

The Role of the Board and Matters to be Decided by or Referred to the Board

1. The Role of the Board

The main functions of the Board are to:

- 1.1 Be collectively responsible for the success of the Company ensuring:
 - that there is a clear division between the running of the Board and the executive responsibility for the running of the Company's business; and
 - that the Board includes a balance of executive and non-executive Directors (and in particular independent non-executives) such that no individual or small group of individuals can dominate the Board's decision taking.
- 1.2 Elect a Chairman and initially appoint such other Directors as may be required;
- 1.3 Appoint a Chief Executive, support him fully while it is satisfied with his performance and remove him if and when it is not;
- 1.4 Ensure that adequate replacements are available, or could quickly be made available, for all key managers in the business;
- 1.5 Agree with the Chief Executive a clear strategy for the Company and a set of objectives for its implementation, and review management performance;
- 1.6 Ensure that the Company is always in a healthy financial state, able to finance its commitments and meet its obligations;
- 1.7 Set the Company's values and standards and be responsible to the shareholders and others for the direction, short-term performance and long-term prosperity of the Company, and for the maintenance of its character and reputation;
- 1.8 Provide entrepreneurial leadership of the Company and maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets and to control risks;
- 1.9 Consider the balance of interests between shareholders, employees, customers and the community;
- 1.10 Meet sufficiently regularly to discharge its duties effectively;
- 1.11 Ensure that the Board adopts appropriate procedures to ensure the effectiveness of its own activities and the satisfactory performance of its functions.

2. Key Board Objectives

The key objectives adopted by the Board are:

- Value:** Delivering value to shareholders and other stakeholders;
- Integrity:** Maintaining the Company's reputation for integrity as the foundation of its relationship with stakeholders, including shareholders, customers, staff and suppliers;
- Sustainability:** Building long-term success through innovation, quality and sound management.

3. Matters to be Decided by or Referred to the Board

The Board has delegated to the Chief Executive wide powers for the day-to-day management of the Company. It has also delegated to Committees of the Board the duty to make recommendations to the full Board in specialised areas; these are the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee, the Ethics Committee and the General Business Committee.

The Board does however reserve to itself the power of decision, approval or agreement, as the case may be, over certain matters which are summarised below and in the Table of Board Delegated Authorities, as amended from time to time by the Board:



Note: References to financial limits set out in the Matters Reserved for the Board may be superseded by such other limits that the Board may from time to time approve.

3.1 Statutory Obligations

The Board is required by law, by the Company's Articles, by the Financial Conduct Authority ("FCA") Listing, Prospectus, Disclosure and Transparency Rules, by The UK Corporate Governance Code and the requirements of institutional investors to decide certain matters which include:

- 3.1.1 Alteration of share capital, Articles or name of De La Rue plc;
- 3.1.2 Change in situation of registered office;
- 3.1.3 Approval of interim dividends and recommendation of final dividends;
- 3.1.4 Approval of the Annual Report and Accounts and the information given therein including the Directors' Remuneration Report;
- 3.1.5 Any circulars to shareholders;
- 3.1.6 Recommendation to shareholders on the appointment of auditors and approval of the audit fee and any proportionate limitation of the auditors' liability in respect of the audit;
- 3.1.7 Approval of any statements containing inside information including preliminary announcements of interim and final results and interim management statements for release to a recognised regulatory information service and Group-wide provided that if a meeting of the full Board cannot be convened to enable a prompt announcement to be made as required by the Disclosure Rules and Transparency Rules the General Business Committee shall be authorised to approve such statements and their release;
- 3.1.8 The Board must have referred to it any issue which would have a Material Effect on the Company's financial position, liabilities, future strategy or reputation ("Material Effect") regardless of financial limits set out in the Table of Board Delegated Authorities from time to time.

3.2 Financial Matters

- 3.2.1 Group Investment Procedures;
- 3.2.2 Annual Budget;
- 3.2.3 Half-year Report;
- 3.2.4 Year-end Report;
- 3.2.5 Business Plan;
- 3.2.6 Treasury Authorities and Policies including annual approval of delegated authorities and approval for raising new credit facilities or amendments to terms, including maturity and cancellation, and the creation of bank guarantee facilities and treasury foreign exchange or interest rate hedging facilities in excess of the limits as set out in the Table of Board Delegated Authorities;
- 3.2.7 Accounting policies and any significant change in policies or practices;
- 3.2.8 Proposals for any mergers, acquisitions or disposals either of shares or of business comprising assets and liabilities or joint ventures in excess of such amount as may be determined by the Board as set out in the Table of Board Delegated Authorities;
- 3.2.9 Directors' and Officers' liability insurance;
- 3.2.10 All Group investment proposals requiring Board approval in accordance with the limits of authority from time to time adopted by the Board and set out in



the Group Finance Manual together with any other items having a Material Effect including:

- Capital expenditure including IT and revenue expenditure (but excluding items within cost of sales) related to any one capital item or project in excess of the limits set out in the Table of Board Delegated Authorities
- Acquisition or disposal of patents and other intellectual property rights including licences having a Material Effect or as set out in the Table of Board Delegated Authorities
- Investment in new products or services which are not derivatives of existing products or services
- Creation or liquidation of a subsidiary or a branch
- Alteration of share capital of a subsidiary
- Pledging any asset/charging property or company in excess of the limits as set out in the Table of Board Delegated Authorities

3.2.11 Overall insurance strategy and levels of retention and risk exposure under any Group Insurance Policy in excess of such amount as the Board may from time to time approve.

