



**BB Energy**

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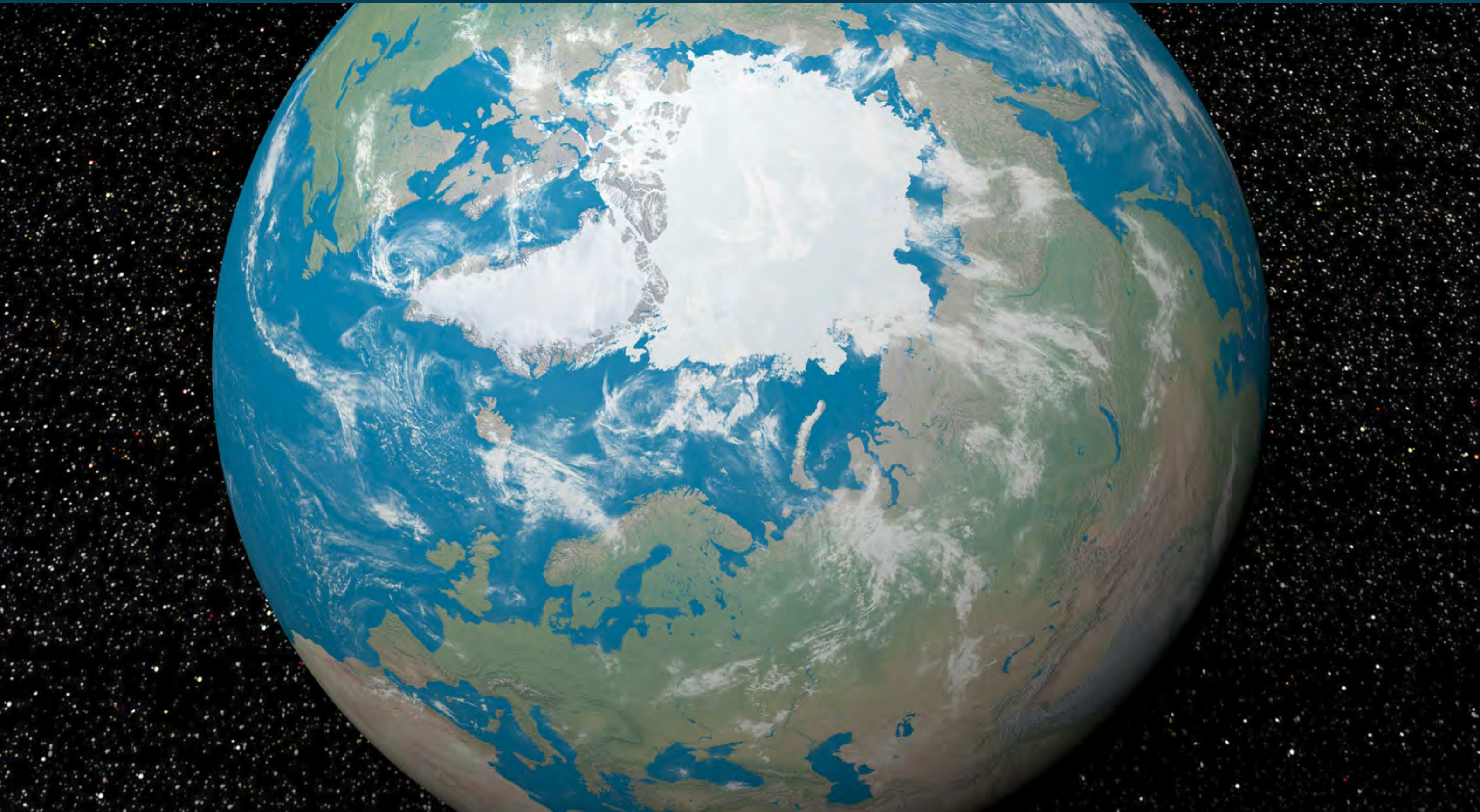


## RISK MANAGEMENT

52	RISK MANAGEMENT
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# OVERVIEW





# CHAIRMAN'S MESSAGE

As I contemplate this message, 2019 has moved on making space for 2020 which came into our lives with an excess of unforeseeable circumstances, forcing us to change our behaviours in some of the many habits dear to our nature and which are now taking route in our private and public life. Now we find ourselves restricted from coming together with our old and new friends, our families, colleagues and collaborators in public or private occasions; and for the first time we cannot celebrate the new achievements of our company with our partners nor have conferences or board meetings.

While all of this has changed shape, the one thing that has become more relevant to all of us is the much improved technology of this modern era. Whether being a video or an audio conferencing, it has fortunately allowed us to continue conducting our daily work and activities with no interruption.

Another tragic event was the devastating explosion that happened in Beirut in August 2020. Hundreds of people lost their lives and thousands lost their homes and belongings. This is a human catastrophe that will never be forgotten and left my family and I heartbroken especially as Beirut is the place where I was raised, educated and where we formed our company. While our company has expanded across many continents, I will always remember where it all began.

In spite of all the challenges, BB Energy had many achievements in 2019. The Group continued a steadfast march towards our goals as planned; in the US, Latin America, Africa, Russia, Europe and the Far East.

In the last few years our attention has shifted to Green Energy, clean products such as LNG, LPG, Solar and Wind Power. Everything that nature has to offer.

Our company BB Energy Trading Ltd. in London is staffed with over 60 professionals. They achieved top performance in 2019 mainly in Crude oil and other refined petroleum products. They are a fully structured office, having all the facilities for Trading, Finance, Operations, Risk Management, Insurance



Bahaeddine Bassatne  
Executive Chairman of the Board

and Accounting. In 2020 we added a shipping department to work alongside the traders.

Our USA Houston office is now the second largest in the Group, very active in trading Crude oil, pipeline deliveries, products, terminals, etc. It is well-structured with 30 professionals providing expertise in Trading, Shipping, Finance, Accounting and Operations. It's the second most profitable centre of the Group today.

In Africa, our trading activities expanded to new countries, such as the Democratic Republic of Congo, Angola, Zambia, Kenya and others. In addition we have strengthened our existing offices in Nigeria, Ghana, Zimbabwe and SP Rwanda which has a very good performance.

BB Energy (Asia) Pte Ltd. in Singapore has been there since 1980. The last few years was a tough situation but now is very active, dealing with large volumes of Crude oil and a variety of refined petroleum products, bringing the company to a well-deserved level of trustworthiness and respect that it has earned.

As expected, all investments we have made in LPG



Left to right:  
Khaled Bassatne - Global Head of Bitumen and Liquid Gases, CEO 3B Group  
Walid Bassatne - Vice Chairman | Bahaeddine Bassatne - Executive Chairman  
Riad Bassatne - Director | Adib Bassatne - President BBE Power | Mohamed Bassatne - CEO

Omera, Feedco, SP Rwanda, HYPKO Turkey, are performing very well and we are negotiating new investments in different countries.

Between 2018 and 2019 our LPG book had tripled. We expect to achieve the same in 2020 in the Mediterranean and the Far East with a new floater in the area which enables us to deliver to Bangladesh and surrounding countries.

LPG has a political role in emerging and developing countries. For example, in India where it addresses the clean cooking issue, millions of people with a low income can afford to use LPG. The same applies in Bangladesh. Before starting Omera, 7 years ago, they were not aware of the possibility of using LPG in their homes.

Today in addition to Omera's 5 terminals throughout the Country, we have expanded our presence with 3 barges, a fleet of LPG trucks, and approximately 4 million cylinders in circulation. Our annual consumption is increasing year-on-year.

In 2016 I decided to start a new activity in LNG trading. We bid to establish the first FSRU floating terminal in Lebanon under very competitive conditions, but no decision was made. The tender was repeated numerous times since, but there has

still been no decision taken to date. In the meantime, we organised our LNG trading team and began by signing MSA with most of the leading producers and suppliers, followed by selling and buying on term or spot, mainly with Petronas, Shell, BP, Socar, ENI, CNOOC, Botas, Egas, et al.

We ended 2019 by discussing a new and interesting development project to construct an LNG terminal in Sardinia. In early 2020, an agreement was signed with the owner of the company named Fiamma 2000 S.p.A., to form a joint venture together named Olbia LNG Terminal S.R.L. We are currently waiting for the licenses to begin implementation.

With "Green Energy" being one of the cornerstones of Joe Biden's campaign, we at BB Energy are moving in the right direction. As usual, we will establish our place in this market with the trust of many National and Major oil companies and with the assistance of our loyal bankers, who needless to say are the pillars upon which we are able to continue building and evolving our Group, having established strong links of trust, appreciation and mutual belief in each other.

Finally, as I always say, a Company is built by the people who work hand-in-hand together.

Baha Bassatne



# CEO'S MESSAGE

As I am writing, the world is facing the second wave of Covid-19 with lockdowns across Europe to be announced. It has indeed been a challenging year in many ways but we at BBE have been able to adapt in several ways to cope with the crisis from remote working to negative prices in oil for the first time in history. Adaptability is the key to the success and longevity of any commodity trading business.

2019 ushered a return to profitability for BBE and we achieved an EBITDA of US\$ 94 million. More importantly, in 2019 we continued to build the basis for the continuous expansion of the business lines and to ensure that we have the right tools in place to handle any unforeseen obstacles and to execute our strategy. This foundation allowed us to take advantage of the upheaval in the oil market during the turbulent Q2 of 2020.

In Africa, we continue to make progress by gaining a share in the Zambian market where we were awarded a year contract for the supply of products. This short allowed us to use our affiliates SP Rwanda to import the material and our office in Zimbabwe to manage all the trucking and storage. This shows that the integration envisaged in the purchase of SP has begun to pay a dividend for our trading book. At the same time, SP storage expansion continued and we have acquired a share in the downstream Base oil business as well as looking at building LPG storage. SP has also expanded into the Moroccan market with the acquisition of a downstream license.

Our activities in the Americas continue to beat all budgeted estimates with record profit across all products. On the back of this success, we have been able to attract the right teams to expand both our geographic footprint and product mix. This continued into 2020 where we are even covering the West Coast of America for product distribution.

