

SUPPLY CHAIN INTEGRITY POLICY



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RIGHT
THING

DCC

CHIEF EXECUTIVE'S INTRODUCTION



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

This applies in all cases, including where:

- We are acting as a distributor of the supplier's products;
- The supplier is supplying products for sale under one of our own brands; or
- 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 that, 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?
- **Supplier Integrity:** Even if the products themselves are safe and compliant, have illegal or unethical business methods, such as bribery, exploitation of employees, slavery, 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.

Donal Murphy

Chief Executive

WHEN DOES THIS POLICY APPLY?

This Policy applies to every business in which DCC plc has a controlling interest (a "DCC Group business").

The directors of each DCC Group business must ensure that this Policy is followed in all areas of their activity. In this Policy the term "director" refers to any company director or any person who sits on the leadership team or management board of the DCC Group business in question.

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?

Compliance with this Policy will reduce the risk of enforcement action against DCC Group businesses because of problems with products. It will also improve relationships with customers and reduce the likelihood of product liability claims being brought. Therefore the directors of every DCC Group business should ensure that this Policy is applied in an effective manner.

A deliberate or negligent failure by a director of any DCC Group business to comply with 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 Quality and Supplier Integrity section of our Code of Conduct.

This Policy sits alongside and is complementary to other Group policies, including our Anti-Bribery & Corruption Policy, which contains sections on carrying out checks on third parties 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 5 the general position of DCC plc in relation to the integrity of the products sold by DCC 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. Supplier 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 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, compliance with this Policy will be reviewed as part of the Group Internal Audit programme.

GROUP SUPPLY CHAIN INTEGRITY POLICY STATEMENT

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

DCC plc is also committed to ensuring, as far as practicable, that the products bought and sold by DCC 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 sanctions or export control laws;
- Money laundering and terrorist financing;
- Failure to comply with applicable tax laws.

DCC plc will ensure that DCC Group businesses maintain suitable policies and procedures to provide reasonable assurance that this Policy is met.

1. PRODUCT QUALITY AND SUPPLIER INTEGRITY RISK ASSESSMENT

Requirements

1. Every DCC Group business must have in place and follow a suitable written risk assessment process covering both the product quality and supplier integrity risks created by its supply relationships.
 2. Every DCC Group business must then use that risk assessment to determine the product quality and supplier integrity controls it puts in place under sections 2 and 3 of this Policy.
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Guidance

The process that is required by this section 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 its supply chain risks.

An example of a risk assessment process is set out in schedule 1 of this Policy.

In the interests of efficiency, DCC Group businesses should ensure that their commercial, product quality and supplier integrity controls operate in an integrated way.

This may mean for instance that a single checklist is issued to new suppliers covering product quality and supplier integrity matters (and possibly also commercial matters), 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 Union (EU)).
 2. At a minimum, this means that where a DCC Group business is importing a product from outside the EU for resale within the EU, 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.
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Guidance

Many of the products sold by DCC Group businesses in the EU are covered by EU product quality and environmental standards and must contain the CE mark or other certifications. Examples include 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 EU, is available on the official EU site www.newapproach.org.

DCC will maintain and make available to any DCC Group business on request a list of third parties who carry out product assessments. 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. SUPPLIER 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 supplier 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 in any suitable format. However, there are a range of service providers who are available to issue a questionnaire to suppliers and other third parties on behalf of DCC Group businesses. Where a DCC Group business has relationships with a large number of suppliers, such a service provider should be used.

4. RECORD KEEPING

Requirements

1. Each DCC Group business must maintain technical files and other relevant records to enable it to demonstrate that it has complied with this Policy.
 2. Records maintained under this Policy must be kept for ten years from the last date on which a product is sold, unless there is a legal requirement to maintain them for a different period.
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Guidance

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

SCHEDULE 1: EXAMPLE RISK ASSESSMENT PROCESS

In this risk assessment:

A **High Risk Product** is one where:

- We will be the importer of record to the EU; and
- If the product is not properly manufactured, transported or stored, it is likely to be unsafe.

A **Medium Risk Product** is one where:

- We will be the importer of record to the EU; and
- The product is unlikely to be unsafe, even if not properly manufactured or stored, but it needs to be certified or otherwise to meet specific regulatory standards to be sold.

