

# 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. In order to achieve this, the Company is committed to high standards of corporate governance. In September 2012 the Financial Reporting Council published the 2012 edition of the UK Corporate Governance Code (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 period ended 28 March 2015. The Financial Reporting Council published a revised edition of the Code in September 2014 which will apply to the Company for the period ending 26 March 2016. The Company has sought to reflect the revisions to the Code in its practices and will aim to comply with the revised Code in 2015. However all references to the Code in this report relate to the 2012 edition of the Code.

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. The corporate governance policies are reviewed and amended to reflect changes to legislation and good practice. Revisions were last made in March 2015.

During the period to 28 March 2015, as detailed below and in the risk and risk management report and directors' remuneration report on pages 21 to 23 and 42 to 63 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 Officer from 29 March 2014 to 13 October 2014 when I assumed executive responsibilities pending the appointment of a new Chief Executive Officer.

Strong ethical standards and behaviours, supported by good governance, are fundamental to a healthy company and corporate governance will continue to be the driving force by which the Group is run. We aim to ensure that our values are at the heart of everything we do and they are helping to shape the culture, character and beliefs of our business. For more information on our values see page 25. 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  
27 May 2015

### 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 Board believes that good corporate governance is not just a matter of compliance: it should contribute to the Group's performance by making sure we have a clear strategic direction, manage our risks to the right level and keep the business under control. The Directors' biographical details are on pages 28 and 29 and demonstrate the skills and experience of the Board. The diverse range of experience offered by the Chairman and the Non-executive Directors means that they are well qualified to scrutinise performance, assess the Group's risk management and control processes, provide constructive challenge and to support the Executive Directors.

The core objectives of the Board are:

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

Under the Board's leadership, the Group has put in place a comprehensive management structure together with clearly defined policies, procedures and limits of delegated authority. Our governance framework is summarised in the diagram below.

### Board composition and responsibilities

Members of the Board as at 28 March 2015 and their roles and Committee memberships are on pages 28 to 29.

As at the date of this report the Board comprises four independent Non-executive Directors, the Chairman and two Executive Directors. The Board has concluded that its composition throughout the year was appropriately balanced and remains so.

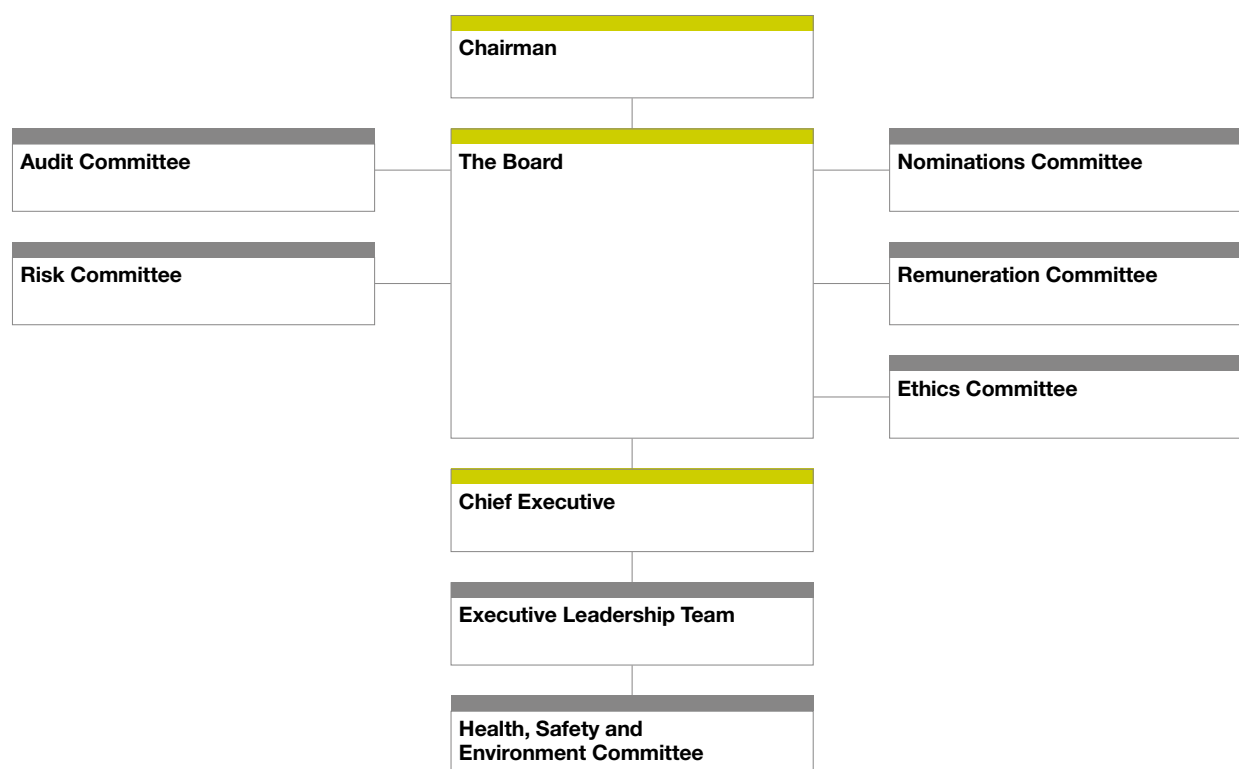
To ensure Directors maintain overall control over strategic, financial and operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision. During the year the Board held nine meetings. Details of attendance at Board and Committee meetings can be found on page 33. 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.

