

# Corporate governance report



**Philip Rogerson**  
Chairman

## Chairman's introduction to the corporate governance report

Dear Shareholder,

De La Rue's corporate governance framework is designed to facilitate and ensure that high standards of corporate governance are maintained to safeguard shareholders' interests and sustain the success of the Group over the longer term. Under the Board's leadership, De La Rue has put in place comprehensive policies, management structures and processes that are applied rigorously to ensure that the Company complies with the requirements of the 2010 and 2012 UK Corporate Governance Codes (the Code) a copy of which is available at [www.frc.org.uk](http://www.frc.org.uk). The Code contains broad principles together with more specific provisions which set out standards of good practice in relation to Board leadership and effectiveness, accountability, remuneration and relations with shareholders. The corporate governance report describes how these principles have been applied by the Group during the year ended 29 March 2014.

The Group's corporate governance procedures, which are approved by the Board, define the matters reserved to the Board, the terms of reference of various Committees of the Board and the functions delegated to these Committees, as well as defining the jobs of the Chairman, Chief Executive, Group Finance Director and Non-executive Directors. The corporate governance policies are reviewed and amended to reflect changes to legislation and good practice. Revisions were last made in March 2014.

During the year to 29 March 2014, as detailed below and in the risk and risk management report and directors' remuneration report on pages 21 to 23 and 41 to 58 respectively, the Company complied fully with the requirements of the Code save in respect of the separation of the roles of the Chairman and Chief Executive from 29 March 2014 when I assumed executive responsibilities pending the appointment of a new Chief Executive.

Strong corporate governance will continue to be the driving force by which the Group is run. This will enable the Board to achieve its objectives while complying with the required standards of accountability and probity, through a combination of comprehensive internal policies, rigorous processes and controls, strong leadership and measures designed to create a culture in which high standards of ethics and integrity are instinctive.

**Philip Rogerson**  
Chairman  
28 May 2014

## Governance principle: leadership

The Board is collectively accountable to the Company's shareholders for good corporate governance and all Directors are responsible for complying with their legal and fiduciary obligations. The Directors' biographical details are on pages 30 and 31 and demonstrate the skills and experience of the Board. The Chairman and each of the Non-executive Directors has a breadth of strategic, management and financial experience, giving them the ability to constructively challenge and scrutinise performance.

The core objectives of the Board are:

- Delivering value to shareholders and other stakeholders
- Maintaining the Group's reputation for integrity as the foundation of its relationship with stakeholders, shareholders, customers, staff and suppliers
- Building long term success through innovation, quality and sound management

## Board composition and responsibilities

Members of the Board as at 29 March 2014 and their Committee memberships are on pages 30 to 31.

Following the departure of Sir Jeremy Greenstock on 25 July 2013 and Tim Cobbold on 29 March 2014 and as at the date of this report the Board comprises four independent Non-executive Directors, the Executive Chairman and one Executive Director. The Board has concluded that its composition throughout the year was appropriately balanced and will remain so on the appointment of a new Chief Executive.

During the year the Board held nine meetings. Details of attendance at Board and Committee meetings can be found on page 34. During the year there was a clear division between the management of the Board and the Executive Directors' responsibility for managing the Group's business. However, no individual or small group can dominate decision making. Until 29 March 2014, the roles of the Chairman and Chief Executive were separated and clearly defined and will continue to be once a new Chief Executive is appointed.

The Chairman is primarily responsible for the working and leadership of the Board and ensuring its effectiveness. The Chairman provides continuity, experience and governance to the Board process. In particular the Chairman will act in such a way as to ensure that:

- The Board takes balanced and objective decisions in the performance of its agreed role and functions
- The Board sets a strategy for the future of the business and recruits and retains the people in the Group it needs to implement that strategy
- High standards of corporate governance and probity throughout the Group are established and maintained
- Shareholders are kept properly informed on all important matters

In addition to its routine business, matters considered by the Board in 2013/14 included:

- Health and safety
- Presentations on the business units' performance and strategy
- Group strategy
- Full and half year financial statements
- Forecasts and budgets
- Regulatory announcements
- Annual report and accounts
- Dividends
- Monthly Executive Directors' reports
- Security
- Review of governance policies and procedures
- Delegation of authorities
- Succession planning
- Leadership and management capability
- Board effectiveness
- Investor feedback
- Review of conflicts of interests