In Asia, BBE has become a key player in the Crude oil market moving 10 million barrels during the year. On the back of our positions in the East, we are now major players in the export of Red Sea Crude oil to the Arabian Gulf and the Far East.



Mohamed Bassatne  
CEO

Other investments such as Omera continue to grow, and the company is now importing over 150,000 mt per year being the second largest importer in Bangladesh for LPG and we expect the business to IPO over the next 24 months. Recently we also closed an investment in a downstream player in Pakistan called Euro Oil, with an exclusive right of supply.

The trade finance lines are at the heart of trading. Unfortunately, several banks have been hit with billions of losses in commodity trade finance in Asia. Although this has caused the exit of several banks from the business, I am happy to report that our RCF was renewed at US\$ 197.5 million in 2020. We have also enhanced our credit and insurance department to ensure that we can finance the ongoing business and to be able to structure deals for the trade.

From an organisational perspective, we have begun to streamline and re-structure the business by forming BBE Downstream in Singapore, where in time all of our distribution assets will be held.

I would call 2019 a year of organic growth for BBE.



With many hirings in Trading and key departments, from HR to KYC, from Credit to IT. Many departments have been reinforced to ensure we have the best talents in the field. Our total headcount is now approaching 300 people worldwide.

Our business has been around for more than 50 years and we want this business to still be around 50 years from now. As we continue to evolve and adapt to markets and general context, it has now become clear that a sustainable approach to our business is key for the long-term success and ultimately for us to contribute to reducing the environmental impact on the Earth for the benefit of our children and grandchildren.

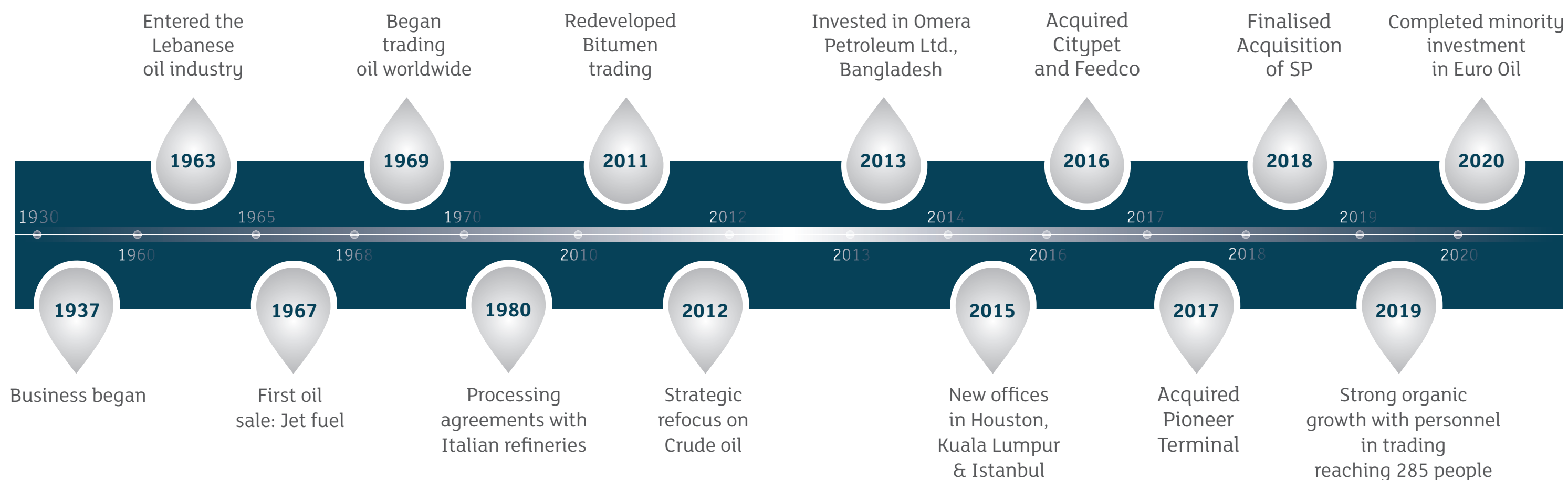
With the help of industry experts, we have laid out the foundations of our ESG policy, starting from the

initiatives that we have already implemented, and identifying areas for further action towards a lower carbon footprint. This naturally translates into key strategic decisions for our business and the subsequent focus on liquid gases such as fossil fuels as a transition for the next decade and as BBE's involvement in renewables.

We have recently set up a holding company in Singapore called BB Energy Renewables and made our first investment in the sector. We plan on building a portfolio of renewables projects and activities gradually over the next few years, with an initial focus on Africa where we can leverage our existing presence and knowledge of some of its markets to establish ourselves as a major player.

Mohamed Bassatne

# MILESTONES





# PERFORMANCE HIGHLIGHTS



Trading volume of c. 20 million mt of petroleum products and liquid gases



Further developed trading flows into Ghana and Nigeria as well as penetrated certain other African markets such as Zambia and South Sudan



The Group continued to hire experienced traders and professionals across all main locations which now are approx. 285 people in trading across 17 offices and approx. 400 people including downstream



Expanded SP Rwanda's storage capacity by an additional 40,000m<sup>3</sup> during 2019 to serve a 20 year contract with the government for the Country's strategic stock. Also concluded the borrowing base facility for SP Rwanda in the amount of US\$ 35 million to support the local business



Revenue was in excess of US\$ 10.4 billion



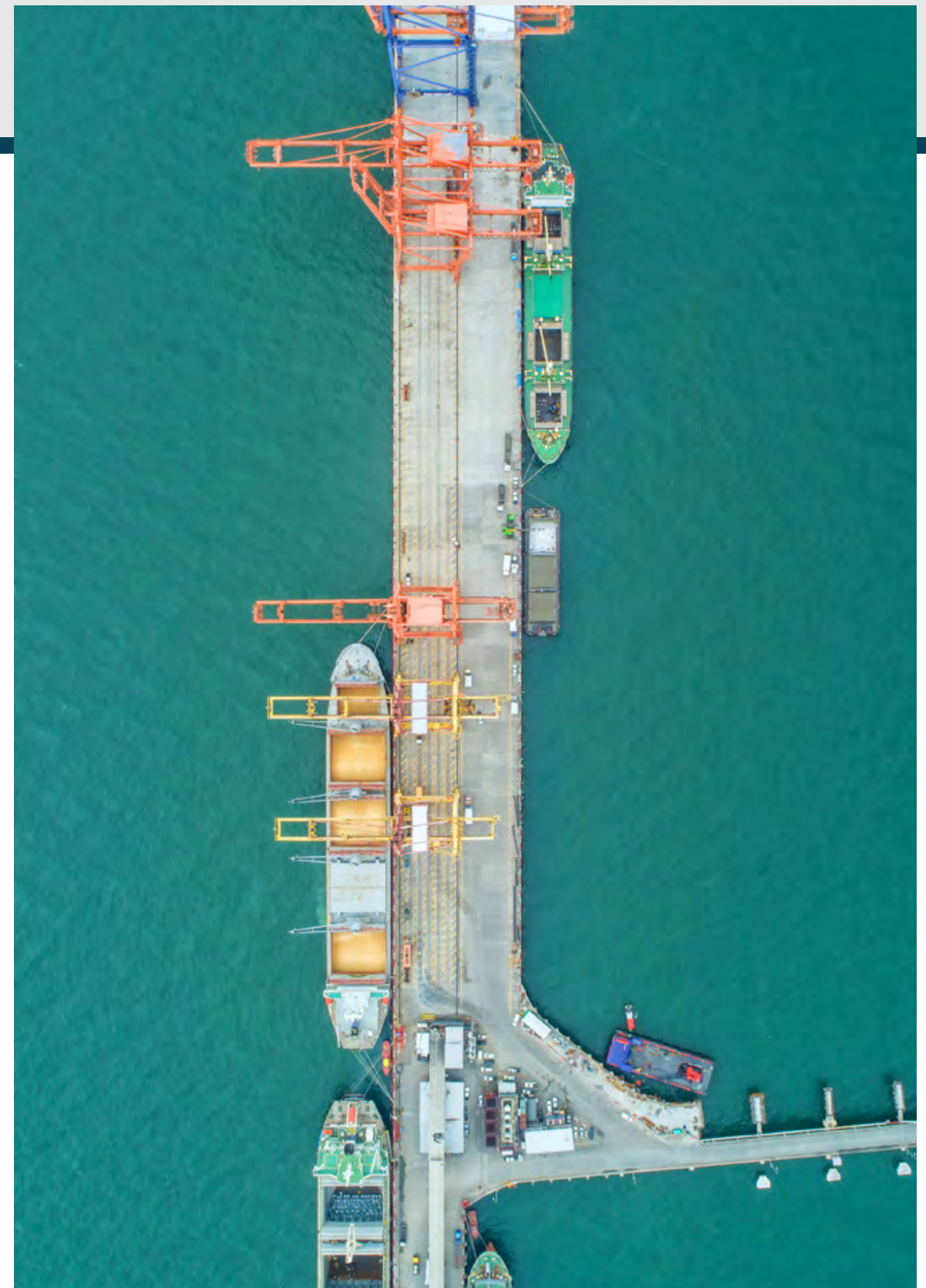
The Group has substantially developed trading activities in the domestic US market and also covers Central and South American markets



Successfully refinanced and closed on its one-year publicly syndicated revolving credit facility in October 2019 for the amount of US\$ 225 million for general corporate purposes, achieving substantial oversubscription. Also extended the 3-year revolving credit facility



Supported the trading volume growth by entering into new trade financing arrangements with local and international banks. Trade finance lines are in excess of US\$ 4 billion





# GROUP ACTIVITIES

BB Energy Group Holding Ltd. (DIFC) is the consolidating entity of the Group which owns the following main subsidiaries:

## BB Energy Holdings N.V., Curaçao

Our holding company involved in Global Oil & Gas Trading activities, owns the following main subsidiaries:

**BB Energy Trading Ltd., London**  
Europe and the Mediterranean region.

**BB Energy (Gulf) DMCC, Dubai**  
Middle East, Arabian Gulf, Red Sea, East and South Africa, Pakistan, western side of India and the CIS. This company generates the Group's largest trading volumes.

