

SUPPLY
CHAIN
INTEGRITY
POLICY



DCC

DOING THE RIGHT THING

INTRODUCTION

Businesses in the DCC Group buy and sell large volumes and a wide variety of products every year. Building long-term mutually-beneficial relationships with the suppliers of those products is a key part of our success as a business.

This is true whether we are:

- acting as a distributor of the supplier's products,
- where the supplier is supplying products for sale under one of our own brands or
- where we are purchasing raw materials for use in manufacturing.

In every case, it is essential that our suppliers are able to meet the legal and ethical standards that we and our customers expect – and which, in many cases, the law requires.

Those standards can be varied and complex. However, they fall into two broad areas:

- **Product Quality:** Are the products themselves safe and do they meet applicable manufacturing, environmental and labelling standards?
- **Product Integrity:** Even if the products themselves are safe and compliant, have illegal or unethical business methods, such as bribery, exploitation of employees, unsafe working practices, or a breach of trade controls been used in their manufacture or transport?

This Supply Chain Integrity Policy sets out how businesses across the DCC Group should address these issues. It is designed to ensure that we manage our legal and ethical obligations in an efficient and effective manner. It is also designed to be flexible enough to reflect the wide range of activities that take place across the Group.

The advantage of having efficient and effective controls in this area are numerous. In the first place, we can be confident that we are meeting our legal obligations. But in addition, it allows us to strengthen the supplier and customer relationships that are so important to our business.

The directors of each business in the DCC Group are responsible for ensuring that the requirements of this Policy are met in all areas of their activities.

Tommy Breen
Chief Executive

WHEN DOES THIS POLICY APPLY?

This Policy applies to every business in which DCC plc has a controlling interest. In this Policy these are called "DCC Group businesses".

The directors of each DCC Group business must ensure that this Policy is followed in all areas of their activity.

Businesses in which DCC plc does not have a controlling interest should be requested to comply with this Policy or adhere to equivalent standards to those set out here.

WHAT HAPPENS IF THIS POLICY IS NOT FOLLOWED?

A deliberate or negligent failure to adhere to this Policy may result in disciplinary action, up to and including dismissal.



HOW DOES THIS POLICY RELATE TO OTHER DCC POLICIES?

This Policy adds detail to the Product Integrity section of our Business Conduct Guidelines.

This Policy sits alongside and is complementary with other Group policies, including our Anti-Bribery & Corruption Policy, which contains sections on carrying out checks on suppliers before we deal with them and on doing business in high-risk countries.

WHAT IS COVERED BY THIS POLICY?

This Policy sets out on page 10 the general position of DCC plc in relation to the integrity of the products sold by Group businesses. The Policy then sets out specific steps that must be taken by DCC Group businesses in the following areas:

1. Risk Assessment
2. Product Quality Controls
3. Product Integrity Controls
4. Record Keeping

In each of these areas, this Policy sets out minimum requirements and guidance on how to meet those requirements. The requirements are clearly compulsory. It is not compulsory to follow the guidance. However, where it is not followed the directors of the DCC Group business in question should be able to demonstrate why this is appropriate.

WHAT AREAS ARE NOT COVERED?

When putting in place relationships with new suppliers, DCC Group businesses should ensure that a suitable contract is signed and that insurance for relevant risks (such as product liability or product recall costs) is considered. This Policy makes reference to contractual and insurance issues, but they are not addressed directly by this Policy.

GOVERNANCE

The Compliance Questionnaire that issues periodically to all DCC Group businesses will include a number of questions on compliance with this Policy. In addition, it will be reviewed as part of our internal audit programme.



KEY TERMS

EEA means the European Economic Area which is comprised of European Union member states, Norway, Iceland and Liechtenstein.

EU means the European Union, the members of which are available at www.europa.eu/about-eu/countries/index_en.htm

When assessing product quality risks:

a **High Risk Product** is one that, if not properly manufactured or stored, might be unsafe;

a **Medium Risk Product** is one that is very unlikely to be unsafe, even if not properly manufactured or stored, but that needs to be certified or otherwise meet specific regulatory standards to be sold;

a **Low Risk Product** is one that is highly unlikely to be unsafe, even if not properly manufactured or stored, but and that does not need to be certified or otherwise meet specific regulatory standards to be sold.

When assessing product integrity risks:

a **High Risk Supplier** is a supplier located outside the EEA;

a **Medium Risk Supplier** is supplier with whom we have no existing relationship, even if they are located in the EEA;

a **Low Risk Supplier** is a supplier with whom we have an existing relationship and which has suitable controls in place in relation to product quality and product integrity risks.



GROUP SUPPLY CHAIN INTEGRITY POLICY STATEMENT

DCC plc is committed to ensuring that all of the products sold by Group businesses are safe and compliant with applicable legal and regulatory standards.

DCC plc is also committed to ensuring, insofar as practicable, that the products bought and sold by Group businesses are manufactured and transported without any:

Bribery or any other form of corrupt practice;

- Failure to comply with environmental protection laws
- Exploitation of workers, including, but not only, through slavery and human trafficking;
- Unsafe working practices;
- Breach of applicable trade export control laws;
- Money laundering and terrorist financing;
- Failure to comply with applicable tax laws.

