Effective Risk Management

We are exposed to a variety of uncertainties that could have a material adverse effect on the Company’s financial condition, operational results and reputation.

Our Board recognises that effective risk management is critical to enable us to meet our strategic objectives. The Board establishes the control environment, sets the risk appetite, approves the policies, and delegates responsibilities under our Enterprise Risk Management Framework (ERM). The Audit Committee, under delegation from the Board, monitors the nature and extent of risk exposure for our principal risks. Details of the activities of the Audit Committee are in the Corporate Governance section of this report commencing on page 52.

Our Risk Management Approach

Our ERM facilitates a consistent, Group-wide approach to the identification, assessment and prioritisation of risks, including the way in which they are managed, monitored and reported as shown in the diagram opposite. The framework is designed to support the delivery of our vision and strategy as described on pages 4 and 24 of this report.

Our framework involves a continuous exercise of “bottom up” risk review and reporting and “top down” risk review and oversight.

The bottom up risk management exercise is performed by businesses across our Group. They identify significant risks to achieving their objectives and specify mitigation strategies to manage these risks. The risks are assessed on the basis of impact and likelihood, enabling prioritisation of major and significant risks. This is a continual process, and may be associated with a variety of financial, operational and compliance matters including organisation structures, business strategies, disruption to information technology systems, competition, natural catastrophe and regulatory requirements. These risks are collated in risk profiles and are reported at local, regional and Group level. The top down exercise includes interviews with senior management executives.

The output from the aggregated results of the top down and bottom up exercises culminates in a list of principal risks which are agreed with the Executive Committee, prior to review by the Audit Committee.

The Group Head of Risk Management works to establish and implement our risk management policy, independently reviews and challenges risk information, compiles and analyses risk profiles, monitors risk management processes within the Group, and regularly reports on risks to our oversight bodies including the Board.
Managing our Risks: Our Three Lines of Defence

We operate a model with three levels of defence, enabling Group-wide accountability for risk management and the control environment. The three lines of defence are:

**First line of defence**
Businesses across the Group perform day-to-day risk management activities, with quarterly risk reviews by management and the creation of risk mitigation strategies. It is their responsibility to maintain an effective risk and control environment as part of daily operations. This includes regular monitoring and review by regional management of the processes and controls to ensure alignment with the Group’s policies and appetite for risk.

Each year the Group performs an extensive process of self-certification to assess the effectiveness of risk management and internal controls and confirm compliance with Group policies. The self-certification was completed at full year and a summary provided by Group Internal Audit to the Audit Committee.

**Second line of defence**
Corporate oversight mechanisms monitor our significant risks. Regional management and other corporate functions including Finance, Safety and Environment, Human Capital, IT, Company Secretariat, Legal, Tax, Insurance, Risk and Treasury develop policies and procedures and undertake other activities to mitigate a wide range of risks including employee retention, financial control, bribery and corruption and business continuity. They provide support to the businesses across the Group to ensure objectives are met within risk tolerance levels and hold regular updates with management.

**Third line of defence**
Independent assurance to the Board over the Group’s risk management, control and governance processes is provided by Group Internal Audit, in addition to other assurance functions.

The Board and Audit Committee provide oversight and direction in accordance with their respective responsibilities. Further information is available in the Corporate Governance section of this report commencing on page 52.
Our Principal Risks

The nature of our business is long-term, which means that many of our risks are enduring in nature. However, risks can develop and evolve over time and their potential impact or likelihood may vary in response to internal and external events.

During 2015, we continued to monitor and review the principal risks relating to the Group’s business performance that could materially affect our business, financial condition and reputation. While other risks exist outside those listed, we have made a conscious effort to disclose those of greatest importance to our business. A summary of our principal risks and how these could affect our strategic objectives is included below. The nature and management of these risks is further described on pages 43 to 47.

Accepting that it is not possible to identify, anticipate or eliminate every risk that may arise and that risk is an inherent part of doing business, our risk management process aims to provide reasonable assurance that we understand, monitor and manage the principal uncertainties we face in delivering our strategic objectives. We employ controls and mitigation strategies to reduce these inherent risks to an acceptable level. Our principal risks and uncertainties will evolve as these controls and mitigating activities succeed in reducing the residual risk over time, or as new risks emerge.

Many risk factors remain beyond our direct control. The Enterprise Risk Management Framework, however effective, can only provide reasonable but not absolute assurance that key risks are managed to an acceptable level.

