

Corporate Review

Enterprise Risk Management

ADNOC Distribution recognizes that proactive engagement in risk is an essential aspect of the Company's core business. We are fully committed to an effective risk management process. This process identifies and mitigates exposure to uncertainty, and enhances exposure to opportunities, by identifying, understanding and managing risks in accordance with a defined risk management framework and international standards.

Our risk management objectives, risk management structure, and the role and responsibilities of the Board of Directors, the Audit Committee, our management team, and our internal audit function have all been shaped with the ISO 31000 standard in mind.

Risk Governance

In pursuing the Company's risk management objectives, our Board of Directors undertakes to:

- Openly disclose the risk management process, both internally and externally, to ensure that shareholders view ADNOC Distribution as a transparent organization where awareness and understanding of the risk management framework is established at the appropriate levels of the organization.
- Be responsible for establishing and overseeing the implementation and review of the risk management system.
- Constantly identify, manage, monitor and report on risk, holding the management team accountable for managing the identified risks effectively.

To ensure the risk management process is effective, the Board will:

- Implement the process and key components documented under the governance of risk management framework.
- Identify risks through an objective-driven process to assess the impact that risks would have on achieving the objectives of the Company.
- Have a clearly defined responsibility structure.

Enterprise Risk Management (ERM) Process and Structure

As ADNOC Distribution adopts the ERM process, we expect that risk awareness and governance across the organization will be strengthened, accountability and ownership in managing risks will be clearly defined, and internal processes and controls will improve.

Risk assessment workshops, surveys, interviews and group discussions are held regularly, and risk management is a standing item on the leadership team's meeting agenda.

The key strategic risks identified during workshops and meetings have been communicated across the organization, together with current and planned actions to mitigate these risks.

Principal Risks and Uncertainties

Supply Risk

ADNOC is the sole supplier of most fuel products to ADNOC Distribution. The Company's supply chain is exposed to various external risks and uncertainties such as environmental disasters, geo-political influences, economic factors affecting market dynamics, and the internal environment.

Information Technology Risks

The Company depends on various technological systems to conduct its business operations. The head office data server and related applications are exposed to external threats such as hackers, cyberattacks, computer viruses and malware. Also, our data center is exposed to internal threats such as unauthorized access, fire and other natural disasters.

To mitigate the risks, we have developed and implemented a disaster recovery site that has a high-end server as a back-up to the head office data center, with mission-critical applications to ensure seamless operations.

Other Operational Risks

Operational risks are identified and captured in risk registers that are regularly reviewed. We have established several policies, procedures and guidelines, and enhanced internal controls and systems to monitor and mitigate the operational risks.

Other Strategic Challenges and Opportunities

ADNOC Distribution's strategic challenges – pricing pressure, macro and micro economic factors, and financial risks – are carefully considered along with strategic opportunities. All necessary steps to mitigate the negative effects of such challenges and potential opportunities are discussed during the business planning and financial budgeting processes.