### Key roles

The Chairman is primarily responsible for the working and leadership of the Board and ensuring its effectiveness in all aspects of its role while the Chief Executive Officer is responsible for the leadership and the operational and performance management of the Group within the strategy approved by the Board. 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 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

## De La Rue's corporate governance framework



# Corporate governance report continued

Matters considered by the Board in 2014/15 included:

- Appointment of Chief Executive Officer
- Health and safety performance
- Presentations on the business units' performance and strategy
- Group strategy update
- Full and half year financial statements
- Forecasts and budgets
- Refinancing facility
- Major capital projects
- Regulatory announcements
- Annual report and accounts
- Dividends
- Monthly Executive Directors' reports
- Security
- Group insurance renewal programme
- Review of governance policies and procedures
- Delegation of authorities
- Succession planning
- Leadership and management capability
- Results of the employee engagement survey
- Board effectiveness
- Investor feedback
- Review of conflicts of interests

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

- Maintain a senior leadership 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 Chief Financial Officer, the implementation, control and coordination of the Group's financial and funding policies approved by the Board
- 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
- Implement and review health, safety and environment policy and, supported by the Executive Leadership Team, oversee improvements and performance

To ensure the Group has a sustainable business going forward and remains competitive and aligned more closely with customers, the Chief Executive Officer identified three key organisational priorities needed for the future success of the Group. The new organisation will focus on strengthening our product offering and innovation, driving top line growth and optimising delivery and profit. The Executive Leadership Team was restructured with three newly created functional roles: Chief Technology Officer, Chief Commercial Officer and Chief Operating Officer to ensure focus on these priorities.

Warren East is the Senior Independent Director, until he steps down from the Board on 23 July 2015 when Andrew Stevens will become the Senior Independent Director. Shareholders may contact the Senior Independent Director if they consider that their concerns are not being addressed through normal channels.

The roles and responsibilities of other Directors are also clearly defined. The Executive Directors and the other members of the Executive Leadership Team operate within clearly defined limits of authority delegated by the Board.

## Board changes

Philip Rogerson assumed executive responsibilities on 29 March 2014 on an interim basis until Martin Sutherland was appointed Chief Executive Officer on 13 October 2014.

Colin Child, Chief Financial Officer, was appointed Chief Operating Officer on an interim basis on 29 March 2014 until Martin Sutherland joined the Group. During the year, Colin Child informed the Board that he intends to stand down from the Board at the conclusion of the Company's AGM on 23 July 2015.

As indicated above, following his appointment as chief executive of Rolls-Royce Holdings plc from 3 July 2015, Warren East will step down from the Board at the AGM on 23 July 2015. Andrew Stevens will succeed Warren East as Senior Independent Director and Victoria Jarman will succeed Warren East as Chairman of the Audit Committee.

Gill Rider will also stand down from the Board at the conclusion of the AGM.

Two new Non-executive Directors, Sabri Challah and Maria da Cunha will join the Board after the AGM on 23 July 2015. Sabri Challah will succeed Gill Rider as Chairman of the Remuneration Committee.

Rupert Middleton, Chief Operating Officer, will join the Board as an Executive Director after the AGM on 23 July 2015.

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 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 Officer
- Reviewing the effectiveness of 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
- Setting authority levels, financial and treasury policies and any material acquisition or disposal

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

### Role and independence of Non-executive Directors

The Board conducts a rigorous review of the independence of the Non-executive Directors every year, based on the criteria in the Code. The Board concluded that all the Non-executive Directors remained independent in character and judgement as at 28 March 2015.

