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 ("ERM") Framework. 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 Framework 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 18 and 19 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 reviewed and debated by the Audit Committee.

The Group Head of Risk Management works to establish and implement the ERM 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.

During 2016, we established an ERM Committee involving senior executives to provide a greater degree of oversight on the principal risks that may impact our Group.

DP World's assessment of strategic, operational, project and sustainable development related risks.

1 Risk Identification

A robust methodology is used and a broad spectrum of risks are considered to identify key risks at local, regional and Group level, as well as for major projects. This is consistently applied through the development and ongoing implementation of the ERM Framework.

2 Risk Assessment and Prioritisation

Once risks are identified, they are evaluated to establish root causes, financial and non-financial impacts and likelihood of occurrence. Consideration of risk treatments is taken into account to enable the creation of a prioritised risk profile.

3 Risk Mitigation Strategy

The risk mitigation strategy is based upon the assessment of potential risk exposure and the acceptable risk tolerance levels. Management controls are designed to mitigate risks, and their effectiveness and adequacy are assessed. If additional controls are required, these are identified and responsibilities assigned.

4 Reporting and Monitoring

Management is responsible for monitoring progress of actions to treat key risks and is supported through the Group's internal audit programme, which evaluates the design and effectiveness of controls. The risk management process is continuous and key risks are reported to the Audit Committee.

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 regular 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 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 2016, 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 33 to 37.

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.

	Strategic Objectives		
Risk trend	**Develop and operate a world-class portfolio of assets and create innovative trade solutions**	**Identify unique and visionary opportunities that strengthen world trade**	**Manage risk/return to drive sustained long term shareholder value**
Increasing	• IT Systems – infrastructure failure and cyber threat • Safety risk	• Legal and Regulatory • Macroeconomic Instability • Industry Capacity • Customer Consolidation	• Geopolitical
Stable	• Major Projects – development and planning • Labour unrest • Environmental – climate change • Business Ethics		
Reducing	• Employee attraction and retention		• Financial Risks

Macroeconomic Instability

Risk Description and Impact	How We Manage our Risk
Container handling correlates with GDP growth of the global economy. This correlation was historically higher at a rate of 2 to 1, but today this rate is closer to 1 to 1. 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.	• 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 and Impact	How We Manage our Risk
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.	• Our balance sheet remains strong with a net debt to adjusted EBITDA of 2.8 times in 2016 and the only major refinancing due in 2019. • During the year a new Sukuk was issued for $1.2 billion, which was used to refinance the majority of the Sukuk falling due during the year. • The Group entered into an agreement with CDPQ for a $3.7 billion investment platform, with two of the Group's Canadian terminals used as the seed investment. This provides the Group with access to funds for further expansion in the future (refer to Note 34). • The Group refinanced the project finance debt in London Gateway, for £650 million, with a new debt, at a lower cost, for 30 years, with an average life of 20 years, pushing out the repayment and hence, having more cash available for investing into the Group. • The Group has a committed revolver credit facility of $2 billion of which none has been drawn to date. • Our tariffs are predominantly USD 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 and Impact	How We Manage our Risk
The utilisation of our operations is influenced by any available capacity to handle container volumes. In some jurisdictions port authorities tender many projects simultaneously and create capacity beyond medium-term demand, which 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.	• 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.

Our Principal Risks continued

Major Projects – Development and Planning

Risk Description and Impact	How We Manage our Risk
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 due to their nature, are exposed to geopolitical events, forces of nature, unforeseen site conditions, technology development and equipment deliveries, amongst other external factors which can result in delays or cost overruns. Failure to deliver these major projects can expose the Group to the risk of reduced profitability and potential losses.	• Our Pre-qualification criteria and process continues to be enhanced, with comprehensive information being collected and managed to make sure our contractor list is solid and companies are categorised according to their actual skills and recent performance on other contracts. Relationships with top-tier vendors are constantly developed and managed, securing top management commitment from Contractors to our projects. Procurement processes in place make sure contracts are rigorously negotiated to mitigate any identified project risks. Project risks are constantly assessed, mitigated and managed by the Project Management Department ("PMD") during the project planning and execution stage. • Several levels of approval are in place for the large-scale contracts up to the level of our Board. • In addition to the involvement of highly skilled project management individuals on each project, more attention is being placed to the planning stage of projects, to avoid and address eventual project liabilities, following PMD procedures and best practices of 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 and Impact	How We Manage our Risk
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.	• We have a well-diversified global portfolio of investments across a number of geographical jurisdictions which spreads our risk. We also actively maintain a mix between investing in emerging markets and developed markets to balance our risk return profile. • Our focus on the more resilient origin and destination cargo also lowers the risk of volatility. • 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 and Impact

Our business and operations are increasingly dependent on information technology to drive the efficiencies of its operations, ensure integrity in information and business workflows, integration to stakeholders including customers and government authorities, ensuring that port operations and its machinery operate continuously. As a logistics company, the use of IT applications is core to our competitive advantage.