DCC plc will ensure that businesses within the DCC Group maintain suitable policies and procedures to provide reasonable levels of assurance that these policies are met.

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PRODUCT QUALITY AND INTEGRITY

Requirement

Every business in the DCC Group must have a suitable written process to assess both the product quality and product integrity risk created by each of its supply relationships.

Guidance

The procedures that are required by this section of the Policy should not be more detailed than necessary. A DCC Group business that purchases only Low Risk Products from Low Risk Suppliers does not need to carry out very complex risk assessments. On the other hand, a DCC Group business that buys High Risk Products from Medium or High Risk Suppliers will need more detailed processes and greater expertise to assess and control their supply chain risks.

An example of a risk assessment process is set out on the next page.



1. RISK ASSESSMENT

High Risk Product	Yellow	Red	Red
Medium Risk Product	Green	Yellow	Red
Low Risk Product	Green	Green	Yellow
	Low Risk Supplier	Medium Risk Supplier	High Risk Supplier

The following are examples of controls that can then be put in place based on this risk assessment:

Suitable clauses (to confirm (1) that products are safe and comply with applicable legal and regulatory standards in the countries where they will be sold and (2) that the supplier will adhere to the DCC Group business code of conduct) are included in the contract.

Supplier completes suitable questionnaire. Background check is carried out. A sample of products and certification paperwork is independently assessed. Suitable contract clauses are included as above.

Supplier completes suitable questionnaire. Detailed background check is carried out. The supplier's site is audited. All products independently and regularly tested and certification paperwork is checked. Suitable contract clauses are included as above.

In the interests of efficiency, DCC Group businesses should ensure that their commercial, product quality and product integrity controls operate in an integrated way. This may mean for instance that a single checklist is issued to new suppliers covering commercial, product quality and product integrity issues, rather than having separate processes in place.

2. PRODUCT QUALITY CONTROLS

Requirements

1. Every DCC Group business must have in place suitable policies and procedures to ensure that all of the products it sells are:
 - Safe for the purposes for which they will be used.
 - Compliant with applicable legal and regulatory standards in each country where they will be sold.
 - Where required, either legally or because of customer requirements, certified (e.g. CE certification for some products that are to be sold in the European Economic Area (EEA)).
2. At a minimum, this means that where a DCC Group business is importing a product from outside the EEA for resale within the EEA, it must carry out checks to confirm that the product meets applicable EU quality and, where they exist, certification standards.
3. If a DCC Group business does not have the internal expertise to assess whether any particular product is safe, compliant and, where applicable, certified, it must appoint a suitable third party to carry out this assessment. This assessment must be carried out before the product is sold by the DCC Group business to any customer.

Guidance

Many of the products sold by DCC Group businesses in the EEA are covered by EU product quality and environmental standards and must contain the CE mark or other certifications. Examples include pharmaceuticals, medical devices, cosmetics and consumer electronics.

Information on product standards and on the use of the CE mark, including the categories of products that must display the mark where they are sold in the EEA, is available on the official EU site www.newapproach.org.

DCC will maintain and make available to any Group business on request a list of third parties who are carry out product testing. Where a third party is used to carry out product assessments, it should be clear whether they will be responsible for maintaining records of those assessments or whether that will be done by the DCC Group business. Please see section 4 of this Policy on record keeping.

Contracts with suppliers should make clear that it is the supplier's responsibility to ensure that all products supplied to the DCC Group business are safe, compliant with applicable legal and regulatory standards in the country where they are to be sold and appropriately certified.

3. PRODUCT INTEGRITY CONTROLS

Requirements

1. Every DCC Group business must have a suitable supplier code of practice setting out the minimum standards of integrity that it expects its suppliers to meet. This code may be adopted at divisional level.
2. Every DCC Group business must request its High and Medium Risk Suppliers to confirm that they will adhere to the standards set out in that supplier code of practice or their own equivalent standards where they are no less robust.
3. Every DCC Group business must assess the integrity risk and controls maintained by its High and Medium Risk Suppliers before they are appointed.
4. If a supplier does not have suitable integrity controls in place, the DCC Group business must decide if it can assist that supplier in improving its controls or not. If not, the DCC Group business must not buy any products from the supplier in question.

Guidance

DCC Group businesses may wish to issue a single questionnaire covering both product quality and product integrity issues to new suppliers. A template questionnaire will be maintained by DCC for this purpose.

DCC Group businesses can issue their questionnaire to suppliers for example in Word or Excel. However, there are a range of service providers who will issue a questionnaire to suppliers and other third parties. Where a DCC Group business has relationships with a large number of suppliers, such a service provider should be used.

4. RECORD KEEPING

Requirement

1. Each DCC Group business must maintain suitable records to enable it to demonstrate that it has complied with this Policy.
2. Records maintained under this Policy must be kept for [seven years from the last date on which a product is sold], unless there is a legal requirement to maintain them for longer.

Guidance

If a third party is being used to do product testing and/or product integrity checks they can be asked to keep records to show that those checks have been done.



