

CORPORATE RESPONSIBILITY



FTSE4Good

De La Rue is committed to ensuring that its business is managed in a responsible and sustainable way by incorporating sound Corporate Responsibility (CR) policies and practices as part of its business strategy and day to day business activities. De La Rue is a member of the FTSE4Good Index.

The CR section of the website www.delarue.com contains more information about CR in De La Rue. The case studies in this section illustrate a number of CR initiatives from around the Group.

interlock

The theme of the tenth Interlock Health, Safety and Environmental (HSE) Conference held in November 2009 was 'Back to Basics – Driving Good Practice'. Topics included travel and personal safety, slips, trips and falls, fire safety and machinery safety. Eighty delegates from sites around the world attended, including all members of the Operating Board. Delegates voted for the best health and safety initiatives, with awards being presented by the Chief Executive. The winner was De La Rue Security Threads for excellent work on reducing manual handling risks. Our employees are instrumental in driving the ongoing improvement of HSE processes – all those attending were invited to make one personal commitment to improving health and safety at their site. These pledges were recorded centrally and are being followed up personally by the Chief Executive.

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Accountability and management processes

The Board receives monthly reports on CR issues and is ultimately responsible for assessing the impact of these on De La Rue's business, and for setting appropriate policies for the Group. The Chief Executive is the Board member with designated responsibility for CR, supported by:

- The Operating Board, which is responsible for the day to day management of CR and receives monthly reports
- The Risk Committee, which discusses CR at its meetings in the context of monitoring the effectiveness of internal control systems
- The Health, Safety and Environment Committee, whose responsibilities include making recommendations on HSE strategy and identifying areas for improvement
- The Charity and Community Affairs Committee, established during the year, which will make recommendations to the Board and monitor and report on charitable giving and community activities

Workplace

Code of Conduct

The Code of Conduct defines De La Rue's core values and principles for doing business and deals with:

- Share dealing procedures
- Competition law
- Legal compliance
- Ethical dealings with governments, customers, suppliers and third parties
- Protecting the Group's assets
- Avoiding conflicts of interest
- Health and safety and the environment

It is supplemented by more detailed policies and procedures and relevant training. All employees receive a copy of, and are required to comply with, the Code of Conduct.



Whistleblowing

The Group's Whistleblowing policy and procedures enable employees who have concerns about the application of the Code of Conduct or business practices within the Group to raise them internally or anonymously through an independently run telephone helpline. The Board and Audit Committee receive details about any issue raised and how it has been followed up. Each year the Audit Committee reviews the policy and procedures.

Third Party Partners

The Group Third Party Partner Team was established during the year to provide a central, neutral hub for ensuring that partners such as distributors, sales agents and consultants comply with the Group's policies and expectations in relation to ethical business conduct. The team reports directly to the General Counsel and Company Secretary. Further information is given in the Corporate Governance Statement on page 45.

Health and Safety

De La Rue recognises its responsibility to safeguard the health and safety of all stakeholders affected by our operations and is committed to keeping its employees safe and secure when they are at work and travelling for work. This is achieved through clearly defined responsibilities, good communications and training, hazard spotting, risk assessments and by implementing appropriate controls at all of our facilities.

None of our operations has been prosecuted for infringing any health and safety laws or regulations during 2009/2010.

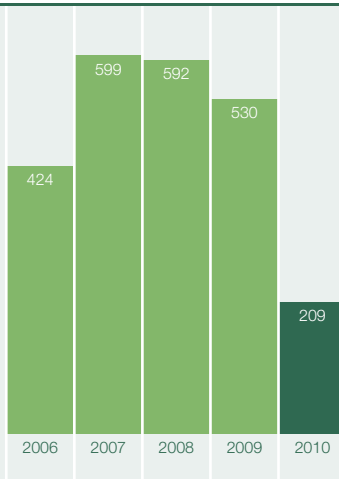
The Board receives confirmation that the business units comply with Group policy and applicable laws through external and internal audits, reports and measurement against action plans and benchmarking processes. These reports are used to develop effective improvement programmes. Thirteen of our fifteen operational sites have achieved OHSAS18001:2007 certification for their health and safety management system.