**BB Energy (Asia) Pte Ltd., Singapore**  
All the Indian subcontinent in addition to Asia and the Pacific region.

**BB Energy USA LLC, Houston**  
Domestic trading in the US in addition to Central and South America.

**BB Energy Malaysia Ltd., Kuala Lumpur**  
Supports Singapore trading hub and further strengthens some of the key trading relationships in the Far East.

**Feedco S.A., Geneva**  
Established trader of Base oil with a substantial international client base, especially in Africa.

**Storm Energy S.A., Geneva**  
Oil distribution business active in Zimbabwe and the DRC mainly for Gasoline and Gasoil.

## 3B Holdings Limited, Hong Kong

Our holding company involved in Global Bitumen activities, owns the following main subsidiaries:

**3B Trading DMCC, Dubai**  
The Bitumen trading arm of the Group.

**3B Terminals Ltd., Hong Kong**  
It owns the Maris terminal, located in the port of

Mersin, which is the only storage facility dedicated to the import of Bitumen into the South Eastern region of Turkey.

**3B Shipping Ltd., Hong Kong**  
The company owns 3B Spirit, a Bitumen carrier which was acquired in 2016.

**BB Energy Renewable Division (RED) Pte Ltd., Singapore**  
Is a new holding company set up in 2020 with the purpose of investing and managing Renewable Energy projects.

## BBE D Pte Ltd., Singapore

Is a new holding company setup in 2020 with the purpose of investing and managing downstream Oil & Gas assets that complement our trading activities.

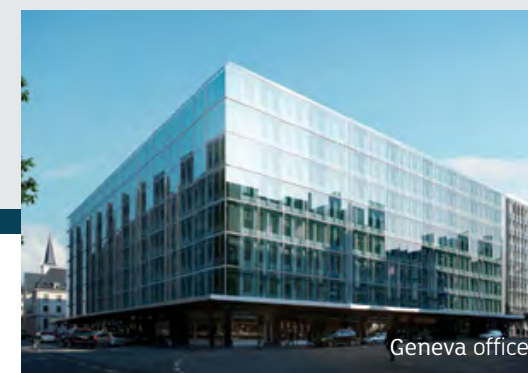
With the aim of having management income and cost centre for the downstream business, we plan to restructure our existing downstream oil assets by transferring them from BB Energy Holdings N.V. into this new dedicated asset holding company.

We are in the process of transferring the Hypco Turkey and SP Rwanda assets.

Following the restructuring process, BBE D Pte Ltd. will mainly own the following subsidiaries:

**Hypco Turkey (previously Citypet)**  
Retail and distribution business in Turkey servicing the Country from a fast growing network of 111 stations.

**Societe Petroliere Ltd., Rwanda**  
Is the leading downstream distribution company in Rwanda (largest Oil Marketing Company) with sourcing subsidiaries in Kenya and Tanzania. SP owns a storage depot and sells refined petroleum products through its retail network and to commercial and industrial customers.



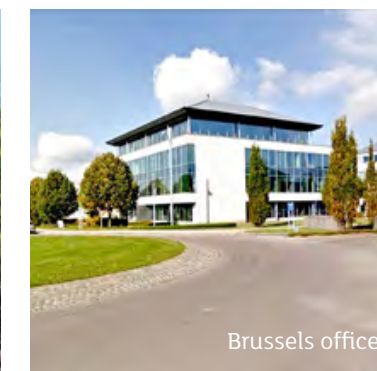
Geneva office



London office



Brisbane office



Brussels office



Singapore office



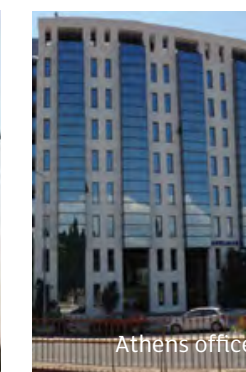
Dubai office



Kuala Lumpur office



Houston office



Athens office



Beirut office



Casablanca office



Moscow office



Istanbul office

## Our affiliated companies:

**Hypco S.A.L., Beirut**  
Hydrocarbon Products Company "Hypco" was established in 1965 and is today one of the leading distributors in the Lebanese market, with second largest market share in the Country through its network of 132 service stations. Hypco is also the sole distributor of Shell Lubricants in Lebanon.

**BB Energy Management S.A., Athens**  
It is the Group's administrative and risk management centre where all the Group's transactions are recorded, monitored, and consolidated. It is also a key operations base for part of our trading activities.



# TRADING



Pioneer Energy Terminal  
Mackay Port, Australia



Omera Terminal  
Port of Mongla, Bangladesh





# TRADING ACTIVITIES

We trade in the following Countries:



## Trading Activities

We conduct our business from strategically positioned offices located in:

- |              |                |
|--------------|----------------|
| ● Accra      | ● Houston      |
| ● Athens     | ● Istanbul     |
| ● Beirut     | ● Kigali       |
| ● Brisbane   | ● Kuala Lumpur |
| ● Brussels   | ● Lagos        |
| ● Casablanca | ● London       |
| ● Dubai      | ● Moscow       |
| ● Geneva     | ● Singapore    |
| ● Harare     |                |

Our physical trading activities cover key strategic geographical areas, serving as a network for national oil organisations, major oil corporations and independent trading companies and refineries.

We primarily trade Crude oil and its full array of related products. However, we are also flexible enough to deal in more specialised offerings when the opportunity arises.

BBE has become more active in trading LNG and Base oil worldwide and continues to supply LPG to selected markets.

We have spot and term purchase and supply contracts with all our key trading partners.

We are physical traders, we:

- buy
- transport
- store
- blend
- sell
- and deliver oil to end users around the globe

## Personnel

BBE trading business employs approximately 285 people in trading across 17 offices worldwide and approximately 400 people including downstream.

The Group has been able to achieve a particularly high retention rate of its personnel through the years.

Having worked in the Group for more than 20 years, quite a few members of BBE's trading and operations teams have gained extensive experience. Their knowledge and commitment play a vital role in the day-to-day support of our trading activities. It is this long-term commitment to BBE that has prompted the strong sense of trust and respect within the Group.



Algeria | Argentina | Australia | Azerbaijan | Croatia | Bahrain | Bangladesh | Belarus | Belgium | Brazil  
Bulgaria | Canada | Chad | China | Cyprus | Dominican Republic | DRC | Ecuador | Egypt | France  
Germany | Ghana | Greece | India | Indonesia | Italy | Jamaica | Japan | Jordan | Kazakhstan | Kenya  
Kuwait | Latvia | Lebanon | Libya | Malaysia | Maldives | Malta | Mexico | Morocco | Mozambique  
Netherlands | Nigeria | Oman | Pakistan | Panama | Paraguay | Peru | Philippines | Poland | Portugal  
Qatar | Romania | Russia | Rwanda | Saudi Arabia | Singapore | South Africa | South Korea | South Sudan  
Spain | Sri Lanka | Sweden | Switzerland | Taiwan | Tanzania | Thailand | Tunisia | Turkey | Turkmenistan  
UAE | UK | Ukraine | Uruguay | USA | Uzbekistan | Vietnam | Zambia | Zimbabwe



# TRADING ACTIVITIES

## Strategy

The Group's growth strategy is focused on sustainable energy commodities and projects, implemented through geographical expansion in new markets, product diversification and acquisitions.

## Geographical expansion

While we are determined to maintain a leading position in the key markets where we historically trade, our goal is to fuel further growth through geographical diversification in new markets for both Crude oil and petroleum products.

BB Energy continues to maintain trading flows of Russian sourced material through the Black Sea and the Baltics.

We have further developed trading flows into Ghana and Nigeria and started doing business in Zambia and South Sudan.

We have expanded the office in Houston by hiring traders and business developers specialised in Crude oil and petroleum products. Our trading activities now are centred around the domestic US market and also cover Central and South America.

## Product diversification

From our historical portfolio of Crude oil and petroleum products, we are now covering all major components of the barrel and have been trading LPG and LNG in the last few years.

We have increased our portfolio of Crude oil by trading different qualities. We have also expanded our presence in Ultra Low Sulfur Diesel (ULSD) and started Gasoline blending and trading in North West Europe. We started trading LPG in 2015 by securing term contract on the back of an investment in an import terminal in Bangladesh with an annual throughput capacity of 150,000 mt and are now a major supplier of LPG to Turkey.

In 2016, we established an LNG trading desk to develop this new product line by hiring dedicated

personnel. We agreed Master Sale and Purchase Agreements with most of the main LNG market participants.

On the back of the acquisition of Feedco S.A., in the second half of 2016, the Group is now one of the leading international Base oil traders.

As part of our energy transition, following Biodiesel trading in the Far East, we are also preparing for Biodiesel trading in Europe and following external audit results, we recently achieved the International Sustainability and Carbon Certification (ISCC) EU scheme. All our traded Biodiesel will be certified using the ISCC EU scheme. Biofuels (made from vegetable oil) can be blended with existing fuels such as Gasoline and Diesel to help decarbonise the transport sectors. We are cognisant of the challenges with respect to the sourcing of responsible biofuels and biomass and will strive to ensure the commodities we trade have been produced following rigorous sustainability standards.

## Acquisitions

In order to capitalize on the Group's established setup and trading network and infrastructure we are pursuing investment opportunities in the midstream and downstream sectors.

We have been expanding the retail and distribution business of Hypco Turkey with a fast-growing retail network expected to reach 126 stations throughout the Country by the end of 2020.

In April 2018 we acquired a 70% stake in Societe Petroliere Limited (SP), the largest fully integrated oil marketing company in Rwanda with sourcing subsidiaries in Kenya and Tanzania.

In 2019, Feedco SA, formed a wholly-owned subsidiary, Feedco USA LLC, with the aim to capitalize on Feedco's expertise and provide same type of products to the US Market.