CASE STUDY NO.1

A business in the DCC Healthcare division wants to appoint a supplier of fish oil, an ingredient in supplement tablets. The manufacturer is located in North Africa in a high-risk country.

Stage 1: Initial Risk Assessment

The product we are buying will be used to make a product for human consumption. Therefore it is a High Risk Product. In addition, there is no existing relationship with the supplier, they are located in a high-risk country, so the supplier is a High Risk Supplier.

Stage 2: Checks and Testing

The DCC business sends its standard form questionnaire to the supplier, covering relevant product quality and product integrity issues. The supplier completes and returns this questionnaire. Their responses indicate that they have strong product quality controls in place. However, they do not have any controls to ensure that they only buy fish oils from sustainable sources.

At the same time as this questionnaire is being assessed, a background check report is carried out on the supplier. This report shows that the supplier has been criticised by a number of charities and non-governmental organisations (NGOs) for exploiting the fishermen it buys from.

In addition, the DCC Group business carries out its own testing on a sample of the fish oils. This testing confirms that the product is of a high standard.

Stage 3: Discussions with the Supplier

The DCC business discusses the issues identified at stage 2 with the supplier. They confirm that they are putting in place controls to ensure that they only buy fish from sustainable sources, partly because of the criticism they received. They advise that they will be fully ISO certified within 6 months.

Stage 4: Decision on Appointment of Supplier

The DCC business decides that it will appoint the supplier once it has achieved ISO certification.

CASE STUDY NO.2

A business in the DCC Technology division wants to act as distributor for a new mobile phone supplier. The supplier is located in the US and we will be purchasing directly from them. This means that we will be the importer of the products into the EU.

Stage 1: Initial Risk Assessment

The product we are buying is a Medium Risk Product because, although it is very unlikely to be unsafe, it needs to be certified to be sold in the EEA. Because we are purchasing from a supplier who is outside the EU, the supplier is a Medium Risk Supplier.

Stage 2: Checks and Testing

The DCC Group business appoints an independent testing company to carry out product testing on the mobile phone and confirm that it has been CE certified. The company provides a report on the phone to the DCC Group business and also keeps a copy on file in case there are product quality issues in the future.

At the same time, the DCC Group business asks the US supplier to complete its standard form questionnaire on product integrity issues. They also have a background check done on the supplier. These indicate that the US supplier has strong controls in place in this area and has not been the subject of any regulatory investigations or adverse media coverage.

Stage 3: Appointment of the Supplier

A contract is agreed with the Supplier which appoints us as their distributor. This contains a clause under which the products supplied will all be safe and compliant with EU standards and that the supplier will adhere to the ethical standards set out in the code of practice that the DCC Group business has put in place.

CASE STUDY NO.3

A business in the DCC Energy division wants to purchase home heating fuel for resale from a new supplier. The supplier is a large multinational oil company, with a supply depot located close to the DCC business in question.

Stage 1: Initial Risk Assessment

The product we are buying is a Medium Risk Product because it is unlikely to be unsafe but is subject to certain quality standards. Because we are purchasing from a supplier who we have dealt with for a long time and who is located within the EU, the supplier is a Low Risk Supplier.

Stage 2: Checks and Testing

The DCC Group business asks the supplier to complete its standard form questionnaire on product integrity issues. This identifies that the supplier has a suitable range of policies and procedures to ensure that the products it sells are of high quality and have not been sourced unethically or illegally.

Stage 3: Appointment of the Supplier

A contract is agreed with the Supplier which appoints us as their distributor. This confirms that (1) the product supplied will be safe and suitable for use as home heating fuel and (2) that the supplier will adhere to the ethical standards set out in its own code of practice and related policies and procedures.



USEFUL INFORMATION

[Add weblinks to useful sources. Sources should be official (e.g. EU, OECD, ILO) and permanent (e.g. no consultations).]

STOP & ASK

QUESTIONS?

If you are unsure about how to apply this Policy in practice, please ask your line manager or another member of management where you work. You can also contact any of the following people

Darragh Byrne

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STOP & ASK

HOW TO RAISE A CONCERN

If you believe that this Policy is not being followed you have an obligation to raise a concern. You can contact a member of management in the business where you work; you can contact the Head of Group Legal & Compliance in DCC plc; or you can contact **Safecall**, an independent service for raising concerns:

You can use the following Freephone numbers:

Country	Freephone number
United Kingdom	0800 915 1571
Ireland	1800 812740
France	00800 72332255
Austria	00800 72332255
Germany	00800 72332255
Sweden	0850 252 122
Denmark	00800 72332255
Norway	00800 72332255
Poland	00800 72332255
Belgium	00800 72332255
The Netherlands	00800 72332255
Mexico	01800 1231758
China Unicom	10800 7440605
China Telecom	10800 4400682
USA	1 866 901 3295

This service is available 24 hours a day, every day of the year.

You can use their website:

www.safecall.co.uk/report

You can email:

dccgroup@safecall.co.uk

Remember, you will always be supported if you raise a concern about a breach of this Policy. Retaliation against any person who raises a concern is strictly prohibited.



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