We also work with our main suppliers and main contractors to ensure their health and safety processes are robust. This year in Sri Lanka we have conducted safety training for over 1,000 contractors working on the large extension of our facility. This has resulted in a zero reportable injury rate on this project.

The health and safety KPIs opposite show continued improvements in reportable injury rate, days lost and total lost time accident figures.

Our health and safety objectives for 2009/2010 were to implement updated road risk management and travel risk management programmes, both of which were achieved. During the year over 300 UK employees who may drive for work have taken part in an online individual driver risk assessment process and have completed follow up training where required. Travel risk assessments are now completed as appropriate for international travel. Other significant activities during 2009/2010 included manual handling and fire safety training. We have also reviewed all areas that store and handle chemicals and flammable solvents and have upgraded these where necessary.

The best examples of ideas which have supported the Our Contribution initiative are showcased at the Spotlight event which is designed to reward those who have helped us achieve success. Spotlight awards play an integral role in celebrating the efforts of our people in devising ways in which we can do things better. Following on from events held in Spain, Switzerland and France in previous years, the 2009 awards were held in Malta. The winning projects were: an initiative by CPS site engineers; a machinery improvement project at Overton mill; and the more efficient use of materials in Sri Lanka. The projects delivered environmental savings and increased customer satisfaction as well as process and quality improvements.

Total days lost

Our health and safety objectives for 2010/2011 are:

- For all employees to have some level of health and safety training and all operational line managers and supervisors to have a certified level of health and safety training
- To review and update all fire procedures at our facilities and monitor test evacuations
- For one smaller printing facility to achieve OHSAS18001:2007

Employees

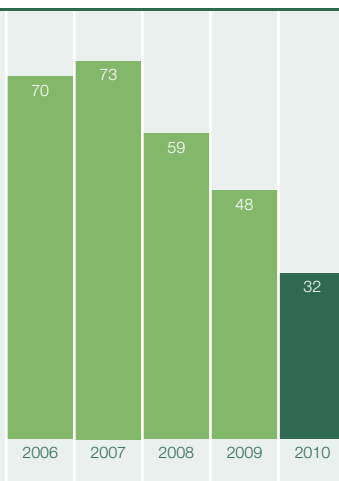
The Group employs approximately 4,000 staff in 24 countries.

The benefits and synergies of greater collaboration and process sharing across the businesses continue to be harnessed via the 'One De La Rue' programme. As mentioned in the Chief Executive's Review, cross-business teams are focusing on initiatives in six key areas: Our Customers, Our People, Our Innovation, Our Performance, Our Communication and Our Contribution.

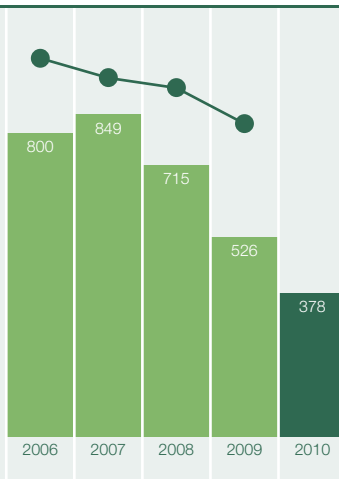
The results from our 2009 'Your Say' staff survey demonstrate the progress made in engaging our employees. Across the Group the results suggest that many managers are getting the fundamentals right. The vast majority of people (more than 80 per cent) agree that they:

- Know what is expected of them at work
- Have the equipment they need to do their job
- Feel safe
- Understand why innovation is important
- Understand how they contribute to their site and De La Rue

It is encouraging to see that 79 per cent of people agree they would rather work for De La Rue than any other company and 77 per cent say they would recommend working at De La Rue to a friend. This survey shows an improving trend over the 2005 and 2007 surveys. For example, we see much higher proportions of staff stating they know what is expected of them and receive appropriate praise than we did in 2005 and 2007.

