for Sustainable Products Regulation" (ESPR). The purpose of the regulation is to define rules to make products more reliable, sustainable.

Level of risk impact: medium**Potential impact on BIC:**

- Impact on manufacturing processes and business interests.

Examples of Risk Mitigation:

BIC closely monitors announced regulatory changes and voices relevant technical and legal arguments:

- Together with other European manufacturers, BIC continues to object to the EU Commission's interpretation of the scope of the EU's CLP regulation (Classification, Labelling, Packaging). This regulation would require putting warning phrases on each writing instrument and lighter regarding the chemical substances in the containers. It would also require safety data sheets for each product. If BIC articles were considered as mere containers of mixtures, this could also trigger the application of laws relating to packaging and packaging waste;
- BIC regularly makes proposals as part of the ongoing revision of the EU's CLP regulation. BIC also makes proposals in respect of the ecodesign of products (ESPR).

Risks related to IT Security

The Group is exposed to risks stemming from cyberattacks and the failure of IT and telecommunications systems.

Personal data protection regulations, including the General Data Protection Regulations (GDPR), have increased the risks related to regulatory non-compliance.

The risk and cost of cyber threats continue to increase as more sophisticated attack capabilities are leveraged by malicious actors to initiate cyber breaches, with the intent to extort and/or disrupt businesses. In addition, changing work practices such as hybrid work/office attendance and the extension of digital connections between businesses increases the number of vulnerabilities that must be managed.

Level of risk impact: medium**Potential Impact on BIC:**

- Loss of strategic or confidential information.
- Failure of IT and telecommunication systems.
- Disruption of business operations, including manufacturing facilities or distribution centers.

Examples of Risk Mitigation:

- Dedicated IT security & data governance resources and processes have been established, including creating a Security Council and the appointment of IT Security & Risk Leaders.
- Cyber security mitigation has been aligned with BIC's internal control framework, and updates are regularly sent to the Audit Committee.
- IT security policies & standards have been implemented across the organization.
- Investments continue to be increased in cyber defense tools and services.



Risk related to the non-respect of Human Rights and Unfair Practices

This risk includes non-compliance with fundamental human rights such as child labor, discrimination or forced labor, as well as corruption and unfair practices.

Level of risk impact: medium

Potential Impact on BIC:

- Legal actions against BIC and significant consequences in terms of reputation and attractiveness.

Examples of Risk Mitigation:

- BIC has adopted a Code of Conduct to ensure respect for Human Rights at work. This Code of Conduct has been revised and will be published in 2023. It applies to BIC factories as well as to contract manufacturers and suppliers.
BIC regularly monitors its implementation through audits and tools.
- BIC's reliance on contract manufacturing is relatively low but does give BIC greater flexibility.
Overall, 92% of its net sales come from products made in its factories.
60% of its factories in 2022 were located in countries with no human rights violation risk according to Freedom House.
- BIC has reinforced its expectations towards its suppliers by issuing in 2020 a Supplier Code of Conduct in addition to the more generally applicable Code of Conduct. Besides, suppliers and business partners are requested to comply with applicable national and international legislation. This includes laws regarding anti-corruption, anti-trust, anti-bribery, fair competition and human rights.

Further information can be found in *Chapter 3 Non-financial performance statement: our environmental, social and societal responsibility* (Section 3.3.2.2 *Ensuring respect of Human Rights in the workplace*).

2.3. VIGILANCE PLAN

2.3.1 REGULATORY FRAMEWORK

In accordance with French Act no. 2017-399 of March 27, 2017, on the duty of vigilance of parent companies ("the Act"), BIC developed and implemented the following elements of a Vigilance Plan:

These elements include the necessary due diligence measures to identify risks and to help prevent:

- Infringement of Human Rights and fundamental freedoms;
- Health and safety hazards; and
- Environmental damage.

They target the major risks arising from:

- Group activities; and
- The activities of its subcontractors and suppliers with which it has an established business relationship to the extent such activities are connected with this relationship.

2.3.2 GOVERNANCE

Since 2021, Representatives of various departments, including Sustainable Development, Purchasing, Legal and Risk continued working on implementing the Vigilance Plan.

Efforts continued in 2022 with the focus on reassessing the Vigilance Plan and all the other elements of BIC's Compliance Program.

With a new Group Compliance Officer onboarded, it has been decided to review the existing Vigilance Plan and ensure its update. 2023 will be a year of new focus with the launch of a new risk mapping exercise together with a new Vigilance Plan.

The Executive Committee will continue to monitor the key non-financial performance indicators.

2.3.3 RISK MAPPING

Methodology

We continued the efforts started the previous years when two working groups carried out risk mapping to identify major risks:

- The first, overseen by the Sustainable Development Department and the Legal Department, focused on BIC's operations;
- The second, overseen by the Purchasing Department, focused on BIC's supply chain, as part of Writing The Future, Together program.

The working groups assessed major existing and potential risks across the supply chain, as well as opportunities designed to create value for stakeholders and the Group.

While in 2021 the risk mapping focused on assessing the risks associated with the supply chain, corruption risks were added to the map in 2022.

An Integrated Risk Assessment initiative was led by the central Enterprise Risk Management and the Compliance function using both a top down and a bottom-up approaches.

The results of this assessment were shared with the Executive Committee and key leaders within the company. For further details please refer to Section 2.2.