3.3 Risk management and Internal Control:

3.3.1 Approval of the company's risk appetite

3.3.2 Ensuring that there is appropriate management of the company's principal risks, focusing on those threatening the company's business model, future performance, solvency or liquidity

3.3.3 Ensuring that there is appropriate horizon scanning for strategic risks

3.3.4 Ensuring processes operate to enable the Board to satisfy itself that reporting on Going Concern and longer term viability statements give a fair, balanced and understandable overview of the company's position and prospects.

3.3.5 Satisfying itself on the operation of and findings from the annual review of the effectiveness of the system of risk management and internal control

3.4 Property

3.4.1 Purchase/sale or lease (over the period of the lease) of any land or buildings including commercial and domestic leases valued at more than the amount determined by the Board from time to time as set out in the Table of Board Delegated Authorities;

3.4.2 Renewal of leases where the total rent and capital expenditure exceeds the amount determined by the Board from time to time as set out in the Table of Board Delegated Authorities over the period of the lease.

3.4 Litigation/Arbitration/Mediation

3.4.1 Appointment of Lawyers for main Board or major activity, where costs are likely to exceed the limits as set out in the Table of Board Delegated Authorities;

3.4.2 The settlement, compromise or initiation of any legal proceedings, including giving any undertaking in damages, the outcome and/or costs of which may have a Material Effect or which exceed the limits set out in the Table of Board Delegated Authorities, provided that in cases of emergency where speed is essential the General Business Committee may authorise such action without prior reference to the Board.

3.5 Benefits

- 3.5.1 Setting up of or change in pension or post employment benefits;
- 3.5.2 Decisions on pension funding rates, contribution holidays, increases in pensions paid or augmentations with Material Effect, in conjunction with the trustees of the relevant scheme, where appropriate;
- 3.5.3 Setting up of, and any material increase in, the Company's liability for medical expenses, permanent health and similar schemes which would have a Material Effect;
- 3.5.4 Appointment and removal of pension fund trustees where the Company has the power/responsibility;
- 3.5.5 Appointment and removal of pension fund managers where the Company has the power/responsibility;
- 3.5.6 Introduction of and material rule changes to all share option and employee share ownership plans (including phantom plans);
- 3.5.7 The grant of options or shares under employee share option and ownership plans (including phantom plans);
- 3.5.8 Appointment of savings carrier/administrator for sharesave schemes.

3.6 Personnel

- 3.6.1 Election and removal of the Chairman of the Board;
- 3.6.2 Appointment and removal of Directors;
- 3.6.3 Designation of senior independent non-executive Director;
- 3.6.4 Division of responsibilities between the Chairman, Chief Executive and other executive Directors, which should be in writing;
- 3.6.5 Determination of the independence of Directors;
- 3.6.6 Appointment and removal of senior managers reporting to the Chief Executive and their remuneration, conditions of contract and termination arrangements;
- 3.6.7 Remuneration of and contracts/consultancy arrangements with the Chairman and non-executive Directors of the Board. No Director may vote with respect to his own remuneration;
- 3.6.8 Appointment and removal of the Company Secretary and any Deputy or Assistant Company Secretary;
- 3.6.9 Consideration of and if thought appropriate authorisation of any perceived conflict of interest notified by a Director;
- 3.6.10 Annual review of the Register of Directors' Conflicts of Interest.

3.7 General Corporate

- 3.7.1 Annual general meetings, extraordinary general meetings - date, location and agenda ensuring that Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting;
- 3.7.2 Dates and frequency of Board meetings;
- 3.7.3 Adoption of and amendments to the De La Rue Share Dealing Code and Code of Business Principles;
- 3.7.4 Approval of policies including Health and Safety, Environmental and Corporate Social Responsibility;
- 3.7.5 Setting up Committees of the Board and agreeing their composition and terms of reference;
- 3.7.6 Review of the structure, membership and terms of reference of each Committee at least every three years;



- 3.7.7 Appointment of key corporate advisers, e.g. investment bankers, brokers, public relations advisers etc;
- 3.7.8 Appointment of Management Consultants or Advisors with fees (total project cost) in excess of the limits set out in the Table of Board Delegated Authorities (or such other amount as determined by the Board);
- 3.7.9 Approval of all Political Donations (currently prohibited), Charitable Donations and promoting the brand of De La Rue through sponsorship in excess of the limits as set out in the Table of Board Delegated Authorities;
- 3.7.10 Review of the Corporate Governance Framework at least every three years;
- 3.7.11 Ensuring that the Annual Report includes a statement of compliance with The UK Corporate Governance Code and complies with the requirements of the FCA or any other regulatory body as regards the remuneration or any other policy for which a report is required;
- 3.7.12 Receive reports on the views of the Company's shareholders.