Total lost time accidents
Including 3 days+**Annualised reportable injury rate per 100,000 employees**

● UK manufacturing average



We recognise that engaging all employees is critical to our performance and so engagement is becoming a key aim for our managers. Each has been given a report on how their team scored in the latest survey, guidance on creating engagement and an objective to improve it. Over the first few months of 2010 each manager has spent time with their team discussing what can be done. During the rest of the year we will take actions to improve engagement.

The De La Rue Academy was set up during the year to co-ordinate and deliver core cross-business unit training including leadership and management, project and process management and a range of business skills. The Academy provides personal development and promotes shared knowledge and better understanding between the businesses. The Academy is set up to meet business needs and is closely aligned to Group talent reviews (a process designed to identify and review new and existing talent within the Group so that succession planning is managed in a structured way), personal development reviews and culture change programmes.



De La Rue Security Papers carried out a project replacing many of their fan and pump motors with variable speed inverter drives. The most important benefit is better process control and in turn lower energy demand. The use of inverter controlled pumps means that only sufficient energy to produce the flows required for the process at that time is consumed and the production of over capacity and the resulting waste of energy is avoided. A reduction to 90 per cent of the original speed reduces the power required to approximately 73 per cent of the original, a 27 per cent energy saving. With the reduction in energy requirement comes an associated reduction in costs and CO₂ production.

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Additionally, the Academy provides improved savings through centralising spend and coordinating training programme delivery across De La Rue.

The effectiveness of communication processes at Group and local site level are regularly reviewed to encourage employee engagement and broaden business understanding. To complement the employee magazine and the Chief Executive's electronic articles on key business issues, new initiatives this year included the relaunch of the intranet and regular conference calls hosted by the Chief Executive, in which all employees have the opportunity to participate and ask questions directly on matters of current importance.

Our Contribution, De La Rue's productivity programme, continues to be well supported by our employees. The best initiatives were recognised at the fourth Spotlight event which was held in Malta in September 2009 (see case study on page 32).

De La Rue is committed to the fair and equitable treatment of all its employees in recruitment, training, promotion and in terms and conditions of employment irrespective of gender, sexual orientation, religious beliefs, age, colour, ethnic or racial origin, nationality, disability or trade union membership. If an employee becomes disabled when in the Group's employment, full support is given through the provision of special training, equipment or other resources to facilitate continued employment wherever possible. All managers are required to ensure that employees understand their responsibility for the active implementation of the Group's policies. Details of De La Rue's Human Rights, Equal Opportunities, Anti-Harassment and Stress Management policies are available on the Group's website.

The Group's web based HR management system is now a well established tool for streamlining core HR management processes and enhancing the HR management reporting capability.