An external service provider, specialized in corporate social responsibility and responsible purchasing, supported the working group in developing the risk mapping tools and setting up action plans. The tools included the same rating scale as used for Group risk mapping (presented in Section 2.4 Risk management and internal control procedures implemented by the Company and Insurance).

The risk mapping methodology is built on :

- recommendations in the main relevant standards, such as ISO 31000 which provides a methodological risk management framework;
- expectations of outside stakeholders (e.g., French Anti-Corruption Agency, NGOs, clients) and internal stakeholders;
- requirements in the "Sapin 2" Act and EU Directive 2014/95/EU (on the non-financial performance statement) in terms of risk identification and prevention;
- UN recommendations and OECD guidelines regarding due diligence.

Both groups worked to identify and update the major risks and relevant actions on the four topics covered by the Act as well as business ethics through around 60 topics designed to sharpen the analysis and generate action plans.

This risk mapping (supply chain and Group activities) is regularly updated.



Perimeter

Major risks were identified by purchasing category:

- plastics;
- ink & chemicals;
- gas;
- metals;
- services (utilities and other services);
- logistics;
- subcontractors.

Stakeholder Consultation

The Group involved stakeholders in the risk mapping process:

- internal stakeholders:
 - purchasers within the various purchasing categories,
 - Group Compliance Officer,
 - domain experts (EH&S, industrial facilities, sales in different geographical areas, HR, etc.);
- external stakeholders: some suppliers (plastics).

BIC will keep involving and consulting stakeholders regarding the Vigilance Plan in 2023, with the intent to review and revise the methodology with the support of external experts.

2.3.4 ORGANIZATION AND MEASURES TO PREVENT MAJOR NON-FINANCIAL RISKS

The Chapter 3 of the Universal Registration Document explores in detail the issues, policies, initiatives, accomplishments over the past year and BIC's non-financial performance.

BIC has drawn up a series of documents to facilitate risk management. The ones that specifically address the areas covered by the Act and provide the basis for BIC's Vigilance Plan are:

- BIC Anti-Corruption Policy (updated in October 2020);
- BIC Group Code of Conduct (issued in 2020 and reviewed in 2022);

- Health, Safety, Environment Policy (EH&S);
- BIC Charter of Diversity;
- Supplier Code of Conduct (issued in 2020);
- Global Procurement Policy (issued in 2020);
- Responsible Purchasing Charter (incorporated in the Supplier Code of Conduct issued in 2020).

These documents are listed in Section 3.4.

Within the scope of the law, the major risks listed below represent the most critical risks identified both in terms of probability of occurrence and seriousness of potential impact.

A. Major Risks Arising from BIC Group Activities ^[NFPS]

Major risks	Type of risks	BIC Policies	BIC Organization	Mitigation and remediation measures/ Due diligence and regular assessment processes/Results - Key non-financial performance indicators
Plastics: plastic waste and resource depletion	Environmental risks	2025 Commitment: #1 Fostering sustainable Innovation in BIC® products	Implementation by the Categories, by the Purchasing Department, with the support of the Sustainable Development Department	See the eco-design process in <i>Section 3.2.3. Circular economy and waste</i>
Climate change	Environmental risks	2025 Commitment: #2 Combatting climate change	Implementation by the Sustainable Development Department EH&S Officer in the factories	See the process for combatting climate change in <i>Section 3.2.1. Climate</i>
Product safety and Consumer Health and Safety	Risks to health and safety	BIC policies governing product safety	Implementation by the Product Safety Department	See the product safety policy in <i>Section 3.3.4.2 Product safety.</i>
Health and Safety of Team members	Risks to health and safety	2025 Commitment: #3 Committing to a safe work environment. EH&S Policy	Implementation by HR and each category EH&S Officer in the factories	See the workplace safety process in <i>Section 3.3.1.3 Working conditions.</i>
Non-respect of Human Rights and Fundamental Freedoms (child labor, ILO conventions)	Risks to Human Rights and Fundamental Freedoms	BIC Code of Conduct, HR Policies	Implementation by HR for team members Implementation by each Factory Director	See the measures to ensure Human Rights are respected in the workplace in <i>Section 3.3.2. Workers in the value chain</i>
Unfair practices (Corruption)	Risks of active or passive corruption	BIC Code of Conduct and BIC Anti-Corruption Policy	Implementation by a Group Compliance Officer, the Legal Department, the Purchasing Department	See the process to combat corruption in <i>Section 3.4 Ethic and Business conduct.</i>