In April 2020, BBE Renewable Division (RED) Pte. Ltd. invested in an electric vehicle Charging



Infrastructure Investment Fund, managed by Zouk Capital, in which the UK government is the main investor.

In September 2020, the Group completed a minority investment in an oil marketing company in Pakistan with the exclusive right to supply products into the Country.

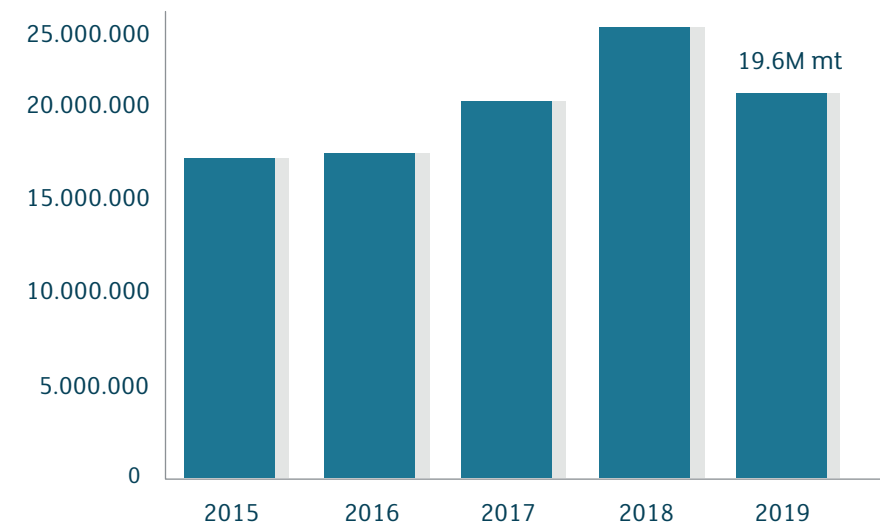
We are also looking at other downstream investment opportunities in Africa and Asia.

The Group is also exploring potential new long-term LNG supply opportunities by investing in LNG infrastructures.

In Q3 2020, we signed an agreement with a local partner to develop an LNG terminal in Italy to supply LNG to Sardinia to support the shift from coal and oil derivatives for domestic and industrial use to gas.



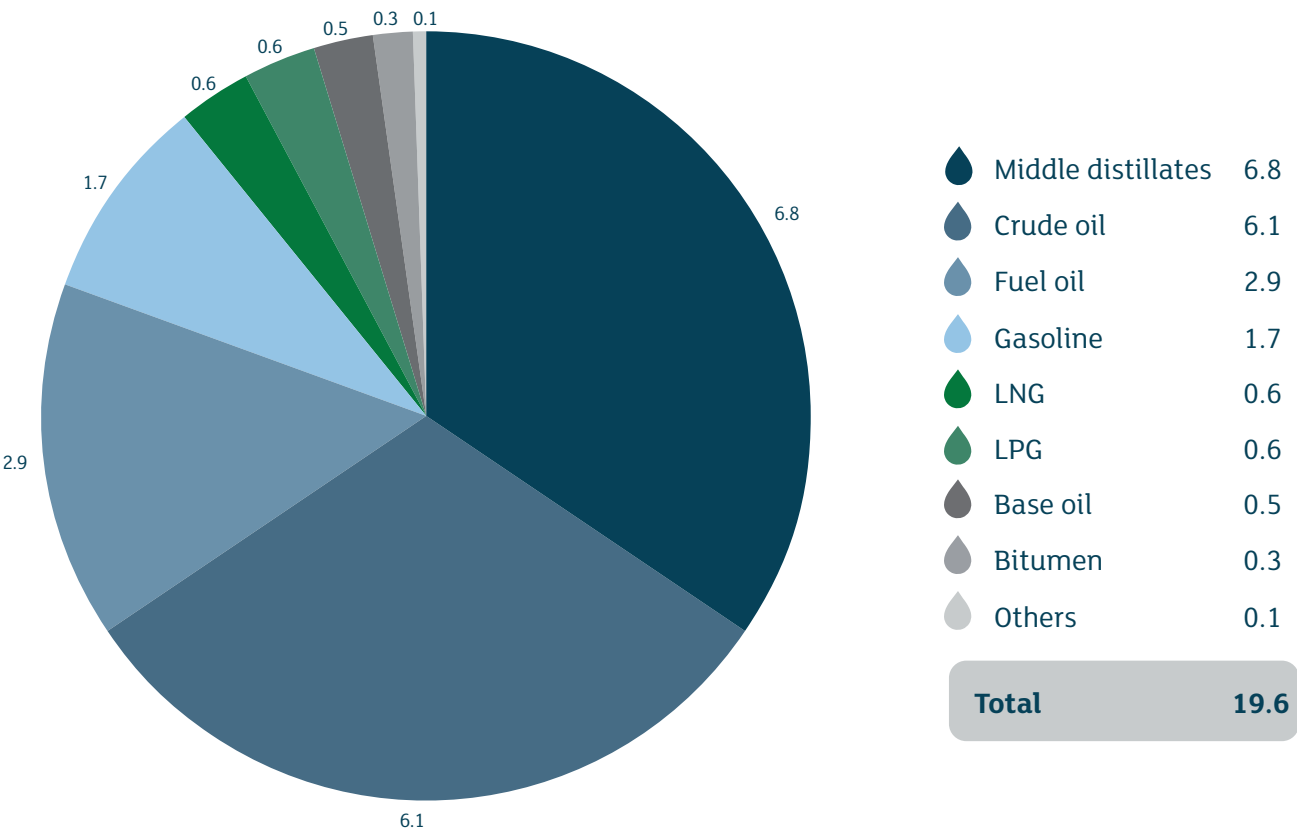
TOTAL TRADED VOLUME IN MT



Trading Review

Total traded volumes in 2019 were approximately c. 20 million mt which represents an average growth of 16% from 2014.

BBE's volume of products traded during 2019 is as follows (in millions of mt):



Our core products remain the Middle distillates (Gasoil/ULSD and Jet fuel), Crude oil and Fuel oil, followed by Gasoline and others.

On the back of the acquisition of Feedco in Q4 2016, the Group is now one of the leading international Base oil traders.

Most of the remaining products are Naphta and Condensate, and small quantities of specialty products.





Trucks refueling at SP terminal  
Kigali, Rwanda

## MIDDLE DISTILLATES

A leading player in the Middle distillates market

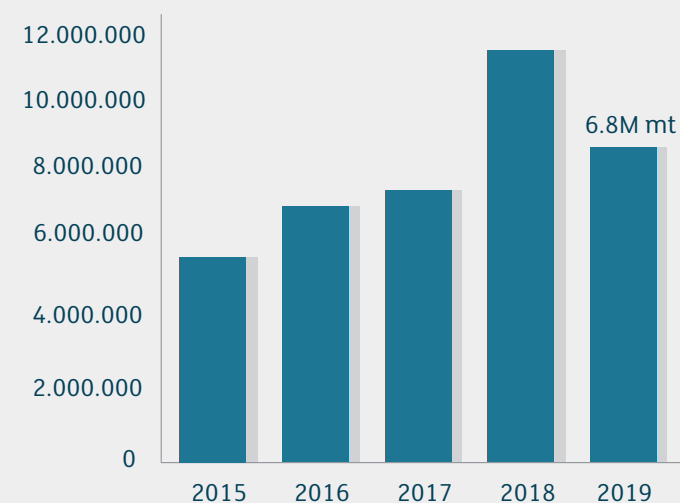
### Middle distillates

The Group's global network of Middle distillates is made up of a wide range of products with Gasoil / ULSD representing the largest share, followed by Jet fuel.

Apart from its core presence in the Mediterranean area and Middle East, the Group has maintained its trading business in North West Europe and increased further its presence in the Americas, LATAM and Caribbean market.

The Group's arbitrage and logistical capabilities ensure consistent and timely fulfilment of the customer's requirements.

TRADED MIDDLE DISTILLATES IN MT



## CRUDE OIL

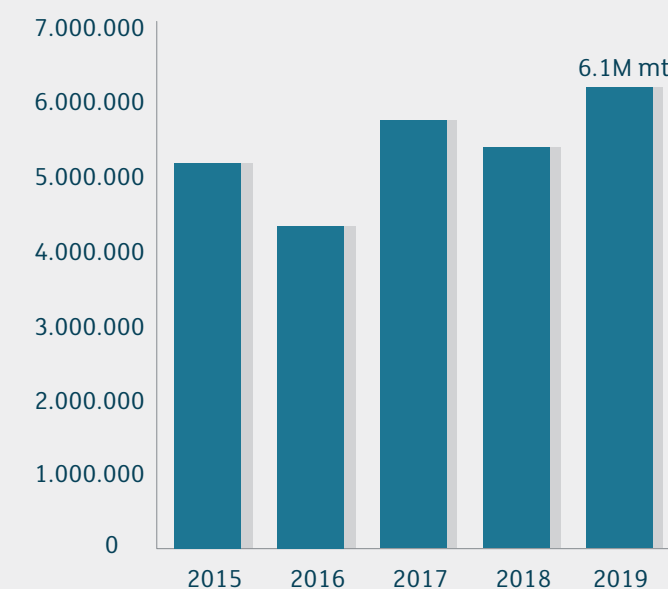
Diversification of our Crude oil trading activities

### Crude oil

BBE trades a wide range of grades from different geographic regions. Crude oil is sourced primarily from the Middle East, North Africa and Black Sea with growing volumes coming out of the Americas, Arabian Gulf, East Africa and the Far East.

While Europe remains a main area of destination of our Crude oils, in 2019 we recorded record sales in the Far East and Middle East, as well as in the U.S. where we continue to grow our activity in the pipeline business.