<table>
<thead>
<tr>
<th>Risk trend</th>
<th>Develop and operate a world-class portfolio of assets and create innovative trade solutions</th>
<th>Identify unique and visionary opportunities that strengthen world trade</th>
<th>Manage risk/return to drive sustained long-term shareholder value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing</td>
<td>• IT Systems - Infrastructure Failure and Cyber Threat • Labour unrest</td>
<td>• Legal and Regulatory • Macroeconomic Stability</td>
<td>• Geopolitical</td>
</tr>
<tr>
<td>Stable</td>
<td>• Major Projects – Development and Planning • Safety Risk • Environmental – Climate Change • Business Ethics</td>
<td>• Industry capacity • Customer Consolidation</td>
<td>• Financial Risks</td>
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<tr>
<td>Reducing</td>
<td>• Employee Attraction and Retention</td>
<td></td>
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</tbody>
</table>
Macroeconomic Instability

Risk Description & Impact
Container handling correlates with GDP growth of the global economy. Market conditions in many of the geographies where we operate can be challenging due to macroeconomic or geopolitical issues, which can potentially impact our volume growth and profitability.

Currency weakness, making imports relatively expensive, can have an adverse impact on domestic demand, resulting in lower volume growth.

How we Manage our Risk
- Measures have been taken to minimise exposure and mitigate the impact of any downturn in the macroeconomic environment. Our business remains focused on origin and destination cargo which is less susceptible to economic instability. Although our focus on faster-growing emerging markets may result in volume volatility in the short-term, we believe that the medium to long-term prospects remain solid. We aim to deliver high levels of service to meet our customers’ expectations and continue to proactively manage costs.
- We have a well-diversified global portfolio of investments across a number of jurisdictions, spreading our concentration risk due to an even geographical spread of our business activity.

Financial Risks

Risk Description & Impact
Our Group operates in many geographies around the world. Within the scope of our normal business activities, we are exposed to financial risks that include liquidity needs, availability of capital to achieve our growth objectives, foreign currency and exchange rate volatility.

The outlook for the banking and capital markets, particularly in the context of emerging markets, remains uncertain. This is in large part due to differing, albeit somewhat coordinated, policy by the various Central Banks (including the Federal Reserve) on quantitative easing and the tapering thereof.

How we Manage our Risk
- Our balance sheet remains strong with a net debt to adjusted EBITDA of 3.2 times in 2015 and the only major refinancing due in 2017.
- The Group has a committed facility of $3 billion of which only $0.5 billion has been drawn with the balance remaining for draw down.
- Our tariffs are predominantly US Dollar based, providing us with a natural hedge against foreign exchange risk. Our internal policy is to mitigate all asset-liability mismatch risk where possible and hedge against interest rate risk.

Industry Capacity

Risk Description & Impact
The utilisation of our operations is influenced by any available capacity to handle container volumes. If port authorities tender many projects simultaneously and create capacity beyond medium-term demand, this will lead to overcapacity in that market. An increase in capacity can lead to intensified competition between port operators, resulting in weak pricing power, loss of revenue and low return on investment.

How we Manage our Risk
- Barriers to entry are typically high in the container terminal industry due to the capital intensive nature of the business.
- Our focus on gateway locations means we are usually the terminal of choice.
- We bring on capacity in line with demand with a view to avoiding overcapacity.
- The Group’s investment in deep-sea capacity allows us to handle ultra-large vessels and offers a competitive advantage.
- In many jurisdictions where there are ramp-up risks associated with new capacity, we are able to seek terms with the port authorities to restrict the granting of additional capacity until a reasonable level of ramp-up has been achieved.
Major Projects – Development and Planning

Risk Description & Impact

Major projects contribute significantly to reshaping our portfolio and delivering our strategy. We are involved in number of high-value, long-term projects that can take months or years to complete. These projects can be subject to delays and cost overruns due to delays in technology development, equipment deliveries, engineering problems, work stoppages, unanticipated cost increases, shortages of materials or skilled labour or other unforeseen problems. Failure to deliver these major projects can expose the Group to the risk of reduced profitability and potential losses.

How we Manage our Risk

- Our internal process for the approval of major contracts continues to be enforced and improved with authority levels and strict procurement processes in place to make sure vendors are properly pre-qualified and filtered and contracts negotiated to mitigate any identified project risks. Large scale contracts with large monetary value require several levels of approval, up to the level of our Board. Project risks are regularly assessed, mitigated and managed by the Project Management Department (PMD).
- Highly skilled project management individuals are engaged for each project, assigned to oversee the project and actively manage risks throughout the implementation stage in line with the PMD procedures and best practices project management standards.
- Strategic equipment procurement and implementation controls are in place throughout the duration of projects and clear lines of responsibility assigned to the project implementation team.
- Where multilateral or bank finance is a source of funding, the projects are required to meet internationally established project financing requirements. Where appropriate, financing packages are structured and covenants set to ensure sufficient headroom to accommodate non-material delays.