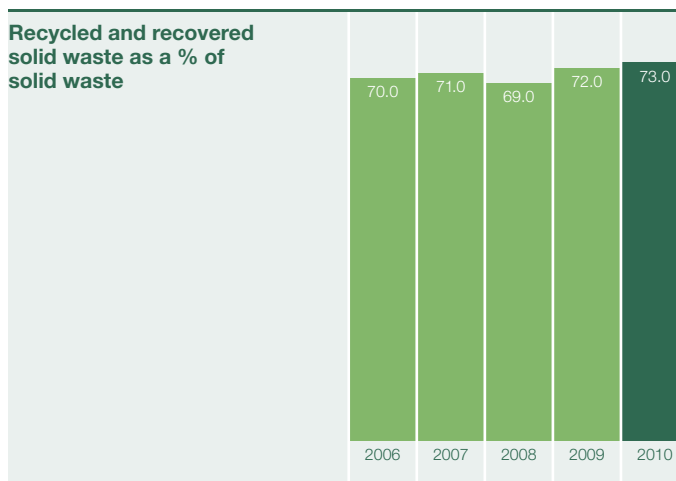
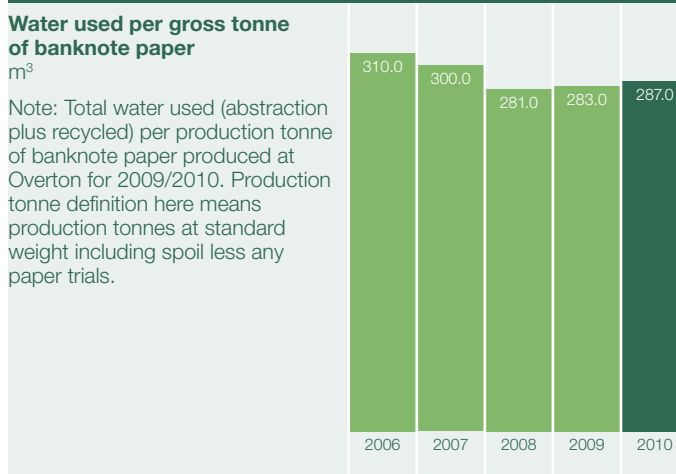
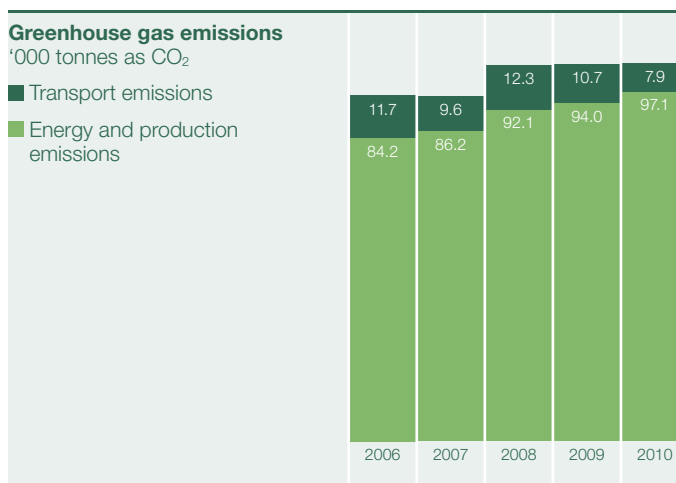
To the extent permitted by relevant local laws, the Group monitors data on staff diversity to help it review policies and improve best practice.

Environment

De La Rue aims to operate in a manner that protects the environment and prevents pollution, as well as considering the environmental effects of any new projects, when changing business activities and business processes and when developing new products. We operate a formal environmental management system, and our objective is for all manufacturing sites to be certificated to ISO 14001:2004. Thirteen of our fifteen operational sites have received this certification to date.

None of our operations has been prosecuted for infringing any environmental laws or regulations during 2009/2010.

We continue to measure our greenhouse gas emissions, shown in the graph below, following the Greenhouse Gas Protocol, the most widely used international accounting tool for government and businesses. This data includes the combustion of fuels, ie natural gas, fuel oils and purchased grid electricity, and owned transport energy consumption. Over 50 per cent of our carbon footprint



relates to the gas and electricity used at Overton mill. The graph shows an increase in greenhouse gas emissions which is related to increasing volumes, new processes and product complexity. Our main sites have energy reduction committees and we have implemented energy reduction initiatives such as swapping in energy efficient motors and installing energy efficient lighting systems during upgrades. Overton mill has a combined heat and power plant producing electricity and steam requirements from a natural gas turbine.

Water used per gross tonne of banknote paper produced is partly dependent on the volume, mix and complexity of the paper produced. We have increased our use of recycled water this year up to 9 per cent of all water used at the Overton mill.

Recycled and recovered solid waste as a percentage of all solid waste is dependent on the waste markets and we look for any opportunities for recycling and recovery. One challenge for our business is the advance of the anti-counterfeiting features in our products which by their nature are complex to produce and can affect waste volumes and energy use.