The Chief Executive is responsible for running the business and implementing Board strategy and policy. In particular the Chief Executive has operational responsibility to:

- Maintain a senior management team with the appropriate knowledge, experience, skills, attitude and motivation to manage the Group's day to day activities
- Exercise personal leadership and develop, on an ongoing basis, a management style which encourages excellent and open working relationships at all levels within the Group

- Ensure, through the Group Finance Director, the implementation, control and coordination of the Group's financial and funding policies approved by the Board
- In conjunction with the Executive Committee, comprising business unit managing directors and other senior executives, present strategic options for growth in shareholder value
- Ensure that the Group has in place appropriate risk management and control mechanisms
- Set the operating plans and budgets required to deliver the agreed strategy

The role and responsibilities of other Directors are also clearly defined. Full details are set out on the Group's website. The Executive Directors and the Executive Committee operate within clearly defined limits of authority delegated by the Board.

#### Board changes

Sir Jeremy Greenstock retired from the Board following the AGM in July 2013.

Tim Cobbold resigned from the Board on 29 March 2014.

Philip Rogerson assumed executive responsibilities on 29 March 2014 on an interim basis until a new Chief Executive is appointed.

Colin Child, Group Finance Director, was appointed Chief Operating Officer on an interim basis on 29 March 2014 until a new Chief Executive is appointed.

The Non-executive Directors hold letters of appointment which will be displayed at the AGM, together with the Executive Directors' service agreements and Directors' indemnification agreements.

#### Role and operation of the Board

The Board has a programme of meetings during the year and it also meets on an ad hoc basis as required. The Board's core procedures are set out in the terms of reference for the Board, its Committees and Directors and include the control of risk.

To ensure Directors maintain overall control over strategic, financial and compliance issues, the Board has reserved certain matters to itself, generally being those items which affect the shape and risk profile of the Group. These matters are reviewed regularly by the Board. Full details are set out on the Group's website. Key aspects of the Board's role include:

- Determining the responsibilities of Directors, in particular those of the Chairman and Chief Executive
- Approving internal control processes
- Approving the final and interim financial statements
- Approving, in conjunction with the Audit Committee, the recommendation of dividends

- Approving appointments to, and removals from, the Board and the terms of reference and membership of Board Committees
- Approving the Group's strategy and annual budget
- Authorisation of authority levels, financial and treasury policies and any material acquisition or disposal

Subject to the provisions of relevant statutes, the Company's articles and any directions given by special resolution, the Directors may exercise all the powers of the Company.

#### Role of Non-executive Directors

The Non-executive Directors, all of whom are considered by the Board to be independent as at 29 March 2014, have an appropriate range of business, financial and international experience which is relevant to the Company's activities and which allows them to constructively assist in the development of strategy. None of the Non-executive Directors holds a material shareholding in the Company. Under the Code, Philip Rogerson ceased to be independent upon his appointment as Chairman on 26 July 2012 but the Board considers that his contribution and objectivity in Board and Committee discussions were fully consistent with those of an independent director.

Warren East is the Senior Independent Director. Shareholders may contact the Senior Independent Director if they consider that their concerns are not being addressed through normal channels. Non-executive Directors confirm on appointment, and any re-appointment, that they are able to allocate sufficient time to enable them to discharge their duties properly. Directors who have been unable to attend Board or Committee meetings have made known their views on pertinent matters before the meeting.

Non-executive Directors are expected to participate actively in Board discussions involving the following key elements:

- Strategy: constructively challenge and contribute to the development of strategy
- Performance: review the performance of management in meeting agreed goals and objectives
- Risk: ensure that the financial and other information is accurate and appropriate to enable the Non-executive Directors to fulfil their roles and that financial controls and systems of risk management are robust and defensible
- People: contribute to the development of appropriate levels of senior management (including Executive Directors) and succession planning

# Corporate governance report continued

## Board committees

The Board has established a number of Committees, the principal ones being Audit, Remuneration, Nomination, Ethics and Risk. Terms of reference for each Committee are available on the Group's website. The Board is satisfied that the Committees have the appropriate balance of skills, experience and independence and that they discharged their responsibilities satisfactorily. Membership of these Committees is given on the Directors' biographies on pages 30 and 31. Reports on the activities of each of the principal Committees are on pages 36 to 42. Details of key activities undertaken by the Health, Safety and Environment Committee and Risk Committee are on pages 25 and 37 respectively.