A **Low Risk Product** is one where:

- We will not be the importer of record to the EU; or
- If we are the importer of record, the product is (1) unlikely to be unsafe, even if not properly manufactured or stored, and (2) it does not need to be certified or otherwise to meet specific regulatory standards to be sold.

A **High Risk Supplier** is one that:

- Is located in a country where corruption is a serious problem or where employment rights or human rights are not properly enforced (a “high risk country”); or
- Has sold us unsafe or otherwise non-compliant products within the last two years.

A **Medium Risk Supplier** is one that is located in a high risk country, but has an existing and positive business relationship with us or with another DCC Group business.

A **Low Risk Supplier** is one that:

- Will sell us an immaterial volume of products; or
- Is located in the EU; or
- Is located outside the EU but not in a high risk country (e.g. is located in USA, Canada, Australia or New Zealand).

	Low Risk Supplier	Medium Risk Supplier	High Risk Supplier
High Risk Product			
Medium Risk Product			
Low Risk Product			

	<p>Suitable clauses on product safety and supplier integrity are included in the contract. These will confirm:</p> <ul style="list-style-type: none"> • That all products supplied will be safe and will comply with applicable legal and regulatory standards in the countries where they will be sold; and • That the supplier will adhere to our supplier code of conduct.
	<ul style="list-style-type: none"> • Supplier completes suitable questionnaire before being appointed. • Suitable background checks are done on the supplier. • A suitable sample of products and certification paperwork is assessed. • Suitable contract clauses are included as outlined above.
	<ul style="list-style-type: none"> • The steps listed above for a medium risk are taken. • In addition, the supplier's site is audited. • A more extensive sample of products and certification paperwork is assessed. • Suitable contract clauses are included as outlined above.



SCHEDULE 2: CASE STUDY NO.1

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

Stage 1: Initial Risk Assessment

The fish oil is being imported from outside the EU and could be unsafe if not properly manufactured, stored or transported. This means it is a high risk product according to the risk assessment process used by the DCC Group business.

The supplier is located in a country where employment conditions and respect for human rights are not strong and so is a high risk supplier, according to the same risk assessment process.

Stage 2: Checks and Testing

The DCC Group business sends its standard form questionnaire to the supplier, covering relevant product quality and supplier integrity issues. The supplier completes and returns this questionnaire. Its response indicates that it has strong product quality controls in place. However, it does not have any controls to ensure that it only buys fish oils from sustainable sources.

At the same time as this questionnaire is being assessed, a background check is carried out on the supplier. This 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 Group business discusses the issues identified at stage 2 with the supplier. The supplier confirms it is putting in place controls to ensure that it only buys fish oils from sustainable sources, partly because of the criticism it has received. The supplier advises that it will be fully Marine Stewardship Council certified within six months.

Stage 4: Decision on Appointment of Supplier

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



SCHEDULE 2: 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. The DCC Group business will be purchasing directly from them. This means that it will be the importer of the products into the EU.

Stage 1: Initial Risk Assessment

The product being bought is a medium risk product under the risk assessment process operated by the DCC Group business because, although it is very unlikely to be unsafe, it needs to be certified to be sold in the EU. Because the supplier is located in the USA, it is a low 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 confirms 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 supplier integrity issues. It also has 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 subject to any regulatory investigations or adverse media coverage.

Stage 3: Appointment of the Supplier

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



SCHEDULE 2: CASE STUDY NO.3

A business in the DCC Retail & Oil division wants to purchase home heating fuel for resale from an existing 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 being bought is a medium risk product under the risk assessment process operated by the DCC Group business because it is unlikely to be unsafe but is subject to certain quality standards. Because the DCC Group business is purchasing from an existing supplier based in 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 supplier 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 the DCC Group business as its distributor. This confirms that the product supplied will be safe and suitable for use as home heating fuel and that the supplier will adhere to the ethical standards set out in its own code of practice and related policies and procedures.



**STOP
AND
ASK**

If you have a query about the application of this Policy, please contact any member of the Legal & Compliance team:
www.dcc.ie/responsibility/legal-and-compliance-team



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 in any of the following ways:



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
Netherlands	00800 72332255
China Unicom	10800 7440605
China Telecom	10800 4400682
Hong Kong	3077 5524
USA	1 866 901 3295
UAE	8000 4413376

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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