TRADED CRUDE OIL IN MT







## FUEL OIL

A niche player in a changing market environment

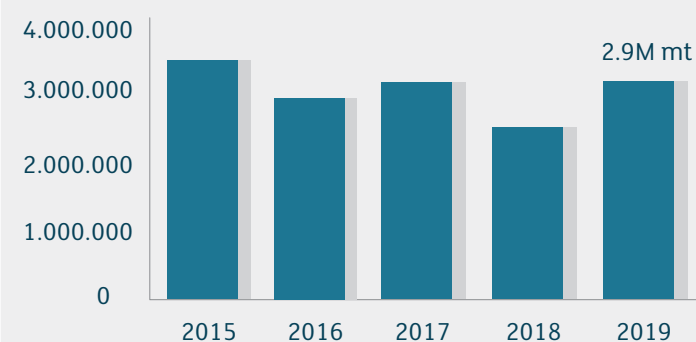
### Fuel oil

We have been one of the leading Fuel oil traders in the Mediterranean since 1972. In more recent years, our Fuel oil activities have been limited to a few countries still highly dependent on this product for their power generation and/or industrial needs.

Trading opportunities have since expanded through term supplies in other territories as diverse as the Americas, the Red Sea, the Arabian Gulf and the Indian subcontinent.

As we continuously work to diversify our portfolio to include lower carbon fuels, Fuel oil traded volumes have reduced by c. 70% since 2015.

TRADED FUEL OIL IN MT



Hypco Station  
Istanbul, Turkey

## GASOLINE

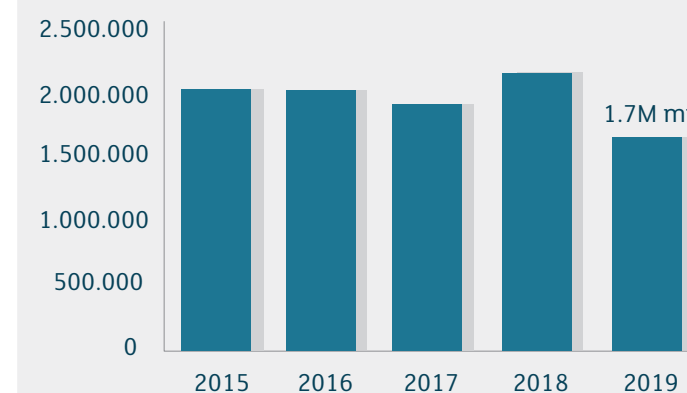
Diversifying into new markets

### Gasoline

In a very competitive environment, we maintained our market share by leveraging on our downstream system in the Eastern Mediterranean and acted as swing suppliers for the African and Arabian Gulf markets.

The Group entered in previous years the NWE market where it has storage and blending operations and continues to expand on its presence. The Group has increased its workforce in the US to grow further in both the East and West Coast markets.

TRADED GASOLINE IN MT







BBE chartered LPG floating storage  
Indian subcontinent

LPG loading operations  
Turkey

## LNG & LPG

### Developing liquid gas trading

#### LNG

BBE has developed an LNG trading desk with a dedicated team of experienced professionals and entered into a number of MSA's with leading international and national LNG producers and suppliers.

The Group concluded its first LNG cargo in 2016 followed by few other deals in South America, Europe and Asia.

We are approaching the LNG market with a strict risk management policy with the aim to gradually expand into the LNG global marketplace. In August 2020, the company signed a contract with a local partner to build a liquefied natural gas (LNG) terminal in Sardinia, Italy. We aim to complete the terminal located in Olbia by 2023.

#### LPG

BBE started trading LPG in 2015 and is one of the leading LPG suppliers to Bangladesh, supplying Omera Petroleum Ltd. (OPL) and other domestic LPG players. OPL is a fully integrated LPG terminal, bottling, and distribution facility in Bangladesh, which the Group invested in together with a local partner and an international development institution.

Within five years of establishment, OPL now sells in excess of 150,000 mt p/a of LPG and is among the top three LPG facilities in the Country.

During 2019, we chartered a VLGC floater in the Port of Dharma, India to supply mainly Bangladesh and surrounding countries.

BBE also trades LPG on long term supply contracts into Turkey where we have a JV with a local distributor and where we supplied in excess of 300,000 mt in 2019.



Feedco leased  
Base oil storage  
UK

## BASE OIL

### An established player in a niche sector

#### Base oil

During October 2016, BB Energy Trading Ltd. acquired 80% of Feedco S.A. Based in Geneva and with supporting services in Singapore, Shanghai and Manchester, Feedco offers its customers Base oil, Waxes, Petroleum jellies and Pale oils.

After three decades of activity in the Base oil, the company reached traded volumes of 500,000 mt in 2019. This success is driven by a team with a vast experience gained in different fields such as refining, shipping, distribution and blending operations.

Further, in 2019, Feedco SA, formed a wholly-owned subsidiary, Feedco USA LLC, with the aim to capitalize on Feedco's expertise and provide same type of products to the US market. The entity has already started its trading activities and leasing tanks in the USGC.

The Company has access to all major Base oil producers, refineries and distributors on a world-wide basis which ensures it can meet all requirements for any sort of Base oil.





3B owned Bitumen vessel  
3B Spirit

## BITUMEN & ADDITIONAL PRODUCTS

Fast growing trader in Bitumen

### Bitumen

We are a key player in the trading, transportation and distribution of Bitumen in the Mediterranean, Africa and the Arabian Gulf. By bridging the gap between demand markets and suppliers, BBE has crucially been able to form strong partnerships with both.

All Bitumen activities are carried out by the 3B Group.

In addition to spot-time charters we own and operate a Bitumen vessel, 3B Spirit.

### Additional Products

We continually strive to identify opportunities and relationships that complement our core business offerings. This can typically be paraffinic Naphtha and Condensate and small quantities of specialised oil products.

The Group has expanded into Biodiesel trading in the Far East as well as getting organised and certified for Biodiesel trading in Europe.

## SUMMARY OF PRODUCTS

We trade all the components of the barrel, as well as specialised oil products and gas, to meet our clients' needs

## WE TRADE:

Fuel oil  
Base oil  
Crude oil  
Gasoline  
Middle distillates  
Additional products  
Bitumen  
LNG  
LPG



# STORAGE & DISTRIBUTION





# STORAGE & DISTRIBUTION

## Oil storage

The Group owns and operates oil storage facilities in the Mediterranean, Africa and Australia. Our terminal in Mersin, Turkey has a total capacity of 12,500 m<sup>3</sup>. In Mackay, Australia our terminal has a total capacity of 75,000 m<sup>3</sup>.

We have recently acquired the largest fully integrated oil marketing company in Rwanda and expanded the storage capacity which is now 62,000 m<sup>3</sup>. We also rent strategically positioned storage facilities to support our international trading activities.

Our shareholders own and operate two storage facilities in Lebanon with a total capacity of 80,000 m<sup>3</sup>.

The terminals are operated and maintained as per international standards followed by international oil companies

## RWANDA

In April 2018, we acquired a 70% stake in Societe Petroliere Limited ("SP"), a leading downstream distribution company (and the largest fully integrated oil marketing company) in Rwanda with 35% market share and sourcing capabilities in Kenya and Tanzania.

The SP terminal, which has a storage capacity of 22,000 m<sup>3</sup>, was commissioned in Oct 2015 and was expanded by 40,000 m<sup>3</sup> in 2019. The terminal is an ISO certified state of the art storage facility incorporating latest design and technology.

SP sells approx. 150,000 m<sup>3</sup> p/a of refined products through its retail network and to wholesale customers. The business includes the following:

- approx. 51 SP branded retail stations (of which 32 are company owned)

- the largest wholesale business in Rwanda supplying major commercial and industrial customers in the Country
- HFO supply contract to all the power plants in the Country
- the largest commercial storage facility
- the operation of the government strategic stock of oil products in Rwanda

SP recently expanded its storage capacity by an additional 40,000 m<sup>3</sup> to serve a 20 year contract with the government for the Country's strategic stock. The full expansion was completed and commissioned in Oct. 2019.

We are now developing an LPG distribution business in Rwanda.



SP station  
Kigali, Rwanda



SP station  
Kigali, Rwanda

## BANGLADESH

In 2013, BBE invested in Omera Petroleum Ltd., a state of the art 9,050 mt combined LPG import terminal, bottling and distribution facility in Bangladesh along with local partner MJL Bangladesh Ltd. and FMO, a Dutch development finance institution.

BBE is one of the main suppliers of LPG to the facility with throughput capacity in excess of 150,000 mt per annum.

The main storage site is at the Port of Mongla and includes a jetty, receiving terminal, five storage spheres, bottling/filling plant, and distribution centre.

The facility also includes three satellite stations with storage bullets, bottling/filling stations, three LPG barges and distribution capabilities in Chittagong, Bogra and Gorashal/ Dhaka.



Omera Terminal  
Mongla, Bangladesh

## AUSTRALIA

In March 2017, BB Energy completed the acquisition of Pioneer Energy Terminal in Mackay, Queensland from Morgan Stanley, which also provided BB Energy with limited recourse acquisition financing.

Commissioned in 2015, Pioneer Energy is the largest Diesel terminal in Mackay with storage capacity of 75,000 m<sup>3</sup> (3 x 25,000 m<sup>3</sup> storage tanks).

It is a state of the art asset that incorporates latest design and technology. For example, it is the only terminal in Mackay that has marine loading arms for safe, efficient and fast vessel discharge (3,600 m<sup>3</sup> per hour).



Pioneer Energy Terminal  
Mackay, Australia



# STORAGE & DISTRIBUTION

## TURKEY

In Turkey, our Group owns and operates a 12,500 m<sup>3</sup> state- of-the-art storage facility in the port of Mersin which was specifically designed for the inland supply of hot Bitumen to road contractors.

This fully integrated facility is equipped with its own dedicated berth as well as shorelines to the terminal. It also has a self-heating system which utilises Fuel oil and/or LNG and offers loading directly into trucks.



Hypco station  
Istanbul, Turkey

The facility predominantly serves the local market with an annual throughput of over 50,000 mt of Bitumen a year. However, we also use it to export to neighbouring Mediterranean markets.

In September 2016, the Group acquired 51% of Citypet (subsequently rebranded Hypco), a retail and



Maris terminal  
Mersin, Turkey

distribution business in Turkey with a fast-growing retail network.