Senior management and advisers are invited to attend Board and Committee meetings where appropriate to contribute to discussions and advise members of the Board or Committee on relevant matters. The involvement of senior management additionally helps strengthen the relationship between the Board and senior management and helps to provide the Board with greater understanding of operations and strategy.

## Board protocol

The Board timetable ensures that the Board receives regular reports and presentations from the Executive Directors, operational managing directors and key functional heads.

Directors receive agendas and Board papers generally seven days before each Board meeting; minutes are circulated as soon as possible after the meeting. The Board reviews progress on implementing actions arising from the Board and its Committee meetings each month.

There is also a defined procedure for dealing with urgent matters between Board meetings.

Any Director can request additional information from management at any time. All Directors have direct access to the advice and services of the General Counsel and Company Secretary who is responsible for ensuring that Board procedures are followed. The Board decides the appointment and removal of the Company Secretary.

## Governance principle: effectiveness

### Board evaluation and effectiveness review

The Code requires that the Board undertakes an annual evaluation of its own performance and that of its Committees and individual Directors and to do so externally at least every three years. The performance evaluation for 2013/14 involved the use of an external independent facilitator, Linstock Limited.

The review process involved completion of online questionnaires which focused on Board composition, expertise and dynamics, Board support and process, structure, behaviours and other key issues such as strategy and succession. The review also addressed delivery of the Board's objectives and any issues identified during the previous review or which became relevant during the year. A report on the performance of the Board and each of the principal Committees was compiled by Linstock and presented to the Board and each relevant Committee as a basis for discussing and agreeing appropriate actions for the forthcoming year. The Risk Committee was evaluated by the Board.

The Chairman and each Committee Chairman has discussions with each Director or Committee member based on the responses. The Senior Independent Director is responsible for appraising the Chairman's performance in discussions with the Non-executive Directors in the absence of the Chairman. The Chairman and the Non-executive Directors also meet in the absence of the Executive Directors.

The Board and individual Committees considered the output from the review in May 2014 and concluded that the performance of the Board, its Committees and individual Directors was effective. Any areas for improvement are agreed by the Board.

## Details of attendance at Board and Committee meetings

The number of Board meetings and Committee meetings attended by each Director during the year was as follows:

Directors' attendance 2013/14	Board	Audit Committee	Ethics Committee	Nomination Committee	Remuneration Committee
Number of meetings held	9	4	2	2	4
Colin Child	9 (9)	–	–	–	–
Tim Cobbold (resigned 29 March 2014)	8 (8)	–	–	–	–
Warren East	9 (9)	4 (4)	1 (2)	2 (2)	4 (4)
Sir Jeremy Greenstock (resigned 25 July 2013)	2 (3)	2 (2)	–	1 (1)	–
Victoria Jarman	9 (9)	4 (4)	2 (2)	2 (2)	4 (4)
Gill Rider	9 (9)	4 (4)	2 (2)	2 (2)	4 (4)
Philip Rogerson	9 (9)	4 (4)	2 (2)	2 (2)	4 (4)
Andrew Stevens	9 (9)	4 (4)	2 (2)	2 (2)	4 (4)

### Note

Figures in brackets denote the maximum number of meetings that could have been attended.

## Directors' terms of appointment

Executive Directors are employees who have day to day responsibilities as executives of the Group in addition to their duties as Directors. Each Executive Director enters a service contract on appointment (see page 49 for further information).

Non-executive Directors are generally independent of the Company, are not employees and do not participate in the daily business management of the Group. Non-executive Directors receive a letter of appointment setting out the conditions of their appointment. Non-executive Directors are appointed for an initial period of three years, which may be extended with the agreement of the Board (see page 35 for further information).

Service contracts and letters of appointment will be available for inspection at the AGM.

## Outside commitments

The Directors' biographies and other appointments appear on pages 30 and 31. The Board's policy is that the Chairman and Executive Directors should accept appointments to the boards of other companies only with the prior approval of the Board. Non-executive Directors must seek the agreement of the Chairman and confirmation by the Board before accepting additional commitments that may affect the time they devote to their role. The Board is satisfied that these commitments do not conflict with their ability to carry out effectively their duties as Directors of the Company.