B. Major Supply Chain Risks

Purchasing Categories	Type of risks	BIC Policies	BIC Organization
Raw materials, Plastics, Metals, Inks and Chemicals	Environment: Plastics consumption, water pollution and soil pollution related to the extraction of raw materials Human Rights: Exposure of local populations to releases from production sites Exclusion of conflict minerals Health and Safety: Impact of chemicals on health and safety of team members Consumer product safety Ethics: Regulatory compliance, corruption	The Supplier Code of Conduct (issued in 2020) Global Procurement Policy (issued in 2020) 2025 Commitment: #4 Proactively Involving Suppliers	Implementation by Group Procurement, Industrial Departments, and Sustainable Development Department
Packaging	Environment: Deforestation, overpacking, water pollution from the manufacturing process Health and safety: Environmental impact of chemicals used (inks, adhesives) Ethics: Regulatory compliance, corruption, use of wood from non-sustainable exploitation	The Supplier Code of Conduct (issued in 2020) Global Procurement Policy (issued in 2020) BIC Code of Conduct (issued in 2020)	Implementation by Group Procurement, Industrial Departments and Sustainable Development Department
Transport & Logistics	Environment: Greenhouse gas emissions, consumption of non-renewable energy sources Health and safety: Road accidents & handling accidents Ethics: Corruption	The Supplier Code of Conduct (issued in 2020); Global procurement Policy (issued in 2020); BIC Code of Conduct (issued in 2020)	Implementation by Group Procurement, Industrial Departments and Sustainable Development
Contract manufacturers	Environment: Greenhouse gas emissions, consumption Societal and Human Rights: Compliance with ILO Conventions in terms of working conditions, forced labor, constrained work or child labor Employee Health and Safety Ethics: Regulatory compliance, corruption	The Supplier Code of Conduct (issued in 2020) Global procurement Policy (issued in 2020) BIC Code of Conduct (issued in 2020)	Implementation by Group Procurement, Industrial Departments and Sustainable Development
Indirect suppliers	Environment: Water and energy consumption, water pollution especially for maintenance personnel Societal and Human Rights: Compliance with ILO Conventions in terms of working conditions, forced labor, constrained work or child labor Employee Health and Safety Ethics: Corruption	The Supplier Code of Conduct (issued in 2020) Global procurement Policy (issued in 2020)	Implementation by Group Procurement



Mitigation and Remediation/Due Diligence Process

- Since 2019, BIC has relied on a global Group procurement organization to achieve an integrated best practice approach. To this end, BIC Purchasing teams and Supply Chain teams have merged into a global department. One of its key priorities is to continually and consistently implement the supply-chain aspects of the Vigilance Plan (suppliers, subcontractors, transporters).
- BIC has also completed a raw materials audit encompassing 26 suppliers to identify and evaluate all supply chain risks for the Lighters category. Results were published in Q1 2021 and a specific mitigation plan was established. The methodology used was expanded to the other categories in 2021.
- In addition, the Responsible Procurement 2025 Road Map aims to identify value creation drivers in the supply chain and assess and mitigate any sustainable development risks. The execution plan provides for appropriate actions to be rolled out for each category and supplier type. In 2022, 65.5% of strategic suppliers had been brought within the program for at least one of the responsible procurement actions. The goal is for 100% of strategic suppliers to be part of the program by 2025.
- Furthermore, in 2019 and throughout 2020 and 2021, BIC implemented a Responsible Procurement Training Program as a part of the BIC Capability Building Program.
- The Group's Supplier Code of Conduct launched in 2020 is shared with all BIC suppliers.
- In 2021, BIC developed and rolled out a third-party due diligence program to monitor, identify, mitigate and document any exposure to corruption and unfair practice risks. Such due diligence and mitigation efforts are managed and documented using an integrity tool which was recently updated in 2022. Further enhancements are planned in 2023 with the launch of a new policy and procedures.
- The third-party due diligence program is a risk-based approach that:
 - categorizes & identifies suppliers,
 - performs risk assessments,
 - mitigates risks, and
 - monitors and continuously reviews suppliers and reports any risks on an ongoing basis.
- The first phase of the third-party due diligence program focused on BIC's strategic suppliers and Contract Manufacturers.
- In parallel, BIC has updated the list of strategic suppliers using specific criteria. 2022 being a transition year, the new evaluation is planned to be communicated in our 2023 Vigilance plan.

For further information on responsibility in the value chain, the steps taken and the results achieved, please see *Section 3.3. Ethics and Business Conduct Across the Value Chain*

Regular Assessment Process

BIC Procurement teams implemented the following process to ensure the risk mitigation measures are regularly assessed:

- Monitoring, screening, vetting and mitigating risks of strategic and high-risk suppliers including delisting;
- Monitoring of the CSR criteria in calls for tender or in referencing processes;
- Monitoring of the supplier panel through audits, documentation reviews, assessments, etc.;
- Monitoring of audit findings, documentation reviews, assessments, etc.;
- Monitoring of the corrective actions requested;

Results – Key Non-Financial Performance Indicator

Key non-financial performance indicators were defined and will be implemented according to the various purchasing categories.

C. Whistleblower Hotline

The "BIC Speak-Up" hotline, which is accessible to all BIC team members and third parties, allows any breach of the BIC Anti-corruption Policy and BIC Code of Conduct to be reported (see *Section 3.4 Business Conduct and Combating Corruption*). This offers a route for whistleblowers to make disclosures on risks covered by the Act. The hotline is accessible from BIC's intranet and websites.

In 2022, 21 new cases were reviewed and investigated thoroughly.

A training for internal investigators was held in Clichy in September 2022, allowing few selected internal investigators from Europe to improve their technical skills and update them on the new law dated 21 March 2022 called "Waserman Law" aiming at reinforcing the protection of whistleblowers.



2.4. RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES IMPLEMENTED BY THE COMPANY AND INSURANCE

2.4.1 RISK MANAGEMENT AND INTERNAL CONTROL DEFINITIONS AND OBJECTIVES

2.4.1.1 Adoption of the Principles of the AMF's ⁽¹⁾ Reference Framework for Risk Management and Internal Control Systems

For the purposes of this section, the Group complies with the principles outlined in Part II of the Risk Management and Internal Control Systems – Reference Framework updated in July 2010 by the Working Group chaired by Olivier Poupart-Lafarge and established by the AMF. This represents a partial adoption of the full text that also provides an *Application Guide* for Internal Control Procedures for the Accounting and Financial Information Published by the Issuer.