Geopolitical

Risk Description & Impact

The Group seeks new opportunities and operates across a large number of jurisdictions, resulting in exposure to a broad spectrum of economies, political and social frameworks. Political instability, changes to the regulatory environment or taxation, international sanctions, expropriation of property, civil strife and acts of war can disrupt the Group’s operations, increase costs, or negatively impact existing operations, service, revenues and volumes.

How we Manage our Risk

- We have a well-diversified global portfolio of investments across a number of geographical jurisdictions which spreads our risk.
- Our experienced business development team undertakes initial due diligence and we analyse current and emerging issues and maintain business continuity plans to respond to threats and safeguard our operations and assets.
- Authoritative and timely intervention is made at both national and international levels in response to legislative, fiscal and regulatory proposals that we feel are disproportionate and not in our interests. Ongoing security assessments and continuous monitoring of geopolitical developments along with engagement with local authorities and joint venture partners, ensures we are well positioned to respond to changes in political environments.
## IT Systems, Infrastructure Failure and Cyber Threat

### Risk Description & Impact

Our business operations are supported by Information Technology systems that maintain a high degree of availability, integrity and security. A breach or failure of our IT systems and infrastructure due to natural risks including floods and hurricanes, physical attack, fire, explosion, power failure, the unforeseen impact of IT changes to new and existing systems, and failure of key suppliers may disrupt our business operations.

With the increasing pace of technological innovation and change, the use of social media and the evolving sophistication of cyber threats, corporates are targets for malicious and unauthorised attempts to access their IT systems for information and intelligence. Our Group could be compromised by an incident that breaches our IT security. This could result in liabilities, including claims, loss of revenue, litigation and harm to the Group's reputation.

### How we Manage our Risk

- We analyse current and emerging issues and maintain business continuity plans to respond to threats. We safeguard our operations and assets with robust IT disaster recovery plans in place.
- We focus on maintaining a secure IT environment to protect our corporate data.
- We have established quality information security processes, procedures and controls in place to address IT security risks across the Group. Global IT and Group Internal Audit work together to provide assurance on IT security across the Group.
- Risk is mitigated through a decentralised approach, with a spread of servers and networks across the business.

## Customer Consolidation

### Risk Description & Impact

Our major and middle-tier customers are expected to continue to form alliances and change their strategy on preferred ports and hubs which could lead to downward pressure on tariffs and profit margins.

### How we Manage our Risk

- We focus on high levels of customer service and develop sustainable, high-value and trusted customer relationships throughout our portfolio.
- We have a customer contract strategy in place. Senior executive sponsors are in constant dialogue with our customers and we maintain a watching brief on all markets.
- We operate customer engagement projects to improve and extend supply chain relationships.
- We remain focused on origin and destination cargo, which is less affected by competition than transhipment cargo.

## Safety Risks

### Risk Description & Impact

The nature of our operations exposes us to a range of health and safety hazards that could result in harm to our employees, third parties and communities near our operations. In addition to harm, impacts could include regulatory action, legal liability, increased costs and damage to our reputation.

### How we Manage our Risk

- The Board and senior management are committed to creating a safe culture throughout the Group and regularly monitor the implementation of our safety strategy at our terminals which includes employee training, regular audits and management objectives in relation to the safety of our people.
- Terminal management is responsible for local terminal safety risks and is supported by safety guides, operational manuals, procedures and oversight from our local, regional and Global Safety teams, which co-ordinate consistent approaches to safety risks.
- These risks are stabilised through rigorous and continuous monitoring and review by management.
- We have established safety risk assessment and verification tools.
- Contractors must agree to specific safety standards and procedures that are aligned with our safety policies prior to commencing work on our terminals.
Environmental – Climate Change

Risk Description & Impact

DP World’s terminal operations are energy-intensive and our mobile equipment fleet largely depends on fossil fuels. 98% of our CO2e emissions (including direct and indirect emissions) result from the use of fossil fuels in the form of diesel and electricity.

We operate under numerous national and regional regulations, with increasing laws governing environmental protection matters such as carbon emissions. A breach in any of these regulations can result in the Group facing regulatory action and legal liability, including penalties and remediation obligations, increased costs and damage to our reputation.

How we Manage our Risk

• We have a dedicated team responsible for continually reviewing regulatory risks, focused on retrofitting of existing equipment and innovation towards cleaner, more efficient technologies and a focus on best practice policies and procedures as well as risk reduction, energy efficiency initiatives and researching alternative energy sources.
• We monitor and report our carbon emissions globally.
• Further information on our environmental initiatives and performance is in the sustainability section of this report commencing on page 28.