Since then, we have expanded the retail and distribution network of Hypco Turkey, which currently counts 111 stations in Turkey and has plans to reach 126 stations by end of 2020.

## LEBANON

In Lebanon, our Group shareholders are the major importers of Gasoline and Diesel to the private sector, and also own and operate two storage facilities with a combined capacity of 80,000 m<sup>3</sup>.

Hypco began trading in the early 70's and has been expanding ever since. With approximately 132 full service stations – located throughout Lebanon - Hypco currently has the second largest market share of the local retail market and sells approx. 600,000 m<sup>3</sup> per year of Gasoline, Diesel and Jet fuel.

In 2014, Hypco opened the first fully operational eco-friendly 'green' station in Lebanon, the first in the Middle East.

The company is also the exclusive distributor of Shell Lubricants in Lebanon.

With the technical assistance of Q8, Hypco has a licence to market Jet fuel at Beirut International Airport.



Jieh terminal  
Beirut, Lebanon

# HIGHLIGHTS



LPG terminal and filling facilities in Bangladesh with annual throughput capacity in excess of 150,000 mt



12,500 m<sup>3</sup> Bitumen terminal in Turkey



Two oil storage sites in Lebanon with a total capacity of 80,000 m<sup>3</sup>



Largest retail and distribution business in Rwanda with a 62,000 m<sup>3</sup> storage depot and a network of approx. 51 SP branded retail stations



75,000 m<sup>3</sup> Diesel terminal in Mackay, Australia



132 retail stations in Lebanon under the Hypco brand



111 Hypco branded retail stations in Turkey



# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK





# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK

## Introduction

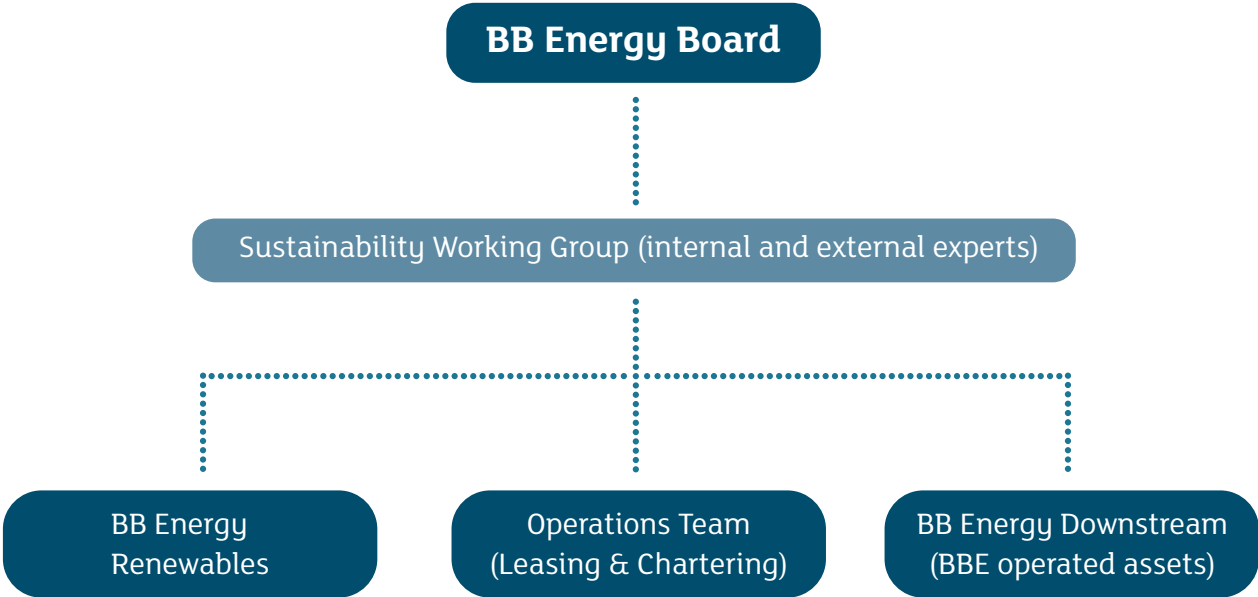
At BB Energy, we are committed to meeting the highest standards of corporate citizenship and recognise the importance of acting responsibly in our own operations and across our supply chain. We continue to strive for operational excellence to protect our employees and partners, safeguard the environment and create positive impacts on the communities where we do business. We have built deep knowledge in the trading of a range of products and this capacity will serve as a strong foundation to trade new low carbon commodities as we play our role in the energy transition to a low carbon future.

We are committed to a high level of transparency towards all our stakeholders, including investors, aiming to provide them with coherent communication on how we address Environmental,

Social and Governance (ESG) challenges and how we address climate change as a strategic business risk and opportunity.

We have retained external industry experts as well as selecting internal dedicated resources to work collaboratively via a Sustainability Working Group which reports to the Board. The Sustainability Working Group will help the Group identify emergent ESG risks, prioritise our most material

ESG issues and advise how we can strengthen and evolve our current approach to ESG risk management. The following sections outline the Group's commitments and approach on key ESG-related topics.



## Our Responsibility Principles

The following principles outline our commitments across 4 key areas:

- **Health and Safety:** To uphold robust safety standards to keep our operations, clients, employees, contractors and communities safe
- **Environment:** To minimise impact on the natural environment and leverage our expertise and long-term commitment to help transition to a lower carbon economy
- **Society:** To be a positive presence in the communities where we operate and to protect and respect the internationally recognised human rights of our employees, our contractors and those working in our supply chain
- **Governance:** To uphold the highest standard of transparency and corporate governance, and to combat bribery and corruption with our business partners across our business



# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK

## Contributing to the United Nations Sustainable Development Goals

At BB Energy, we are familiar with and believe in the role of the private sector in progressing the UN Sustainable Development Goals<sup>1</sup> (SDGs) to achieve a better and more sustainable future for all. The 17 SDGs provide a global framework to address some of the world's pressing economic, social and environmental challenges. They set out a pathway to inclusive growth and represent a call to action for the private and public sectors as well as civil society.

Whilst we acknowledge that all Sustainable Development Goals are incredibly important, we have started prioritising the goals which are most relevant to our business activities and where we can have most impact. Based on an initial assessment, we believe the following SDGs are most material and relevant to BB Energy as we build our sustainability strategy and continue to build on our operational ESG excellence. As we continue to evolve our SDG approach, we will also draw on the expertise of the International Maritime Organizations' sustainable development ambitions.





7 CLEAN ENERGY

ENSURE ACCESS TO AFFORDABLE, RELIABLE SUSTAINABLE AND MODERN ENERGY FOR ALL



8 GOOD JOBS AND ECONOMIC GROWTH

PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC, GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL



13 PROTECT THE PLANET

TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

<sup>1</sup> The Sustainable Development Goals (SDGs) were adopted by all United Nations Member States (193 governments) in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. The SDGs apply to all countries and set the priorities for governments to deliver the goals domestically. The 17 goals address poverty, hunger and climate change, among other issues central to human progress and sustainable development, such as gender equality, clean water and sanitation, and responsible consumption and production. All companies stand to gain from more resilient communities, reliable access to natural resources, and an educated and healthy population to support their workforce and business engagement is considered critical in helping meet the SDGs.

## CLIMATE CHANGE

We recognise that climate change is a global challenge that will present risks for communities and businesses around the world. We are aware that climate change has the potential to impact our business resilience and viability via both physical impacts (e.g. extreme weather events and rising sea levels) and by transition impacts (e.g. policies and regulations to address greenhouse gas emissions, emergence of low carbon solutions or changing consumer preferences). We accept that certain areas of our business either directly or indirectly contribute to global carbon emissions, predominantly from our shipping activities and the products we trade (known as “scope 3” carbon emissions).

We are aware of the increasing interest from stakeholders in how we are responding to the challenges presented by climate change. 2019 saw a step change in climate activism and increased traction in ESG financing and ESG scrutiny from investors.

We support the ultimate goal of the Paris Agreement to limit the rise in the average global temperature well below 2° Celsius, but also accept that our industry will continue to have a role in supplying affordable, reliable energy that is essential for economic development, quality of life and eradication of poverty. As a responsible corporation, we strongly believe our role needs to support and

drive the transition to a low carbon future.

As we continue to develop our approach to managing climate-related risk and opportunities meet the Sustainable Development Goal 13 on Climate Action, we will draw on the framework outlined by the Financial Stability Board's “Task Force on Climate-related Financial Disclosure<sup>2</sup>” (TCFD) which covers an organisation's climate-related governance, strategy, risk management and metrics.

As we assess and adapt our business model to align with the energy transition, we have taken steps to adjust our trading strategy to increase our share of renewables investments and liquid gas trading.

### Transition into renewables and biofuels

We have recently established the BB Energy Renewables Division with the purpose of investing, building and managing renewables projects. This will grow our initial successful renewables investment (in the Electric Vehicle charging infrastructure sector in the UK) followed by developing Solar/Battery Hybrid Energy projects in Africa.

We are committed to increasing our renewables portfolio in order to reduce our fossil fuel trading over the longer term. We look forward to reporting on its progress in future years.

<sup>2</sup> The Task Force on Climate-Related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board (an international body dedicated to promoting global financial resiliency by monitoring risks and recommending adjustments). Its goal is to establish consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. These recommendations are voluntary and are in place as guidelines to assist businesses in identifying and sharing both risks and opportunities they face as a result of climate change. In turn, investors, lenders, insurers and other participants in the market will have a more complete picture when assessing the value of those companies and the risks they face.



# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK

## Case study: Supporting the decarbonisation of the UK transport sector

BB Energy Renewables Division has completed its first investment in the pioneering Electric Vehicle (EV) Charging Infrastructure Investment Fund (CIIF) which is managed by the private equity fund Zouk Capital. This landmark fund has been set up to promote and invest in the UK's EV infrastructure to facilitate and promote greenhouse gas emissions and air pollutant reductions of the UK's transport sector. It will also help support the UK's role as a global leader in the EV revolution.