Our objective for 2009/2010 was to continue with our carbon measurement and aim to reduce our impact. At the Gateshead plant, an energy management system is utilised to control the use of energy consumption from high to low periods of activity across production environments. All significant new building work carried out across the site during the year maximises use of energy saving materials to reduce energy needs. Transport usage is targeted to minimise journey length and frequency. As part of the UK Confederation of Paper Industries, Overton mill operates in accordance with an agreed energy policy, setting and implementing internal energy targets and measures. These targets relate to both the efficient operation of the combined heat and power plant and general energy efficiency through the mill. When electricity generation is in excess of demand, electricity is sold to the UK National Grid.

Over the last few years we have implemented environmental initiatives on a local level, such as the installation of variable speed inverter drives at De La Rue Security Papers (see case study on page 33), as well as achieving improvements in key areas across the Group. In the last 5 years the volume of solid waste going to landfill sites has reduced by 9 per cent and the percentage of waste recycled and recovered has increased by c4 per cent. There has also been a downward trend in solid waste generated per tonne of production, despite the increased product portfolio and product complexity. During 2010/2011 we will register for the UK Carbon Reduction Commitment energy efficiency scheme and the IDS business is seeking to achieve ISO14001:2004.

Community and Charitable Donations

Around the Group our facilities and factories are widely engaged with local communities, for example the Shoebox Appeal in Kenya (see case study below), sponsorship of a local child safety scheme in the UK and the maintenance and decoration of a children's home in Malta.

De La Rue is proud to support a variety of charitable causes on a local and international level. In 2009/2010 Group donations for charitable purposes amounted to £96,000 (2008/2009: £166,000), excluding donations made by the De La Rue Charitable Trust detailed below. During the year employees also participated in a wide range of internal fundraising activities for local charities in the UK and abroad, including the Haiti Disaster Appeal following the earthquake in January 2010.

The Group operates a Give As You Earn scheme in the UK which enables employees to make regular donations to charity from their pre-tax monthly salary. Donations are matched by De La Rue.

During the year a Charity and Community Affairs Committee was established, chaired by the General Counsel and Company Secretary, whose remit includes making Group policy recommendations to the Board on charitable giving and activities and monitoring and reporting to the Board at least annually.

The De La Rue Charitable Trust aims to direct funds to appropriate causes in countries where De La Rue operates, emphasising educational projects promoting relevant skills, international understanding or relieving suffering. The Trust also matches funds raised by employees for charitable causes. During 2009/2010, the Trust distributed £45,000 (2008/2009: £61,000).

Marketplace

Customers

The customer survey programme, Net Promoter®, is a valuable customer feedback tool for all four business units. The survey is conducted annually and data collected and analysed externally. Results are reported to the Operating Board.

Suppliers

De La Rue continues to apply a consistent set of procurement policies and processes to deliver accountability, sustainable value for money and continuous improvement while enabling the Group to fulfil its legal and financial obligations and effectively manage risk. In particular, we expect our suppliers to share our CR values and commitment to ISO standards for HSE performance.

Overton mill sources cotton waste for use in banknote papermaking from a few key international suppliers and we continue to audit to ensure our suppliers comply with our terms and conditions relating to the United Nations Convention on Rights of the Child and child labour.

De La Rue Security Print at Dunstable has been accredited with the 'FSC Chain of Custody' status by the Forest Stewardship Council.



In autumn 2009 a UK-wide appeal was launched inviting employees to fill shoeboxes with Christmas gifts for 350 children at the Good Samaritan Children's Home in Nairobi, an orphanage sponsored by De La Rue Kenya. The children's names, ages and hobbies were published on the Group's intranet and employees chose a child to send their gift box to. The response from our employees was overwhelming, with all 350 boxes being pledged within a few days. The shipping of the boxes to Nairobi in time for Christmas was coordinated by staff at Bathford mill and gifts were distributed by colleagues at De La Rue Kenya.