4. **Reports to the Board**

To enable the Board both to take properly informed decisions and to exercise its supervisory role, it expects to receive management reports on the following matters at the intervals stated:

4.1 **Financial**

4.1.1 For each meeting:

Reports from the Chief Executive and Finance Director so that the Board is aware of:

- Key business issues
- Cash proposals for major items of capital expenditure
- Specific reports on new/major/troubled projects
- Summaries of key financial data and ratios
- Details of sales, costs, profits, margins, budgeted and actual statements
- Shareholder activity and major changes

4.1.2 Annually:

- Half-year financial statements
- Annual financial statements
- Updated budgets and projections including projections of liquidity
- Treasury Authorities and Policies
- Taxation - e.g. key issues, major exposures, planning, etc.

4.1.3 Ad hoc:

- Information Technology
- Research & Development
- Material business development projects
- Property
- In respect of major projects costing £1.5 million or more, post-acquisition and capital expenditure reviews within two years of completion establishing whether financial projections have been realised
- Items within the authority of the executive Directors but which would have a Material Effect (e.g. initiation or receipt of legal proceedings, significant environmental or health and safety incidents)
- Any subject required by the Board

4.2 Group Risk Committee

- 4.2.1 Minutes and papers relating to meetings of the Risk Committee;
- 4.2.2 Significant matters having a Material Effect and not covered by regular scheduled meetings;
- 4.2.3 Any subject required by the Board.

4.3 Company Secretarial

- 4.3.1 For each meeting:
 - Directors' Dealings in the Company's shares
 - Dealing in the Company's shares by Persons Discharging Managerial Responsibilities ("PDMRs")
 - Legal Update
 - Security Update
 - Environmental, Health and Safety Update
- 4.3.2 Ad hoc:
 - Change of name of subsidiaries
 - Significant changes to subsidiaries/divisions
 - Changes or proposed changes in the law or regulations affecting the Group including the Listing, Prospectus, Disclosure and Transparency Rules of the FCA, NAPF/ABI requirements or good practice having a Material Effect
 - Summary of Shares purchased in the market

4.4 Personnel

- 4.4.1 Annually:
 - Management Succession and Development Review
 - Human Resources Strategy
 - General levels of salary increases

4.5 Charities

- 4.5.1 Annually:
 - A review of policy and a report from the Chairman of the Trustees of any Charitable Trust set up by the Company

5. **Access to the Company Secretary**

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

6. **Board Review**

The Board shall conduct a formal and rigorous annual review of:

- 6.1 The outcome of the Board's activities and that of its Committees comprising a report on the achievement of objectives and compliance with procedures;
- 6.2 The effectiveness of the Board's procedures;
- 6.3 Performance of individual Directors and whether each Director continues to contribute effectively and to demonstrate commitment to the role;

By means of the following processes:

- 6.4 The Chairman shall be responsible for conducting the annual review in conjunction with the Senior Independent Director, non-executive Directors and such external advisers as the Board may from time to time consider appropriate;
- 6.5 The Chairman shall lead the evaluation of the performance of individual Directors, other than himself;



- 6.6 The non-executive Directors, led by the Senior Independent Director, shall evaluate the performance of the Chairman, taking into account the views of executive Directors;
- 6.7 The Nomination Committee shall review annually the time required of a non-executive Director and the performance evaluation of each Director shall be used to assess whether each non-executive Director is spending enough time to fulfil his duties;
- 6.8 The Chairman shall produce a report to the Board on the results of the review and shall consult with the Chairmen of Committees of the Board and individual Directors, including the Chief Executive, and any other executive he considers relevant;
- 6.9 The Board shall conclude its review by no later than the meeting at which the Annual Report is approved and shall state in the Annual Report whether such performance evaluation has taken place and how it was conducted;
- 6.10 The Chairman shall act on the results of the evaluation and, where appropriate, shall ensure that the Nomination Committee makes recommendations to the Board for the appointment of suitable new Board members or seeks the resignation of Directors.

7. Reporting Procedures

- 7.1 The Annual Report shall include a statement of how the Board operates, including a statement of which types of decisions are to be taken by the Board and which are to be delegated to management. The Committees shall also report on their responsibilities and activities;
- 7.2 The Annual Report shall identify the Chairman, the Chief Executive, and the chairmen and members of the Nomination, Audit, Remuneration and Ethics Committees. It shall also set out the number of meetings of the Board and those Committees and individual attendance by Directors;
- 7.3 The terms of reference of the Board and its Nomination, Audit, Remuneration, Risk and Ethics Committees shall be made available.

Approved by the Board of Directors of De La Rue plc on 24 March 2015