The Fund is expected to achieve savings of 387,000 tonnes of carbon dioxide emissions and 3,500 tonnes of nitrogen dioxide across the UK. One of the key focuses is to build a dense network of rapid charging points across the UK (InstaVolt EV charging network). This first venture design illustrates our ambition in the broad renewable spectrum, making energy transition a reality for a sustainable and profitable growth.



As part of our energy transition, following Biodiesel trading in the Far East, we are also preparing for Biodiesel trading in Europe and following external audit results, we recently achieved the International Sustainability and Carbon Certification (ISCC) EU scheme. All our traded Biodiesel will be certified using the ISCC EU scheme. Biofuels (made from vegetable oil) can be blended with existing fuels

such as Gasoline and Diesel to help decarbonise the transport sectors. We are cognisant of the challenges with respect to the sourcing of responsible biofuels and biomass and will strive to ensure the commodities we trade have been produced following rigorous sustainability standards.



## Certifying sustainable biofuels: The International Sustainability and Carbon Certification EU system

ISCC has been developed through an open multi-stakeholder process and is governed by an association with more than 140 members, including research institutes and Non-Governmental Organisations (NGO's). As a no-deforestation standard with a strong commitment to protect forests, high-carbon stock lands and biodiversity, ISCC helps support biomass and other raw materials to be produced in an environmentally, socially and economically sustainable manner.

As we continuously work to diversify our portfolio to include lower carbon fuels, Fuel oil traded volumes have reduced by approximately 70% since 2015.



## Increasing our portfolio of lower carbon fuels

Whilst we acknowledge its status as a fossil fuel, cleaner burning Liquefied Natural Gas (LNG) is helping to diversify the fuel mix and reduce air pollution as a fuel for heavy-duty road transport and shipping. Given its important role in the energy transition, we are expanding our LNG portfolio, specifically:

- In 2016, we established an LNG trading desk and agreed Master Sale and Purchase Agreements with most of the main LNG market participants
- Since 2017, we have been an active participant of the global LNG market, with various spot and term contracts spanning from the Americas to the Far East

- In 2020, we signed an agreement with a local partner to develop an LNG terminal in Italy to supply LNG to Sardinia to support the shift from coal and oil derivatives for domestic and industrial use to gas

Separately to the growth of LNG, our investment in a new Liquefied Petroleum Gas (LPG) terminal and distribution business in Bangladesh and our expansion plans in Rwanda into LPG, have allowed us to supply those domestic markets and enabled local communities to switch from burning firewood to bottled gas for cooking. This has therefore helped reduce GHG emissions, improve community health, reduce deforestation and enable households to spend less time collecting firewood.



# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK

## OPERATIONAL HEALTH, SAFETY & ENVIRONMENT

### Our exposure to climate-related physical risks is likely to grow

We recognise that the effects of global warming will result in an increase in the frequency and intensity of weather-related incidents (e.g. drought, flooding, cyclones, high-precipitation events). An increase in these types of events has the potential to affect our operations and safety so we are working to assess business resiliency and ensure our operations are prepared.

As a physical commodity trading business, we are inherently exposed to health, safety and environmental (HSE) risks presented by the storage, handling, and transportation of physical products. We have implemented appropriate policies and procedures across our operations and continue to refine our approach to operational HSE excellence.

Our own storage facilities and physical storage sites:

- Are governed by HSE policies, outlining key requirements and procedures to protect our people, contractors, customers, the public and the environment
- Our operated storage assets in Turkey and

Rwanda are recently built, incorporating state of the art design including the highest levels of HSE protection

- At our Mackay operations in Australia, we have implemented a Cyclone Plan which set out the actions and designated responsibility to be taken in preparation for the cyclone season, and in the event of a cyclonic event to ensure the appropriate communication and actions are undertaken at the different stages of the cyclones to ensure ship movements, shipping operations and personnel remain safe
- The Environmental, Health and Safety Management Systems (covering policies, plans procedures and records) controlling our majority owned operated storage assets are certified to international standards such as “ISO14001” (covering environmental risks) and “OHSAS 18001” or “ISO 45001” (covering safety risks)
- Third parties who operate and maintain our owned facilities are leading operators which we thoroughly vet against our own procedures and standards



### Case Study: Operating Responsibly at our Rusororo Storage Terminal, Rwanda

The Rusororo terminal in Kigali, Rwanda is a 62,000 m<sup>3</sup> capacity facility, controlled by BB Energy and operated by Societe Petroliere Limited. Operational safety and environmental protection at the terminal are controlled via a comprehensive system of policies and procedures, covering site security, environmental management, pollution prevention, emergency preparedness and response, and incident reporting amongst other. The terminal management systems are audited systems are ISO certified for quality, environment and health and safety (9001, 14001, and OHSAS 18001 respectively) and they are audited on a regular basis.

At Rusororo, a HSE Committee is in place, comprised of 5 employees and meets on a monthly basis to address any findings from audits, assess the effectiveness of the HSE procedures, follow up on corrective actions from previous months and to monitor status of any reported incidents. A training programme is in place for each employee to ensure everyone is able to identify and manage HSE related issues on site.

Hydrocarbon products are predominantly transported by third-party trucking fleets. Any third parties are required to meet certain safety, security and environmental requirements and this is confirmed via a vetting procedure conducted by Societe Petroliere Limited.

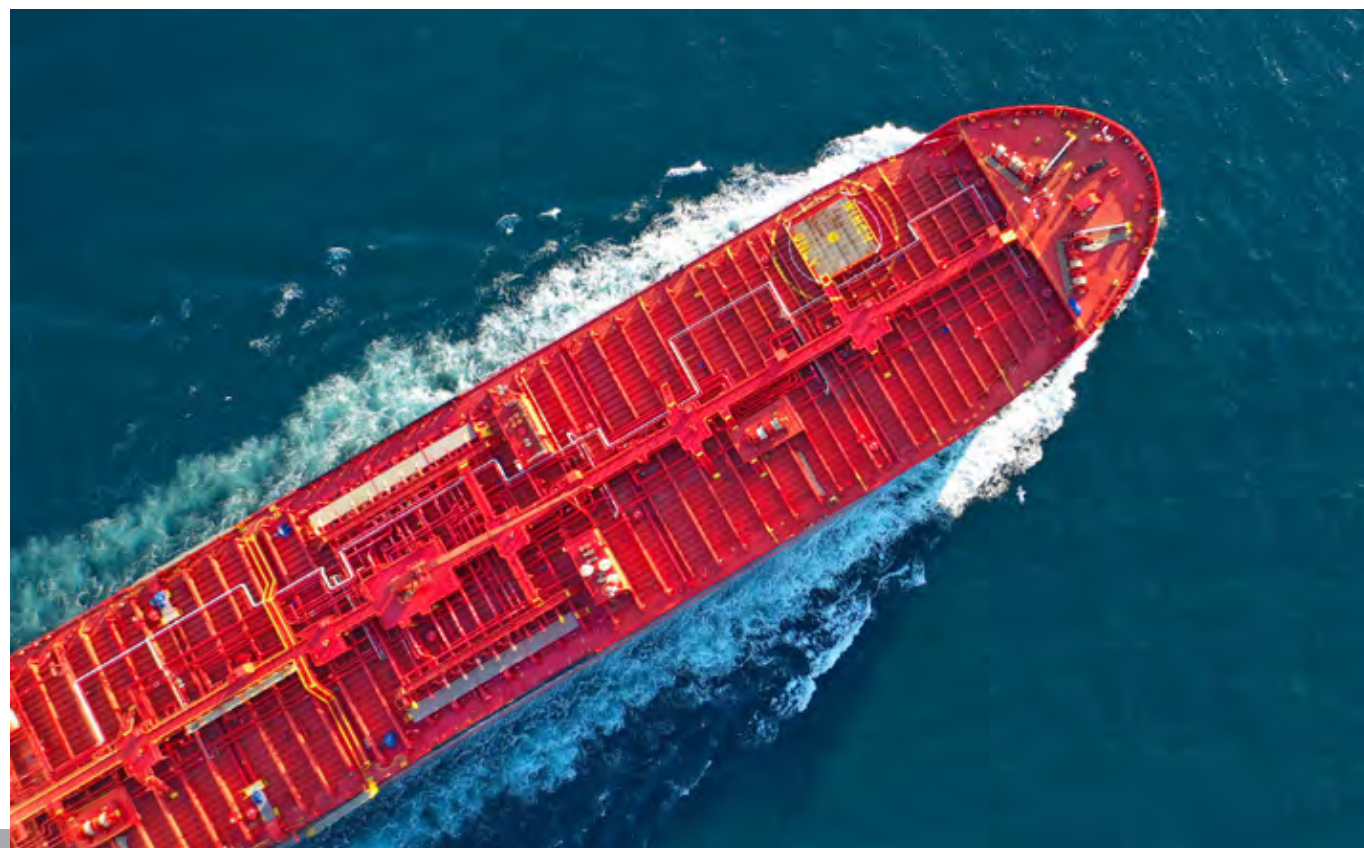


# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK

## Vessel Leasing

BB Energy through third party chartering counterparties, charters vessels globally to transport hydrocarbons from terminal to terminal and for ship to ship loading and discharge. BB Energy is committed to ensure that the vessel has valid classification society certificates and passes the “Ship Inspection Report Programme” (SIRE) according to international standards. Our vessel chartering procedures cover the following:

- Vessels which are sanctioned (owning company, managers or pools) are prohibited and are tracked via a separate monitoring system. In order to protect charterers against possible sanctioning of a fixed vessel, a sanctions clause is inserted into the charter party terms and conditions
- Owners undertake that the vessel is a tanker owned by a member of the International Tanker Owners Pollution Federation Limited (which covers the losses and damages incurred by oil spills and promotes effective oil spill response)
- Vessels are also legally required to comply with the International Management Code for the Safe Operation of Ships and for Pollution Prevention
- All chartered vessels are vetted in line with our company standards and chartering is in line with the International Ship and Port Facility Security Code, which enhances the security of ships and port facilities; and
- All commercial shipping agreements are contractualised by industry leading Terms and Conditions respecting laws and marine regulations which include key pollution prevention and safety-related requirements