### Appointments and annual election

All Directors are required to submit themselves for annual re-election. New Directors are subject to election by shareholders at the first opportunity after their appointment. Non-executive Directors are appointed for an initial period of three years with the expectation of one further three year term subject to satisfactory performance and annual re-election by shareholders. Terms beyond this period are considered on a case by case basis.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for re-election at this year's AGM to be fully satisfactory and is of the opinion that they have demonstrated ongoing effectiveness and continued commitment to the role.

The Board strongly supports their re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

### Succession planning

The Board reviews its composition at least annually, assessing the skills profile, diversity and type and number of Non-executive Directors required to enable the Board to perform effectively. The Board also reviews the Group's internal talent review process in planning Executive Director and senior management succession.

### Induction and training

All new Directors receive an induction on joining the Company, for which the Chairman is responsible. This covers such matters as the strategy, operation and activities of the Group (including key financial data and business, social and environmental risks to the Group's activities), corporate governance matters such as the role of the Board and individual Committees, and the Group's corporate governance procedures as outlined in this report. They are advised on the duties and obligations of directors of a listed company. Site visits and meetings with senior management are also arranged. Any newly appointed Director, who has not previously been a director of a listed company, is invited to attend external training covering such duties and responsibilities.

Directors are briefed, where appropriate, by the Group's external advisers and functional management on changes to legislation, regulation or market practice. Briefings from individual businesses are also received throughout the year. The Directors have the opportunity of attending appropriate training sessions.

The Board visits at least one operational site each year (Gateshead and Westhoughton in 2013/14). Directors are also encouraged to visit other sites and meet with staff. The General Counsel and Company Secretary, in conjunction with the Chairman, ensures that there is proper communication between the Board and its Committees and senior management and that Non-executive Directors receive appropriate information. The Chairman reviews and the General Counsel and Company Secretary facilitates induction and other professional development as required. All Directors have access to the advice and services of the Company Secretary.

Directors may take independent professional advice at the Group's expense, although no such advice was sought during the year.

### Other Board matters

#### Conflicts of interests

Directors have a duty to avoid a direct or indirect interest which conflicts, or may conflict, with the interests of the Group unless that conflict has been authorised by the Board. Such conflict may arise by reason of a situation or a specific transaction. The Board has established a process to review at least annually and, if thought appropriate, authorise any conflict of interest and has carried out such a review during the year and authorised all Directors' situational conflicts. Any transactional conflicts are reviewed as they arise. Directors are asked to review and confirm reported conflicts of interests as part of the year end process.

#### Indemnity

To the extent permitted by the Companies Act 2006 and the FCA Listing Rules the Group indemnifies certain officers so that the Group may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine but any advance must be refunded if the Director or officer is subsequently convicted. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly.

#### Corporate responsibility

Information on the Group's initiatives and commitment to corporate responsibility can be found in the corporate responsibility report on pages 25 to 28.

#### Internal controls

The Company has complied with the provisions of the Code relating to internal control, which require the Board to review the effectiveness of internal controls and to have in place an ongoing process for identifying, evaluating and managing the key risks including financial and non-financial, operational and compliance controls and risk management systems. Further details are contained in the risk and risk management report on pages 21 to 23.

This process has been in place throughout the year and up to the date of approval by the Board of the annual report and accounts. The Board concluded its latest review in April 2014.

This does not extend to associated companies or joint ventures where the Group does not have management control.



# Corporate governance report continued

## **Governance principle: accountability Financial and business reporting**

The Directors consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

## **Investor and shareholder relations**

The Company places great importance on communications with and accountability to shareholders. An audited annual report and accounts is made available to shareholders either in hard copy by post or via the Group's website and the interim statement is posted on the Group's website. Other information about the Group is also available on the website including current business strategy, historical financial data and recent presentation materials.

Announcements are also regularly made by the Company through a Regulatory Information Service to the London Stock Exchange. The shareholder register is actively monitored. The Group conducts a dedicated investor relations programme with institutional investors which includes various formal events during the year, as well as a regular series of one to one and group meetings. In February 2014, the Group hosted a sell side and investor presentation at its Basingstoke and Overton facilities, which included tours of the technology centre, Overton mill and holographics areas. The tours focused on operational matters and the purpose of such events is to highlight a particular issue, theme or announcement that the Group believes warrants further explanation or clarification. The views of shareholders and analysts' and brokers' reports are reported to the Board and from time to time a survey of institutional shareholders' views is carried out by the Company's brokers.