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 regularly review and evaluate all software, applications, systems, infrastructure and security tools to ensure that the best available software and systems are installed and used by our Group.
- All software and systems are upgraded or patched regularly to ensure that we minimised our vulnerabilities.
- Each of our business units has an IT disaster recovery plan.
- Our security policies and Infrastructure tools are updated regularly or replaced regularly to keep pace of changing and growing computer threats.
- We have online training courses for our employees for training on the proper use of our computer systems and computer security.
- Our security Infrastructure is updated regularly and connectivity to our partners' systems is monitored and logged.

Customer Consolidation

Risk Description and Impact

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

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 contact engagement 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 and Impact

The industry we operate in has a great interaction between people and heavy equipment/loads, which expose us to a range of health and safety hazards. The potential impacts could include harm to our people, regulatory action, legal liability, increased costs and damage to our reputation. Our ultimate goal is zero harm to our employees, third parties and communities near our operations.

How We Manage our Risk

- Our Board of Directors is fully committed to creating a safety culture throughout the Group. We 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.
- We continue to record and report on all safety impacts at business units to the Board and senior management. This includes collecting, analysing, reporting and monitoring data on a monthly basis in order to measure the safety performance of our business units.
- We investigate all incidents and have a working group in place to highlight trends, reduce risk factors and identify and implement measures aimed at eliminating future incidents.
- 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.
- A Vendor Code of Conduct has been established to ensure contractors selection criteria is aligned with our safety policies prior to commencing work on our terminals.

Our Principal Risks continued

Legal and Regulatory

Risk Description and Impact	How We Manage our Risk
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. We are expanding geographically and therefore we are exposed to more and more laws and regulations when operating our businesses. New legislation and other evolving practices could impact our operations and increase the cost of compliance. For example, the UK Bribery Act applies to all our operations worldwide. We need to constantly monitor compliance on our existing operations and business development opportunities. Another example is competition law and merger control rules which are applicable in almost all jurisdictions. We must ensure that we operate in compliance with these rules. This is even more critical in our industry that has few players, few competitors, and few customers. Regulators across the world exchange data and scrutinise companies on a global level. 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. • Ongoing dialogue with our external lawyers to maintain knowledge of relevant legal developments in the markets where we operate. • Ongoing dialogue with our Regions to proactively be aware of changes in the way business/operations are conducted and be in a position to advise accordingly.

Business Ethics

Risk Description and Impact	How We Manage our Risk
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 laws, e.g. anti-corruption and bribery laws and the Modern Slavery Act. As our business spreads geographically, we are increasingly operating in countries identified as having a higher risk of exposure to these laws. 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.	• DP World has a Code of Ethics and Anti-Bribery Policy in place, with a zero tolerance approach to bribery and fraud and has developed online training and fraud risk awareness 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 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 vendor code of conduct to ensure vendors comply with these laws and a gift and hospitality policy for all employees.

Employee Attraction and Retention

Risk Description and Impact	How We Manage our Risk
Our people are fundamental to the long term success and growth of our Group. 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 could 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. • We partner with some of the most reputable learning institutions, such as London Business School and Harvard, for the development of our leaders. • We have entered into agreements with the leading recruitment and search firms to support us as and when needed. • Effective performance management remains a high priority and is regularly monitored across the Group. • We have in place a succession planning strategy for critical roles in the business, which forms part of our Talent Management process. • Staff turnover rates are monitored and are currently stable.

Labour Unrest

Risk Description and Impact	How We Manage our Risk
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, nationally, and internationally. • 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 every two years, with a formal process for following up on employee concerns. • We continue to develop a response capability to address and offset the impact of work stoppages as a result of labour disputes within the local regulatory and legal framework we operate under.

Environmental – Climate Change

Risk Description and Impact	How We Manage our Risk
Our operational activities are driven by the consumption of fossil fuels and electricity which, in turn, emit pollutants including greenhouse gases. DP World's activities and operations are a crucial link in the supply chain of goods and we recognise that our Group has a responsibility to reduce emissions. Currently, there are numerous national and regional regulations and laws governing environmental protection issues 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.	• We have a dedicated team responsible for continually reviewing regulatory risks and which actively engages with policymakers and governments to assist in managing and mitigating any risks associated with regulatory changes. • Operational terminals, executives, managers and technical leaders play an important role in developing strategies and actions to combat the adverse potential effects of climate change through planning, modification of infrastructure and retrofitting, etc. • We continue to monitor and report our carbon emissions to the Board and senior management and globally to stockholders. • Further information on our environmental initiatives and performance is in the sustainability section of this report commencing on page 38.