## Storage leasing

BB Energy frequently leases third-party owned storage facilities. Prior to selecting storage, the Group uses internationally recognised independent inspectors to vet the facilities and perform due diligence. In addition to stringent requirements around tank conditions and cleaning regimes, from an operational HSE perspective, our vetting procedure also confirms the adequacy of the following aspects:

- Environmental permits
- Safety/ Personal Protective Equipment policies
- Safety procedures
- Tank bunding (to prevent fuel being released into the environment in case of leak or explosion)
- Fire fighting capability and equipment
- Emergency shutdown system and
- Security arrangements

For other relevant areas of operations:

- From a supply chain perspective, we further enhanced our Know Your Customer (KYC) process to now include sustainability related questions from all our business counterparts in an attempt to further promote attention to sustainability across the industry
- All our products are covered by a comprehensive insurance policy requiring industry standard risk controls (including HSE risks)



# OUR ENVIRONMENTAL, SOCIAL & GOVERNANCE FRAMEWORK

## SOCIAL IMPACT

### Modern Slavery and Human Rights

As part of our commitment to combat modern slavery, we have implemented various policies, systems and controls to safeguard against any form of modern slavery that could occur within the business or our supply chain. This includes:

- Publishing an internal Anti-Slavery Policy to ensure that employees are aware of our commitments and their responsibilities in relation to modern slavery, and know how to report and escalate any concerns
- Carrying out due diligence processes as part of our KYC procedures on our potential and existing business operations, business partners and suppliers to ensure that we engage appropriately with them, and that they have not been convicted of any modern slavery offences and other potential human rights violations
- Delivering ad-hoc training to ensure that relevant employees understand the risks of modern slavery, human trafficking and forced labour and understand what to do if they suspect any breach of our policies, including our Anti-Slavery Policy

Like many business risks, we will continue to review our business activities and supply chains and continue to identify certain worksites, regions or vulnerable workforces where modern slavery risks may be present and will implement more proactive measures where necessary.

### Supporting Communities

The successful growth of our family business into a global player is reflected through the expansion of our support for both local and global initiatives. We support NGO's and charitable organisations where we have a business presence and that share our

objectives in education and health to deliver meaningful impact. This is reflected through our support of various healthcare, social initiatives, fellowship programs particularly in the Middle East where our business originated, but also in Africa, the USA, and Singapore where we maintain a commercial presence.

We established a fellowship program at Wharton School, a global leader of management education, for MBA students from Middle Eastern heritage; where our CEO is also an alumnus and member of the Wharton School's Executive Board for Europe, Africa, and the Middle East. The Bassatne Department of Chemical and Petroleum Engineering at the University of Beirut supports academic and research agendas, enhance innovation and funds scholarships.

Through donations to various charities and NGOs, we support initiatives that focus on assisting disadvantaged children, orphans, the elderly, families, individuals with special needs, and those that have been displaced, to access healthcare and other necessary social services to improve their welfare. One example is our partnership with Give a Child a Brighter Future, whose emphasis is on providing essential healthcare for various orphanages, urgent hospitalisation, life-saving operations, and vital medical equipment to hospitals.

We have a dedicated employee strategically coordinating our community initiatives, directly reporting to the CEO. Over time we will continue to expand our social investments to continue to focus more strategically on how our Foundation can be leveraged to support the UN SDGs particularly community objectives in the key areas where we operate.

### Case Study: Supporting Communities in Beirut

The Beirut Explosion on the 4<sup>th</sup> Aug., 2020 caused over 202 deaths, 6,500 injuries, and more than \$15 billion property damage and leaving an estimated 300,000 people homeless. BB Energy partnered with three local NGO's "Give a Child a Brighter Future", "Nusande" and "Beb w'Shebbek" to rehabilitate 2,050 residential units in neighbourhoods that have incurred severe damage from the explosion. These units include 80-120 sqm houses of lower-income families, small shops, pharmacies, and clinics. The aim is to ensure that the victims have access to secure shelter and help to return to their homes.

## GOVERNANCE

### Organisational structure

The Group is managed by the Board of Directors comprised of executive and non-executive members and senior management. The Group has in place an organisation chart with key functions and reporting lines.

The physical trading activities of the Group are organised in Trading Books covering various products or specific regions which are all carried out as per the Trading and Compliance Policy. Each Trading book is managed and supervised by a Global Head who is empowered to enter into physical term contracts or spot Deals, or delegate, subject to specific conditions and limits. All the Trading activities are supervised and coordinated by the Global Head of Trading or the Global Head of Bitumen and Liquid Gases.

### Business ethics

Our business activities are governed by the Group's Anti- Bribery and Corruption Policy which detects and prevents bribery and corruption.

### Case Study: Supporting Communities in Rwanda

Given our strategic downstream business in Rwanda, we are also expanding our support to the "Right to Play" initiatives. The use of sport and play within and outside the education system to promote life skill development and improve retention rates allowing children to complete their education and lay the foundations for children's future development in Rwanda. The program focuses on children and young people in disadvantaged communities and trains young leaders to become champions in their local communities including empowering females who are traditionally harder to reach within these communities.

The Compliance Committee has primary and day-to-day responsibility for implementing this Policy, and for monitoring its use and effectiveness. Management at all levels is responsible for ensuring those reporting to them are made aware of and understand this Policy. Training on this Policy forms part of the induction process for all new workers and all existing workers receive annual training on how to implement and adhere to the Policy. Internal control systems and procedures are subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

In addition to the above, we have systems and control mechanisms in place in relation to our Anti-Bribery and Corruption policy, and as part of our KYC process and recruitment procedures to support our stance that we will not knowingly deal with or support any business and individuals involved in anti-social or criminal behaviour.



# RISK MANAGEMENT





# RISK MANAGEMENT

By their very nature, our activities expose us to a variety of risks, the most relevant being market price, credit, governance/ organisational, operational, and reputation.

Mitigating these risks successfully is fundamental to the short, medium and long-term success of our business. BB Energy has established and implemented Trading and Compliance, Risk management, and Credit Policies and Procedures, which are reviewed periodically.

## Market price risk management

- Market price risks monitored daily to ensure compliance with the Group policy
- All physical trades systematically hedged by the Group
- Market price risk mitigated by utilising financial derivatives such as swaps, futures and options
- Residual risk monitored on a daily basis
- Profit and loss (P&L) for each trade reviewed daily and any material P&L variations are investigated and reported
- Team of ten professionals in various locations dedicated to the risk management activities
- The implementation of Symphony (Amphora) ETRM system has now been successful for our US activities and we now plan to roll out the implementation to the other main trading and operation hubs of the Group. We expect to conclude the implementation by the end of summer 2021

## Credit risk management

- Credit risk monitored on an ongoing basis
- The Credit department has been re-organised and now includes a Credit Manager and a dedicated Credit Insurance Officer
- The Credit department is fully in charge of liaising with the insurance market
- Credit risk mitigated by letters of credit issued by Investment Grade banks in our favour
- Open account trades with major international oil companies as well as independent players in the energy industry are assigned specific limits; any excess is laid off to the banking and insurance

- markets, in accordance with our internal credit policy
- We have a number of master discount agreements with some of our core banks for the discounting of open account receivables with no recourse to BBE
- In the last five years, the Group has been regularly accessing the credit insurance market, on a single name/ single cover basis, as well as on a portfolio basis

## Governance/organisational risk management

- The physical trading activities of the Group are organized in trading books covering various products or specific regions which are all carried out as per the Trading and Compliance Policy
- Each trading book is managed and supervised by a Global Head who is empowered to enter into physical term contracts or spot deals, or delegate, subject to specific conditions and limits
- Term contracts are subject to both cargo limits and duration limit
- Spot deals that are back-to-back physical deals are not subject to any specific volume limitation
- Unallocated short or long positions in any of the trading books are subject to specific volume limits per book and per trader
- All the trading activities are supervised and coordinated by the Global Head of Trading or the Global Head of Bitumen and Liquid gases

## Operational risk management

- Our chartering division has decades of experience of chartering and managing vessels. Standard



- loading and unloading procedures are in place and supervised by our staff in Athens
- Independent 'third-party' inspectors are employed at load and discharge ports to provide confirmation of quality and quantity as per contractual terms
- All our products are covered by a comprehensive insurance policy to ensure proper risk controls, in line with industry standards. These cover: transit, storage, including product loss, contamination, and pollution. Where required, our company takes additional insurance in some countries such as political risk insurance, war insurance and piracy insurance with on average of 20 years of relevant experience, our operations teams systematically apply consolidated system procedures. These cover the entire logistics chain, including invoicing and demurrage activities
- BBE implemented Health, Safety, and Environmental (HSE) guidelines on the storage it operates, following international standards
- BBE implemented Health, Safety, and Environmental (HSE) guidelines on the storage it operates, following international standards

## Reputational risk management

- Contracts are only signed with reputable buyers and suppliers; this process requires prior compliance of the Counterparty with internal KYC procedures
- Every new Counterparty is required to fill in a

- New Counterparty Form and to provide the required documentation, which mainly includes questionnaires, corporate documents and policies that also include ESG information
- The Compliance department uses a Global Screening tool called 'World Check', to identify any PEPs, Sanctions or Adversities. These are continually monitored once the Counterparty has been approved and the KYC clearing is subject to periodic review depending on the risk classification
- In 2017, BBE strengthened and reorganized the Compliance department which now has seven professionals reporting to a Head of Compliance, and rolled out a new detailed KYC Policies and Procedures manual
- Full compliance with international sanctions and embargoes is implemented and monitored across the Group
- Other internal policies implemented include: Anti-bribery and Corruption, Anti-Slavery and Preventing the Facilitation of Tax Evasion

## Other risks

- Liquidity risk is actively managed by maintaining conservative cash reserves in the Group at any given time
- Foreign exchange (FX) exposure is limited to local currency overheads in the various Group offices and is hedged as and when required



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