

Principal Risks and Uncertainties

The Board of DCC is responsible for the Group's risk management systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives, and for the approval of the Risk Management Policy, Risk Appetite Statement and the Group Risk Register.

There is a comprehensive process for the identification and management of risk, including individual subsidiary, divisional and Group risk registers. Further details

of the Group's risk management systems and internal controls are set out under 'Risk Management and Internal Control' in the Corporate Governance Statement on pages 68 to 73 and in the Audit Committee Report on pages 74 to 77.

The principal risks and uncertainties facing the Group in the short to medium term are set out below, together with the principal mitigation measures. This is not an exhaustive statement of all relevant risks and uncertainties. Matters which are not currently known to the Board or

events which the Board considers to be of low likelihood could emerge and give rise to material consequences.

The mitigation measures that are maintained in relation to these risks are designed to provide a reasonable and not an absolute level of protection against the impact of the events in question.

Other longer term risks, such as climate change, are discussed in the Sustainability Report on pages 49 to 57.

Risk and Impact		Principal Mitigation Measures
Strategic risks and uncertainties		
Economic downturn	The economic outlook for many of the markets in which the Group has operations remains highly uncertain. A further economic downturn could adversely affect the Group's profitability, increase the risk of counterparty failure and reduce its ability to access capital markets.	<p>Sensitivity analysis is applied to planning and budgeting models across the Group. There is a constant focus on working capital management, cash generation and meeting ROCE targets.</p> <p>The Group transacts with a variety of highly credit rated functional institutions for the purpose of placing deposits and entering into derivative contracts. The credit exposure to counterparties is actively monitored to ensure compliance with limits approved by the Board.</p> <p>The Group's financial position remains strong with significant cash resources and relatively long term debt maturities.</p>
Acquisitions	Growth through acquisition is an integral part of Group strategy. A failure to identify, execute and properly integrate acquisitions could prevent profit targets from being achieved and impede the strategic development of the Group.	<p>Group and divisional management teams engage in a continuous and active review of potential acquisitions.</p> <p>All potential acquisitions are subject to an assessment of their ability to generate a return on capital employed in excess of the cost of capital and their strategic fit within the Group. The Group conducts a stringent internal evaluation process and external due diligence prior to completing any acquisition. Group and subsidiary management have significant expertise in and experience of integrating acquisitions.</p> <p>Post-acquisition performance is reviewed to ensure anticipated integration benefits, financial performance and returns on capital employed are achieved.</p>
Operational risks and uncertainties		
Weather impacts on trading	Demand for some of the products sold by the Group, most notably heating products sold by the Energy division, is directly related to weather conditions. The inherent uncertainty of weather conditions therefore presents a risk to profits generated by that division.	The Energy division is expanding its operations in the non-heating segments of the market, primarily in transport fuels (with a particular emphasis on retail petrol stations), in marine and in aviation.
Managing talent	The Group's devolved management structure has been fundamental to the Group's success. A failure to attract, retain or develop high quality entrepreneurial management throughout the Group will impede its strategic objectives.	<p>The Group maintains a constant focus on this area with structured succession planning, management development and remuneration programmes, incorporating long and short term incentives, in place. A graduate recruitment programme has also been established.</p> <p>These programmes are reviewed regularly by Group Human Resources, divisional management, the Chief Executive and the Board.</p>
Key supplier and customer relationships	As certain Group subsidiaries derive a significant part of their revenue from key suppliers and customers, the loss of any of those relationships would have a material financial impact on that subsidiary.	The Group as a whole trades with a very broad supplier and customer base. Close commercial relationships exist with all our suppliers and customers and there is a constant focus on providing a value added service to them.



Risk and Impact		Principal Mitigation Measures
Operational risks and uncertainties (continued)		
Major health & safety or environmental incident	A major fire, explosion, multiple vehicle accident or environmental incident could result in serious injury, loss of life, damage to property and significant disruption to operations. Incidents of this nature could in turn give rise to legal liability, significant costs and damage to the Group's reputation.	<p>All Group subsidiaries operate environmental, health and safety (EHS) management systems appropriate to the nature and scale of their risks. Within the Energy division in particular there is a strong focus on process safety and ongoing communication with the relevant safety authorities.</p> <p>Emergency response and business continuity plans are also in place to minimise the impact of any significant incidents that take place.</p> <p>Inspection and auditing processes are in place in relation to EHS management systems. These checks are conducted by the subsidiaries in question, by the Group EHS function and by external assurance providers, as appropriate.</p> <p>Insurance cover is maintained at Group level for all significant insurable risks.</p>
Product quality	Some of the Group's subsidiaries operate manufacturing or product processing facilities. Poor product quality, most notably in the Healthcare and Food & Beverage divisions, could affect customer or public safety. Incidents of this nature could in turn give rise to legal liability, significant costs and damage to the Group's reputation.	All manufacturing and product processing facilities operate quality management systems, which are subject to regulatory review and licencing requirements. Quality assurance processes are in place to ensure finished products are produced in accordance with regulatory requirements and applicable specifications. External independent resources are engaged where additional assurance is required.
Compliance risks and uncertainties		
Regulation and compliance	DCC operates across five divisions in thirteen countries and must comply with a broad range of legislation and regulation. Failure to comply with legal and regulatory obligations or react appropriately where non-compliance is identified could result in enforcement action, legal liability and damage to the Group's reputation. Changes to the regulatory environment in which we operate could also adversely affect our operations.	<p>All Group subsidiaries have recorded their key legal and regulatory obligations and the controls they have in place to ensure those obligations are met. Primary responsibility for compliance rests with subsidiary management, who are supported by the Group Compliance function which provides detailed support on legal and regulatory issues and audits compliance across the Group.</p> <p>The Group monitors significant proposals for change in its regulatory environment and takes appropriate action to ensure compliance where necessary.</p>
Crime	The Group is potentially subject to a variety of criminal threats including fraud, particularly in relation to payments, and theft of product.	<p>The security of the Group's IT and banking systems are subject to both external and internal review and are updated and improved as needed. Other internal controls against fraud are maintained in every subsidiary and are monitored at Group level.</p> <p>Suitable controls are in place against physical crime such as theft and vandalism.</p> <p>The Group also maintains fidelity insurance in relation to risks in this area.</p>
Financial risks and uncertainties		
Commodity price fluctuations	The Group is exposed to commodity cost price risk in its Energy division, in both its oil distribution and LPG distribution businesses.	Commodity cost price movements are immediately reflected in oil commodity sales prices and within a short period in LPG commodity sales prices. Approved matching forward contracts and hedges are used where price movement exposures exist.
Access to credit	The continued growth and expansion of the Group's operations increases demand for credit at a time when credit availability has become more restricted globally.	The Group's financial position remains strong with significant cash resources and relatively long term debt maturities. There is a continued focus on working capital management, cash generation and managing supplier and customer relationships.

Details of the internal controls in place for financial risks facing the Group are addressed in detail under 'Financial Risk Management' in the Financial Review on pages 42 to 48.