The related specific control activities are the responsibility of the local subsidiaries. Those subsidiaries continuously adapt them in response to current circumstances, drawing guidance from the Group Accounting and Controllers' Manuals. The *Application Guide* has not been formally compared to existing procedures and processes, but the Group does not expect material differences given the similarities between the *Application Guide* and these two manuals.

a) Risk management

Risk management is a continuously evolving system that looks to the Group's activities, processes and assets.

Risk management encompasses a set of resources, behaviors, procedures and actions that are tailored to the characteristics of the Company and that enable managers to keep the Group's risks at an acceptable level.

Risk represents the possibility of an event occurring that may affect:

- the Company's ability to achieve its business goals and core strategy;
- the Company's ability to abide by its values, ethics, laws and regulations;
- the Company's personnel, assets, environment or reputation.

Risk management also helps Company management to:

- create and preserve the Company's value, assets and reputation;
- safeguard decision-making and the Company's processes to achieve its objectives;

- ensure that the Company's actions are consistent with its values;
- mobilize the Company behind a shared vision of the main risks.

b) Internal control

The process also incorporates the definition of internal control as a Company-wide system, defined and implemented by the Company to ensure that:

- laws and regulations are complied with;
- the instructions and guidelines issued by Executive Management are followed;
- the Company's internal processes are working properly, particularly those involving the protection of its assets. Assets are understood to be both tangible and intangible (know-how, brand, image or reputation) and are used throughout existing Company processes;
- financial information is reliable.

In general, internal control contributes to:

- corporate oversight;
- the efficiency of its operations; and
- the efficient utilization of its resources.

The first objective refers to all applicable laws and regulations governing the Company and that are part and parcel of its daily activities to ensure compliance.

The second addresses the guidance given to staff to ensure they understand what is expected of them, and their scope of responsibility. This communication process is built around the Company's objectives, cascaded down to the team members.

The third objective covers all operational, industrial, commercial and financial processes.

The final objective relates to the preparation of reliable financial statements ⁽²⁾. The reliability of such information depends on the quality of the associated internal control procedures and system (see reporting procedures *Section 2.4.2.4 Internal Control procedures*) that should ensure:

- the segregation of duties principle, enabling a clear separation between input, operating and retention duties;
- that function descriptions provide guidance regarding the identification of the source of the information and materials produced;
- the ability to check that operations have been performed in accordance with general and specific instructions and have been accounted for to produce financial information that complies with relevant accounting standards.

(1) *Autorité des marchés financiers.*

(2) *These include full, interim and condensed financial statements and selected financial data derived from such statements, such as net sales releases.*



2.4.1.2 Scope of Risk Management and Internal Control

Risk management and internal control, as defined in this report, apply to SOCIÉTÉ BIC as Group parent company and all Group consolidated entities.

The internal controls in place have been designed for all entities to reflect:

- the existing organization;
- the objectives set out by the Board of Directors and the Executive Committee (see *Section 2.4.3 Risk Management and Internal Control Participants, Specific Structure(s) in Charge/ Respective Roles and Interactions*); and
- compliance with laws and regulations.

Supporting principles and systems have been set up in all relevant areas and subsidiaries, considering local specificities and regulations. These principles are also known to and followed by the various centralized Group departments.

The Risk Management principles also apply to any entity joining the Group. Whenever possible, the Group asks its subcontractors and suppliers to also comply with these principles. For instance, SOCIÉTÉ BIC asks its suppliers to follow the safety rules for team members that apply within the Group.

2.4.1.3 Limitations of Risk Management and Internal Control Systems

Even with the most efficient organization there are inherent limitations in risk management and internal control. Risk management and internal control systems cannot therefore provide an absolute guarantee that the Company's objectives will be met. The major existing limitations are outside developments and uncertainties, the subjective nature of people's decisions and potential human error.

Moreover, any time a control activity is to be implemented, the comparative cost/benefit must be considered, ensuring reasonable coverage of the necessary controls.

2.4.2 COMPONENTS OF RISK MANAGEMENT AND INTERNAL CONTROL OF THE COMPANY AND ITS SUBSIDIARIES

The effectiveness of risk management and internal control systems depends on the building blocks.

2.4.2.1 Control Environment

a) Organization

The Group has implemented a structured internal control system giving the appropriate guidelines and responsibilities to achieve the objectives laid down by the Board of Directors and Executive Committee. This organization is based on the definition of responsibilities and objectives by Management and then shared individually with team members.

b) Main Tools

Various tools have been put in place to support this structure and measure its effectiveness. Here is a list of the main tools shared by all Group entities:

- Code of Ethics (see *Section 2.4.3.6 Team Members*);
- Group Anti-Corruption Policy (see *Section 2.4.3.6 Team Members*);
- Group Vision and Values (see *Section 2.4.3.6 Team Members*);
- Group Accounting and Controllers' Manuals. These manuals, distributed to all entities and available on the Group intranet, provide guidelines on:
 - bookkeeping and financial reporting under IFRS, and
 - procedures to respect the internal control system throughout the Company (i.e., Purchasing, Treasury, Tax, Sales, etc.);
- Fraud Reporting Protocol: The purpose of the Fraud Reporting Protocol is to ensure that all suspicions of fraud or actual cases are reported in a timely, consistent and uniform manner and to coordinate the subsequent investigations. A fraud reporting template has been provided to all BIC subsidiaries;
- BIC Speak-up hotline (see *Section 2.4.3.6 Team Members*);
- Human Resources Management Policy:
 - see *Section 3.4. Our Social Responsibility*,
 - Human Resources Management plays a full part in the effectiveness of internal control,
 - in particular, it ensures that the recruitment process reflects the knowledge and skills needed by the Group. Furthermore, it communicates Management's objectives to each individual in accordance with their role and responsibilities,
 - for example, the Performance, Evaluation and Development (PED) tool was created to effectively achieve the following goals:
 - Cascading of the Company's objectives to the team members throughout the year,
 - Training and development: see *Section 3.4. Our Social Responsibility*;
- Information Systems: Various IT systems are used depending on the business processes they support. They are organized primarily by continent. However, consolidation procedures are in place to provide access to consolidated results that Group Management can use to monitor performance and manage operations.

Most BIC entities use fully integrated systems (ERP) to help manage the business and report financial data using consolidation and management software (see *Section 2.4.2.4 Internal Control Procedures*).

Continents and countries are in charge of implementing operating procedures to secure access, back-up and recovery of critical system data.



2.4.2.2 Dissemination of relevant and reliable information

The Company has implemented efficient information dissemination processes and systems that allow accurate communication to be shared with the appropriate level of responsibility and authority. The types of tools differ widely. They range from IT (Information Technology) solutions (including the Group intranet, the financial consolidation software, the integrated system implemented per continent, etc.) to existing procedures that encompass information management.

These information tools are designed to support the Company's overall internal control system and to help with decision-making and follow-up for the achievement of Management's objectives.

2.4.2.3 Risk Management Process

One of the goals of risk management is to address existing, evolving and emerging risks that may significantly impact the Company. It is not possible to address all risks. However, when addressed, the means used include a variety of internal and external mitigation processes and/or external insurance protection.

This specific process incorporates a three-step approach based on the following activities:

- risk identification and analysis;
- risk management and mitigation;
- risk monitoring.

a) Risk Identification and Analysis

The Group Risk Management Department uses the Enterprise Risk Management framework, Insurance Risk Management and Risk Advisory processes for the purposes of risk identification and analysis.

The identification process highlights the main risks arising from both external and internal sources. The key driver for identification is the potentially significant impact on the Company's strategy, objectives, personnel, assets, environment and reputation.

The Group Risk Management Department, as process coordinator, challenges whenever necessary the answers received and the action plans brought forward in response to the identified risks. It also consolidates the documents and weighs the impact as input for the Group Risk Matrix. This matrix provides the impact for BIC for all risk categories.

b) Risk Management and Mitigation

The Executive Committee manages the major risks identified in BIC's risk mapping. These risks are monitored during the year. Progress and status of action plans related to certain key risks have also been reviewed and discussed at Board Meetings. The other risks continue to be monitored.

In addition, there are a series of procedures (see *Section 2.4.2.4 Internal Control Procedures*). The Executive Committee, continents, and centralized Departments such as Legal, Sustainable Development or Treasury, monitor risks on an ongoing basis.

They are involved in managing risks:

- the Group Treasury manages and monitors interest rate exposure and foreign exchange exposure daily along with liquidity risk;
- the Legal Department regularly monitors changes to laws and regulations and ongoing litigation;
- the main industrial and environmental risks are considered by Management and the Sustainable Development Department;
- the Executive Committee manages the significant strategic and operational risks.

There is also a yearly review of the Insurance coverage process: see *Group Presentation – Section 2.4.4 Insurance – Coverage of Risk*.

c) Risk Monitoring

The Executive Committee performs regular reviews of risk exposure. Each site/department creates its own scorecards and key indicators to detect, follow and measure the effectiveness of risk mitigation.

In 2021, BIC established a centralized Enterprise Risk Management (ERM) program with focus on key risks treatment. The critical risks identified in 2019 have been re-assessed and are currently being monitored at the Executive Committee level lead by the ERM governance.

2.4.2.4 Internal Control Procedures

a) Internal Control Procedures Related to the Preparation of Accounting and Financial Information Published by the Company.

The accounting and financial information used internally by management, or for the purposes of external reporting, is prepared in compliance with the IFRS (International Financial Reporting Standards) as adopted by the European Union.

The information follows a bottom-up reporting process from the local statutory accounts to the consolidated and management financial statements. This reporting is done using consolidation software following each monthly closing.

The finance teams in each subsidiary, under the control of their respective Finance and Operations Directors, report to the business unit finance teams and then to the Group.

The local external auditors audit this package for the largest entities. Statutory auditors prepare memorandums and a summary of significant comments for the Group.

Cost controllers work closely with operations and report to local Management and functionally to the continent/category Finance Director.

The Group developed a Controllers' Manual of policies and internal procedures that was presented and communicated to Finance Directors in the subsidiaries. This review is ongoing, with key policies and procedures updated and validated by functional managers as required. When a new policy is established, or an existing policy updated or enhanced, the information is communicated and posted on the employee intranet and is also cascaded down to all subsidiaries by the Executive Committee.