The Chairman and the Senior Independent Director are available to meet key shareholders to discuss strategy, governance and other matters. To mark the 200th anniversary of the foundation of De La Rue, the Company hosted an external event in 2013 with Board and Executive Committee members present. This took the form of an exhibition of items from the De La Rue archive and demonstrations of some of the Group's technologies such as banknote design and cash processing equipment.

All holders of ordinary shares are entitled to attend the AGM and receive the notice of meeting which is posted at least 20 working days before the AGM. They are also entitled to speak at general meetings of the Company, to appoint one or more proxies or, if they are corporations, corporate representatives, and to exercise voting rights. Shareholders may vote and appoint proxies electronically. Shareholders are encouraged periodically to register their email addresses so that they may benefit from immediate communication of the publication of the Company's notice of meetings and our online annual report.

At this year's AGM, voting on resolutions will be conducted on a poll, the results of which will be made available to shareholders on the Group's website. At the meeting, the Chairman will provide a trading update and the Chairmen of the Board Committees will also be present to answer questions on any matters relating to the Group's business. Shareholders also have an opportunity to meet Directors informally after the meeting.

## **Committees of the Board Ethics Committee report**

The Ethics Committee was formed in 2012 comprising all Non-executive Directors and chaired by the Chairman with the Chief Executive in attendance. The General Counsel and Company Secretary is Secretary to the Committee and advises on governance. The Committee is responsible, on the Board's behalf, for reviewing compliance with the Group's Code of Business Principles (CBP). De La Rue is committed to the preservation of its reputation and integrity through compliance with applicable laws, regulations and ethical standards across all territories in which it operates. The Committee considers recommendations on ethical matters made by external regulatory authorities or other bodies and makes recommendations to the Board on how they should be applied in De La Rue and underlines the Group's commitment to ensuring that business ethics are a fundamental and enduring part of the Group's culture.

The main responsibilities of the Ethics Committee are to:

- Advise the Board on the development of strategy and policy on ethical matters
- Advise the Board on steps to be taken to embed a culture of integrity and honesty in all of the Group's business dealings
- Oversee the Group's policies and procedures for the identification, assessment, management and reporting of ethical risk

- Oversee the development and adoption of, and compliance with, the Group's ethical due diligence policies and procedures covering business relationships, including third party partners (TPPs) and mergers, acquisitions and major new projects
- Oversee the investigation of any material irregularities of an ethical nature and review subsequent findings and recommendations

The Group delivers high profile security print products to customers across the world, offering them security, confidence and efficiency. It is essential that the Group maintains the trust and confidence of its customers, and everyone it deals with both inside and outside the Group, by demonstrating complete integrity in the way the Group and its business partners behave.

The Group has clear core values and principles which govern how the Group does business and which everyone within the Group must follow. The way the Group delivers these will be reflected in the way that the Group competes for business and delivers its services. We believe that by committing to these values, supporting the business objectives and adhering to the expected behaviours, De La Rue will strengthen the culture of the business and the industry itself and work towards achieving De La Rue's vision to be the leading provider of secure products and services, touching the lives of everyone, everyday.

The Banknote Ethics Initiative (BnEI) Accreditation Council accredited De La Rue as a BnEI member at its first meeting in February 2014, following a detailed audit completed by independent auditors GoodCorporation (GC). BnEI sets out a rigorous framework for promoting and maintaining high ethical standards in the industry and requires members to commit to a code of Ethical Business Practice that was developed in partnership with the Institute of Business Ethics. Compliance with the code is rigorously tested through an audit framework developed in conjunction with GC, recognised worldwide as a leading company in the field of assuring corporate responsibility and business ethics. The initiative was established to promote ethical business practice, with a focus on the prevention of corruption and on compliance with anti-trust law within the banknote industry. The Group played a leading role in the establishment of the initiative.