Business Ethics

Risk Description & Impact

Acting in an ethical manner, consistent with the expectations of customers, consumers and other stakeholders, is essential to protect the reputation of DP World and our corporate performance. Despite our commitment to being an ethical business and the steps we take to adhere to this commitment, a risk remains that behaviour or events will occur that fall short of our expected standards.

We comply with a wide range of local and international anti-corruption and bribery laws. As our business spreads geographically, we are increasingly operating in countries identified as having a higher risk of bribery and corruption. We also have to ensure compliance with trade sanctions, and import and export controls. Failure by our employees, or agents to comply with these regulations could result in substantial penalties, criminal prosecution and significant damage to our reputation. This could in turn impact our future revenue and cash flow. Allegations of corruption or bribery or violation of sanctions regulations could also lead to reputation and brand damage with investors, regulators and customers.

How we Manage our Risk

• DP World has a Code of Ethics and an Anti-Bribery policy in place, with a zero tolerance approach to bribery and fraud and has developed online training and fraud risk workshops across the Group to raise awareness and promote compliance.
• We have an anti-fraud framework in place for preventing, detecting and responding to frauds to meet the stringent requirements of the UK Bribery Act. This is particularly focused on higher risk regions to ensure the Group’s policies are understood and enforced.
• We have a whistleblowing hotline and a dedicated compliance mailbox for reporting any concerns. These are investigated and reported to the Audit Committee on a quarterly basis.
• We provide new starters and existing employees with training on anti-bribery and corruption as part of the induction process.
• We have a gift and hospitality register and approvals process.
## Employee Attraction and Retention

<table>
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<tr>
<th>Risk Description &amp; Impact</th>
<th>How we Manage our Risk</th>
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| Our people are fundamental to the long-term success and growth of our Company. The attraction, retention, development and succession of senior management and individuals with key skills are critical success factors in the achievement of our strategy. Failure to attract or retain these employees can result in increased costs to the Group and affect our business continuity and productivity levels. | • This risk is reducing as we continue to invest in our people and their performance.  
• Retention strategies are in place for identified scarce skills.  
• We promote a safe working environment for our employees and operate a global ‘health and wellbeing’ programme.  
• We continuously monitor and benchmark our remuneration packages in order to attract and retain employees of a suitable calibre and skill set.  
• The DP World Institute develops and delivers training programmes across all levels, focused on improving operational and managerial competencies.  
• Effective performance management remains a high priority and is regularly monitored across the Group.  
• Staff turnover rates are monitored and are currently stable. |

## Labour Unrest

<table>
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<tr>
<th>Risk Description &amp; Impact</th>
<th>How we Manage our Risk</th>
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| Labour strikes and unrest or other industrial relations disputes pose a risk to our operational and financial results. Unions are now communicating trans-nationally and coordinating actions against multi-national companies. Dealing with issues in isolation is therefore becoming more challenging. Some of our Group’s employees are represented by labour Unions under collective labour agreements. The Group may not be able to renegotiate agreements satisfactorily when they expire and may face industrial action. In addition, labour agreements may not be able to prevent a strike or work stoppage and labour disputes may arise even in circumstances where the Group’s employees are not represented by labour Unions. | • We have an engagement strategy with Unions and employees in those areas most affected by employee disputes. This includes multi-year agreements and clearly assigned responsibilities for maintaining close relationships with Unions locally and nationally. We are proactive and timely in our responses to the needs of the Unions. A senior management representative holds a Chairperson role on the European Works Council which provides a forum to interact directly with Union representatives on a timely and continuous basis.  
• We continue to monitor operational downtime arising from local disputes.  
• We conduct employee engagement surveys bi-annually, with a formal process for following up on employee concerns. |

## Legal and Regulatory

<table>
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<tr>
<th>Risk Description &amp; Impact</th>
<th>How we Manage our Risk</th>
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| Our Group is subject to detailed local, regional and global laws and regulations across different jurisdictions. These laws and regulations are becoming more complex and increasingly stringent and are subject to various legal and regulatory obligations. New legislation and other evolving practices could impact our operations and increase the cost of compliance. Failure to comply with legislation could lead to substantial financial penalties, disruption to business, personal and corporate liability and loss of reputation. | • The Group monitors changes to regulations across its portfolio to ensure that the effect of any changes are minimised and compliance is continually managed.  
• Comprehensive policies, procedures and training are in place to promote legal and regulatory compliance. |