The reporting procedures within the Group are as follows:

- the Group finance information system allows preparation of statutory consolidations and management consolidations within the same reference frame;
- the Group also uses a detailed sales reporting system. A monthly reconciliation is prepared between the sales reporting and financial information systems. Any meaningful variance is explained;
- the Group financial information system is used in all subsidiaries. This allows analysis at each reporting level (subsidiaries, continents, Group or by product category) starting from the same source data and using the same reporting format;
- the Group internal financial information is analyzed monthly and compared against the budget at subsidiary level. The Executive Committee also reviews the consolidated data and related analysis monthly;
- an analysis is done between the budget, forecasts and the strategic plan and is reviewed by the Executive committee;
- the Group Chief Financial Officer validates the consolidated financial information. Significant issues are reviewed with the Chairman of the Board and the Chief Executive Officer;
- the Audit Committee validates this information and provides the Board of Directors with a report if necessary;
- the external auditors are involved in the annual validation of the financial information production process.

The account closing process includes the following in particular:

- the fixing and circulation of accounting rules by Group Finance via the Group Accounting Manual;
- the preparation and sending of a calendar and instructions to the affiliates by the Consolidation Department at each monthly closing;
- the existence of a checklist with the corresponding tasks to be performed by the subsidiary for the account closing.

b) Other Internal Control Procedures

As already mentioned, internal control is decentralized within the Group. It is thus the responsibility of each organization (subsidiary, department, category, continent, etc.) to establish the relevant procedures in all relevant sectors to support the objectives and definition of internal control.

However, as a global framework, the Group Controllers Manual provides the general guidelines to be adopted, following adaptation, at the respective level of internal control.

The Group's main procedures are described below.

Purchasing and Capital Investment Procedures

Any commitment to purchase capital investments and goods and services is subject to an appropriate authorization process. The authorization is the key driver for the rest of the process, from acknowledgment of receipt of the purchased goods or service to

payment of vendors.

The Group has accordingly implemented an authorization matrix that identifies the level of responsibilities required in accordance with the amount to be committed. All authorizations must be formalized in the appropriate form or via the IT systems. The delegation of authority matrix is regularly updated to reflect changes to the Group's organization.

This approval process is the cornerstone of the three-way matching procedure applied within the Group. Starting with an approved purchase order, it requires that matching is performed at the following stages:

- upon delivery/provision of service with proof of delivery or completion;
- when receiving the supplier's invoice for the purposes of generating payment.

The three-way matching process ensures the segregation of duties principle is applied and allows clear tracking of the validity of transactions throughout the purchasing process.

In terms of capital expenditure, an additional step is required to green light the purchase. Prior to any investment, specific documentation is prepared to bring together all necessary information like description and return on investment, approvals to reflect the level of commitment and a post-acquisition audit schedule.

In terms of organization, attention is drawn to the segregation of the procurement function from purchasing. The goal is to mitigate any risk of overlapping responsibilities. This process also centralizes at Group level the procurement flows for strategic materials. This is intended to better control demand and the level of financial commitment.

Finally, vendor management, including the suppliers' database, also follows specific control procedures and rules throughout their relationship with the Group.

Selling Procedures

The selling procedures follow common rules and principles. They are nevertheless tailored for local markets and customers, based on the existing nature of transactions.

These common principles deal in particular with:

- the validity of selling prices and selling terms and conditions (price list set-up process, special pricing authorization schemes, etc.);
- the completeness and accuracy of the selling orders received through different channels;
- respect of recognition timing with an emphasis on cut-off processes and adjustment procedures;
- the fair value of trade receivables with procedures for bad debt reserve computation and credit note issuance.

Similar to relationships with suppliers, procedures deal with customers' master file management, including the creation of new accounts, the cash allocation process for payment receipts and credit management.



Inventory Management Procedures

The management of inventory covers physical custody of the goods, valuation of these items and monitoring of the related flows. The procedures in place thus address all these topics.

Regarding physical safeguarding, Group policies are provided on top of local regulations. They deal with:

- the safety objectives for the team members involved in inventory management;
- asset security with clear guidelines in terms of storage conditions, stock-take processes and segregation of duties.

In terms of valuation, a BIC costing procedure is in place to help local controllers follow Group rules as well as comply with local accounting and financial standards. The Group rules can be found in "Note 1 to the consolidated financial statements – Main Rules and Accounting Policies".

Cash Management Procedures

Mostly centralized within Group Treasury, some aspects of cash management are kept at local level. In both instances, procedures are in place to cover:

- cash balance and payment management including physical safeguards, the performance of bank reconciliations and supervision of segregation of duties;
- bank mandates and management of authorized signatures;
- debt financing – both short and long-term.

Centrally, the Group Treasury follows specific procedures regarding its investment portfolio and foreign exchange exposure management.

Fixed Asset Management Procedures

As indicated above, asset security is a top internal control priority with relevant procedures in place within the Group.

With it being essential to ensure that assets actually exist, local sites are instructed to do regular physical inventories and reconcile them with the financial systems.

In addition to the aforementioned investment authorization process, there are dedicated procedures for all fixed asset movements (i.e., transfers, disposal and sales).

Finally, specific rules are required for the management of the Fixed Asset Registers to support compliance with both local and Group accounting standards and to permit efficient control activities.

2.4.2.5 Control activities

All Group levels are involved in control activities to ensure that Group rules, guidelines and procedures are properly applied.

Moreover, the Internal Control & Audit Department ensures through its annual audit plan that there is no material discrepancy with Group procedures.

This control covers both operational and financial environments and focuses on:

- the validity of operations and transactions, including the authorization processes for expenditure and investment;
- completeness of transaction reporting;
- proper evaluation and recognition of transactions for accurate information availability and disclosure.