De La Rue's ethics and business integrity programme includes:

- Anti-bribery and corruption and anti-trust controls – regular audits are undertaken of the Group's anti-bribery and corruption policies and processes. An internal audit on the TPPs process was also undertaken during the year. Targeted training took place during the year and will continue during the forthcoming year in relation to all relevant employees and TPPs
- CBP – general refresher sessions took place for all head office staff through the use of ethical dilemma training. The appointment of ethics champions to all major sites was introduced during the year to ensure that each site has local support and representation for CBP related matters
- Gifts and hospitality – in support of the CBP the Group reinvigorated its gifts and hospitality policy during the year. All gifts, hospitality and entertainment offered, given or received above a certain value are required to be recorded. The Ethics Committee periodically reviews the gifts and hospitality given or received by the Executive Directors
- Whistleblowing – since 2004, employees have been able to access a confidential reporting line to report concerns about any alleged malpractice within the Group. The provision was enhanced recently with employees now able to report concerns, anonymously where necessary, through email as well as by traditional telephone and written reporting routes. The Board and Ethics Committee receive regular updates on whistleblowing reports received and key investigations being undertaken. The Audit Committee reviews the arrangements in place annually
- Insider trading – relevant employees who have access to inside information are advised of their responsibilities under the insider dealing rules and all new employees are advised of the share dealing and market abuse policy which the Company has in place

#### Nomination Committee report

At the date of this report the Nomination Committee consists of four independent Non-executive Directors and the Chairman (who chairs the Committee) and (once appointed) the Chief Executive.

The Committee meets at least once a year and otherwise as necessary and makes recommendations to the Board with regard to any vacancies for Executive or Non-executive Directors or other changes to the composition of the Board that are considered necessary. The Committee has the power to employ the services of such advisers as it deems necessary in order to carry out its responsibilities. The Committee also reviews the time commitment required of Non-executive Directors at least once a year. The Board as a whole approves the appointment and removal of Directors and retains appropriate executive search consultants, having prepared a job specification for the particular role to be filled.

The Committee and the Board recognise and understand the importance and benefits of gender diversity and currently have two female Non-executive Directors (33 per cent of the Board). The Board expects to maintain the number of women Directors to at least the current level, while maintaining flexibility to ensure that all appointments are made on merit, regardless of gender.

The Group's equality and diversity policy is discussed further in the corporate responsibility report on page 26.

The Committee met twice during the year and the principal activities of the Committee during the period included:

- Review of the composition of the Board and the range of skills and experience on the Board
- Consideration of Board and management succession
- Review of Board diversity
- Review of Non-executive Directors' periods of appointment and confirmation that all should stand for re-election at the AGM following a formal performance appraisal process
- Review of the composition of Board committees
- Recommendation to the Board on the successor to Sir Jeremy Greenstock as the Senior Independent Director
- Recommendations to the Board on the interim arrangements to be put in place following the resignation of the Chief Executive with effect from 29 March 2014, including the assumption of executive responsibilities by Philip Rogerson and appointment of Colin Child as Chief Operating Officer
- Arrangements for the search for a successor to Tim Cobbold, the former Chief Executive, which is well advanced. An external search consultancy which does not have other connections with the Company has been retained by the Company to assess potential candidates to be considered as the prospective replacement

#### Remuneration Committee

Gill Rider was appointed to the Remuneration Committee in July 2006 and she has been the Committee Chairman since 26 July 2007. The Committee met on four occasions during the year. Details of the Committee and of the remuneration policy can be found in the directors' remuneration report on pages 41 to 58.

#### Risk Committee report

Core responsibilities of the Risk Committee are to:

- Assist the Board by assessing and reporting on the effectiveness, and promoting awareness, of the Group's internal control and risk management systems
- Assist the Board in fulfilling its responsibilities by reviewing the framework for managing risks throughout the Group
- Provide an appropriate level of reporting on the status of risk management within the Group
- Provide an appropriate level of reporting to the Board, which retains overall responsibility, on the status of internal risk management

The Committee, chaired by the General Counsel and Company Secretary, meets and reports to the Board at least twice a year. Other members of the Committee include the Chief Executive, Group Finance Director, heads of principal functions, all divisional managing directors, the Group Director of Risk and Internal Audit and the Group Director of Security and such other members as determined by the Board. Any Director may attend meetings. At the year end, following review by the Audit Committee of internal financial controls and of the processes covering these controls, the Board evaluates the results of the risk management procedures conducted by senior management.

The Committee is assisted by Group wide committees which deal with specific areas of risk, such as the Health, Safety and Environment Committee and the Security Committee.

The Committee met twice during the year and details of risk management and particular risks within the Group are set out on pages 21 to 23.

By order of the Board

**Edward Peppiatt**  
Company Secretary  
28 May 2014