The Non-executive Directors have an appropriate range of business, financial and international experience which is relevant to the Company's activities and which allows them to assist constructively 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 and he also assumed executive responsibilities from 29 March 2014 to 13 October 2014 but the Board considers that his contribution and objectivity in Board and Committee discussions were fully consistent with those of an independent director. 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
- **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
- **Performance:** review the performance of management in meeting agreed goals and objectives

### 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 28 and 29. Reports on the activities of each of the principal Committees are on pages 36 to 63. Details of key activities undertaken by the Health, Safety and Environment Committee and Risk Committee are on pages 24 and 38 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. The Board Committees are given Company resources upon request to enable them to undertake their duties.

### Board protocol

The Board timetable ensures that the Board receives regular reports and presentations from the Executive Directors and Executive Leadership Team.

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 time it meets.

The Chairman of each of the Board Committees provides verbal reports on matters discussed by that Committee since the previous Board meeting. Matters considered by the Board during 2014/15 can be found on page 32. 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.

### Details of attendance at Board and Committee meetings

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

Directors' attendance 2014/15	Board	Audit Committee	Ethics Committee	Nomination Committee	Remuneration Committee
Number of meetings held	9	5	2	2	5
Colin Child	9 (9)	–	–	–	–
Warren East	9 (9)	5 (5)	2 (2)	2 (2)	5 (5)
Victoria Jarman	9 (9)	5 (5)	2 (2)	2 (2)	4 (5)
Gill Rider	9 (9)	5 (5)	2 (2)	2 (2)	5 (5)
Philip Rogerson	9 (9)	–	2 (2)	2 (2)	4 (5)
Andrew Stevens	8 (9)	5 (5)	2 (2)	2 (2)	5 (5)
Martin Sutherland (appointed 13 October 2014)	4 (4)	–	–	–	–

#### Note

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

# Corporate governance report continued

## **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 for the evaluation to be undertaken by an external provider at least every three years. The performance evaluation for 2014/15 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 Chairman and each Committee chairman have 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 and the Executive Directors in the absence of the Chairman. The Chairman holds one to one meetings with the Non-executive Directors.

Following the 2015 reviews the Board and individual Committees have concluded that the performance of the Board, its Committees and individual Directors was effective. Any areas for improvement are agreed by the Board.

### **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.

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 28 and 29. 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 must be 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**

A formal, rigorous and transparent process is followed during the selection and subsequent appointment of new Directors. 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. A rigorous review is undertaken, taking account of their performance and ability to contribute to the Board in the light of their knowledge, skills, experience and diversity required, when considering a term for a Non-executive Director beyond six years.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for election and 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 election and 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 a structured induction programme 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 had previous experience 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.

Visits by Board members to our operating sites are also an important part of both induction and continuing education. The Board visits at least one operational site each year (Overton and Westhoughton in 2014/15). 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 indemnities were in force during the financial period and remain in force at the date of this report. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly. The Group also maintains directors' and officers' liability insurance cover for its Directors and Officers. This cover also extends to directors of subsidiary companies.

## Corporate responsibility

Information on the Group's initiatives and commitment to corporate responsibility can be found on pages 24 to 27.

### 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 system of risk management and internal control.

This system of internal control 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 last review of the system of internal control in April 2015.

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

## De La Rue's internal control

The system of internal control is built on the pillars of effective governance, control and assurance, the main elements of which are summarised in the table below:

Governance	Control	Assurance
<p>The Board and its various sub committees</p> <p>Annual strategic planning and budgeting</p> <p>Group central functions: finance, human resources, company secretariat and legal, health, safety and environment, security and global information services</p> <p>Delegated levels of authority</p> <p>A Group policy framework which contains the core policies covering finance, operational, people, legal and IS policies</p> <p>A system of monthly financial and operational reporting</p>	<p>A detailed financial, operational, compliance, security, people and information security control environment</p> <p>Site based control environments that meet Group, customer and local legal and regulatory requirements</p> <p>Operational processes governing quality management, research and development, enquiry to delivery management, health, safety and environment and security</p>	<p>Annual control self assessment declaration process</p> <p>Assurance provision through activities of internal health, safety and environment, quality, security and business continuity teams</p> <p>External audit activities</p> <p>Customer audits</p> <p>ISO audits</p> <p>Internal audit, which is subject to the controlling direction of the Audit Committee</p> <p>A 24/7 whistleblowing hotline</p> <p>The Audit Committee assists the Board in discharging its responsibility to review the system of internal control</p>

# Corporate governance report continued

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

The Group has a comprehensive budgeting system with an annual budget approved by the Board. Revised forecasts for the year are reported to the Board. Actual results, at both a segment and Group level, are reported monthly against budget and variances are kept under scrutiny.