2.4.3 RISK MANAGEMENT AND INTERNAL CONTROL PARTICIPANTS, SPECIFIC STRUCTURE(S) IN CHARGE/RESPECTIVE ROLES AND INTERACTIONS

2.4.3.1 The Board of Directors

The Board of Directors of SOCIÉTÉ BIC, which represents the Shareholders, always acts in the Company's interests. It must also review and approve the Company's strategic objectives.

2.4.3.2 The Executive Committee

The BIC Executive Committee consists of a team of leaders who meets regularly and works closely with Gonzalve BICH, Chief Executive Officer, to set the Group's long-term vision and strategy for profitable growth. Its members are:

- Thomas Brette: Group Partnerships & New Business Officer.
- François Clement-Grandcourt: Group Lighter General Manager;
- Gary Horsfield: Group Supply Chain Officer;
- Sara LaPorta: Global Strategy and Business Development;
- Mallory Martino: Chief Human Resources Officer;
- Elizabeth Maul: Group Insights, Innovation and Sustainability Officer;
- Charles Morgan: Chief Administrative Officer;
- Chad Spooner: Chief Financial Officer;
- Chester Twigg: Group Commercial Officer;
- Esther Wick: Group General Counsel.

This structure allows BIC to benefit from the collective experience and expertise of this group of talented leaders and realize its growth potential. Whenever greater depth or breadth of knowledge and expertise is called for, the Executive Committee will also now have access to the views of an extended Leadership Team.

The Group Supply Chain Officer and the Group Insights and Innovation Officer are directly responsible for Manufacturing, New Product Development, Research and Quality Assurance.

The Executive Committee also monitors the strength of internal control processes and the implementation of risk coverage. It also ensures, with the support of the Group Chief Financial Officer, that indicators:

- are consolidated to measure operational performance *versus* the budget; and, if necessary
- focus on variances and any corrective measures that may be necessary.



In addition to the budget, forecasts are prepared and revised during the year to monitor budget achievement and get insights into any current marketplace dynamics. A strategic planning process is in place to help identify future growth opportunities.

2.4.3.3 The Audit Committee

The Audit Committee (see *Section 4.1.4.3 Committees set up by the Board of Directors*), as part of its remit to support the CEO, regularly monitors the risk management and internal control systems. The Committee can interview the Internal Audit Director for updates on the work done during the year and can give its opinion on the department's organization. A summary of internal audit findings is shared with the Committee annually.

2.4.3.4 The Internal Control & Audit (IC&A) Department

The Internal Control and Audit Department reports operationally to the Chief Financial Officer and, upon request, to the Executive Committee and the Audit Committee.

This department reviews both financial and operational activities and provides an independent assessment of the level of compliance with the Group's policies, rules and procedures. The IC&A Department focuses on:

- business cycle and process reviews ⁽¹⁾ at both subsidiary and Corporate level;
- testing of existing controls to ensure effectiveness and efficiency;
- coordination with functional managers on the ongoing updating of the Controllers' Manual;
- issuance of guidance and recommendations to improve existing processes, including sharing of Group best practices.

The IC&A Department also:

- assists with timely and specific engagements, such as external acquisitions and internal restructuring;
- provides assistance on fraud prevention, awareness and any investigations into reported fraud within the Group;
- looks at Group information systems through reviews of Information Technology accesses and business continuity procedures;
- presents an annual audit schedule to the external auditors, provides updates and shares site review findings;
- coordinates site reviews with Group Finance and the external auditors to ensure coverage of any specific areas.

a) The IC&A Department's Work in 2022

A multi-year audit rotation schedule is in place to ensure that all major sites and key processes are reviewed on average every five years. The 2022 schedule saw the IC&A Department do four audits in manufacturing and distribution entities, combining initial and follow-up visits and investigations.

These audits were done in line with the methodology and procedures established by the IC&A Department. This included in particular:

- performance of tests (walkthroughs and detailed testing) and interviews with the contributors to the cycles reviewed on a risk-based approach;
- the issuance of a post-audit report, listing recommended improvements for the site/department, with a clear action plan and deadlines. The IC&A report is an excellent communications tool and plays an important role in the ongoing improvement of controls within the Group.

No significant issue was identified as a result of these audits. The audit findings highlighted necessary improvements to make certain controls more effective. Local Management has shared its response to these recommendations and proposed action plans, together with the related implementation dates and who is responsible for their implementation. These implementations have been checked during follow-up visits by the IC&A Department.

Furthermore, quarterly follow-up of action plans allows for efficient monitoring of progress on recommendations on key audit matters. Dashboards are shared quarterly with the representatives of the continents and categories. Finally, best internal control practices identified during these reviews are shared within the Group.

The IC&A Department collects the data reported by subsidiaries and does analyses to enhance the risk-based approach used to establish the annual audit plan and undertake audit work. The results will be shared with Group Statutory Auditors and the Audit Committee.

A summary of the work done by the IC&A Department during the year is presented to the Executive Committee and the Audit Committee. This includes an overview of the main audit findings and recommendations, as well as a summary of the risk analysis and progress on action plans.

b) Outlook and Action Plan for 2023

The IC&A Department will continue to focus on:

- process and efficiency improvements;
- testing of operational effectiveness of key controls; and
- enhancing the overall review process.