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. 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 if they have concerns that contact through the normal channels has either failed or is deemed inappropriate.

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 notices 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 unless unforeseen circumstances arise, all Chairmen of Board Committees will 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**

To ensure compliance with regulatory requirements, the Board delegates certain matters to its Committees, which are required to consider these in accordance with their terms of reference.

## **Ethics Committee report**

The Ethics Committee comprises all Non-executive Directors and is chaired by the Chairman with the Chief Executive Officer 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 ethical matters and makes recommendations to the Board on how they should be addressed 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 or non-financial fraudulent nature and review subsequent findings and recommendations

The Group delivers high profile security print products and services 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 all employees and business partners must behave when competing for business and delivering services. We believe that by committing to these values, supporting the business objectives and adhering to the expected behaviours, the culture of the business and the industry itself will be strengthened and the business will be well placed to deliver its strategic objectives.

The Banknote Ethics Initiative (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 GoodCorporation (GC), recognised worldwide as a leading company in the field of corporate responsibility assurance 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. De La Rue played a leading role in the establishment of the initiative and the 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 GC. In February 2015 we submitted confirmation of our ongoing commitment and an update on activities related to our BnEI accreditation, and our continuing accreditation was confirmed on this basis. An internal audit review of our progress against action points raised as part of the BnEI accreditation was undertaken during the year.

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. Targeted training, including the launch of an online anti-trust training module took place during the year and will continue during the forthcoming year in relation to all relevant employees and TPPs
- CBP: a launch meeting for the Group's ethics champions was held during the year and this was followed up later in the year by regular conference calls to ensure that each site has local support and representation for CBP related matters. Ethics champions are supported by a Code of Business Principles steering group chaired by the General Counsel and Company Secretary

- Gifts and hospitality: in support of the CBP the Group's gifts and hospitality policy requires that all gifts, hospitality and entertainment offered, given or received above a certain value are 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 unless the Committee is dealing with the matter of succession of the Chairman of the Company) and the Chief Executive Officer.

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. It is the Committee's role to ensure that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure their continued effectiveness. 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 (29 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 on page 24.

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
- Board and management succession
- Review of Board diversity
- Non-executive Directors' periods of appointments 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
- Arrangements for the search and recommendation for the appointment of Martin Sutherland as Chief Executive Officer, using an external search consultancy (The Zygus Partnership) which does not have other connections with the Company
- Arrangements for the appointment of the Chief Financial Officer following Colin Child's decision to stand down from the Board at the AGM. An external search consultancy (Russell Reynolds Associates) which does not have any other connections with the Company has been retained by the Company to assess potential candidates for consideration
- Arrangements for the search and appointment of two new Non-executive Directors to replace Warren East and Gill Rider on their retirement from the Board at the forthcoming AGM. The Zygus Partnership assisted in the process



# Corporate governance report continued

## 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 five occasions during the year. Details of the Committee and of the annual report on remuneration can be found in the directors' remuneration report on pages 42 to 63.

## Risk Committee

The Directors acknowledge that they have overall responsibility for the Group's system of internal control for managing risks associated with the business and markets within which the Company operates. Further details relating to how the Directors maintain overall control over significant strategic, financial, operational and compliance issues is set out in the risk and risk management report on pages 21 to 23.

In addition, the Board has delegated to the Risk Committee the responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are managed.

Core responsibilities of the Risk Committee are to:

- Recommend the risk management policy and strategy
- Oversee development and maintenance of a Group wide risk management framework for identifying and managing risks
- Identify and review all major risks faced by the Group and ensure that appropriate controls are in place to manage those risks
- Review the Group's ability to identify and manage new types of risks
- Promote a risk management culture and control environment
- Review the effectiveness of the Group's non-financial internal control systems in the management and reporting of risks

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 Officer, Chief Financial Officer, Chief Commercial Officer, Chief Technology Officer, Chief Operating Officer, Group Director of HR, 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 period end, following review by the Audit Committee of internal 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 Committees, which deal with specific areas of risk, such as health, safety and environment and security.

The Committee met twice during the year.

## Information included in the Directors' report

Certain additional information that fulfils the requirement of the corporate governance statement can be found in the other statutory information section on pages 64 to 66 and is incorporated into this corporate governance statement report by reference.

A copy of the corporate governance report is available on the Group's website.

By order of the Board

**Edward Peppiatt**  
Company Secretary  
27 May 2015