The annual audit schedule, prepared by the IC&A Department and approved by the Audit Committee and the Executive Committee, satisfies the multi-year rotation principle for site and process reviews.

(1) Such as sales and collection, purchasing and disbursements, fixed assets, inventories, payroll, cash management, and accounting entry processing.



2.4.3.5 The Risk Management Department

The Group Risk Management Department reports to the Chief Financial Officer. Its mission is to foster stronger risk capabilities and culture to protect the company's assets and support BIC's strategy. Group Risk Management is responsible for:

- the Enterprise Risk Management framework;
- the Insurance Risk Management Program; and
- providing Risk Advisory to the organization.

Enterprise Risk Management is a framework encompassing processes, capabilities and culture within the organization to:

- identify, assess, mitigate, monitor and manage potential enterprise-wide non-routine risks;
- while strengthening the company's ability to achieve its strategic objectives.

Insurance Risk Management is the practice of identifying and analyzing loss exposures and taking steps to minimize the financial impact by transferring them using insurance and preventive risk management practices.

Risk Advisory is designed to ensure decision-making aligns with risk appetite and tolerance and to further enhance business resiliency.

In the course of the above work, Group Risk Management also coordinates risk monitoring in tandem with the Executive Committee.

2.4.3.6 Team members

All team members are involved in internal control processes and risk management activities in line with their respective knowledge and scope of work. They have access to information used to design, operate and monitor the internal control system. The Group Internal Control Policies, including the Group Controllers' Manual, are available online for team members with access to the Group Intranet.

To strengthen the commitment of all team members to internal control, the Group's values are posted at all Group locations so that all team members have access to them.

In 2022, the Company invested in the Qualtrics tool – a best-in-class survey tool with relevant benchmark information. The pulse surveys and engagement surveys that are run in this tool allow us to continue to measure multiple aspects of engagement and adherence to our values. In the latest survey run in 2022, employee engagement was favorably assessed at 75%, representing strong engagement at 1% above the market norm. Significant drivers of overall engagement focused on the favorable assessment of willingness to stay with BIC and

recommending BIC as a good place to work.

With 83% of team members surveyed expressing their pride to work for BIC, 76% of those surveyed believe BIC is a diverse and inclusive work environment, which positions the company almost 3 points above the market benchmark.

The questions on values received broadly very favorable responses and were specifically strong with respect to responsibility and ethics.

The Group Code of Ethics is available to all team members on the Group Intranet.

A Group Anti-Corruption Policy is available to all team members on the Group Intranet. This states that the Group prohibits all forms of bribery and corruption and upholds our reputation for integrity.

The Group offers a hotline service called "BIC Speak-up", accessible from BIC's intranet and websites. It provides an alternative channel for team members to disclose concerns confidentially and anonymously. It is designed to provide effective lines of communication for team members and empowers BIC to promote safety, security and ethical behavior.

A Charter of diversity is shared by all entities :

- to help prevent discrimination in the workplace; and
- to continually improving and educating team members on the importance of diversity.

2.4.4 INSURANCE – COVERAGE OF RISKS

2.4.4.1 Insurance

BIC Group uses insurance as a means of transferring its major risks to the insurance marketplace. This is done through a series of insurance policies arranged with reputable insurers. This transfer operates on two tiers:

- global Insurance Program, which covers all Group affiliates, except where legally prohibited; and
- local policies to address compulsory insurance where required.

Furthermore, some local affiliates may have additional insurance for special and/or specific needs.

The Group's global insurance program is intended to provide a uniformly high level of risk management and insurance protection for all BIC operating entities. This policy should help protect assets and hence revenue from risks that may be insurable or controllable.

BIC Group maintains the following main international insurance programs:

- liability insurance including risks related to products. This covers losses from third-party claims of bodily injury and property damage, including operational and product liability;
- environmental Impairment Liability insurance related to gradual pollution and accidental pollution;
- property Damage and Business Interruption insurance. This covers risks of loss due to fire, explosion, water damage and other natural disasters;
- goods-in-Transit insurance covering loss or theft of goods and/or products during shipment;
- crime insurance related to the risks of fraud, theft and falsification;
- employment Practices Liability insurance covering alleged discrimination, wrongful termination and sexual harassment.

As a general rule, coverage is based upon a replacement cost valuation of the insured property and business disruption costs. Some coverage may, however, be capped and/or sub-limited as to total payouts under the terms of the policy.

BIC Group also has other types of insurance in line with legal requirements in the countries in which it operates.

The overall cost of Group insurance programs with third-party insurers was estimated to be around 9.0 million euros in 2022.

2.4.4.2 Self-Insurance

Self-insured or retained risks are also held by BIC Group. This is typically in the form of insurance policy deductibles, retentions, or other uninsured exposures that may not be insurable in the traditional marketplace.

In the U.S., BIC Corporation has a wholly owned captive insurance company, SLS Insurance Company Limited (SLS), covering specific risks in the U.S. These include:

- Commercial General Liability and Products Liability coverage for alleged third-party bodily injury and property damage;
- DIC/DIL providing Difference in Conditions/Difference in Limits insurance to supplement certain other traditional insurance policy coverage and/or deductibles;
- Medical Stop Loss coverage relating to the employee benefits health program;
- TRIA (Terrorism Risk Insurance Act) NBCR (Nuclear, Biological, Chemical, and Radiological Terrorism).

The other Group entities are insured under traditional insurance programs.



