

Corporate responsibility

De La Rue remains committed to ensuring that its business is managed in a responsible and sustainable way and is a member of the FTSE4Good Index.

Sound corporate responsibility (CR) policies and practices are incorporated in the day to day activities of the business and examples of this from around the Group are described in this section.

Further information about CR policies and initiatives in De La Rue is available on the Group's website.



Focus on Malta

The De La Rue Malta Philanthropic Committee was established in 1988 to offer financial, social and moral support to the community. Activities such as a cinema day for a local children's home have now become annual events. Each Easter employees give up their time and De La Rue provides materials to help maintain a chosen charitable institution (see picture above).

In January 2011 De La Rue Malta was awarded the Malta Environment Planning Authority Environmental Permit for manufacturing companies. Commitments under the permit include minimising solvent use and emissions, maximising efficient use of resources, reducing waste, promoting recycling and submitting yearly environmental reports.

In 2010 employee volunteers carried out repairs, decorating and gardening work at a children's home

Corporate responsibility continued

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 Executive Committee, 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 health, safety and environmental strategy and identifying areas for improvement

Workplace

Code of Business Principles

During the year the Code of Conduct was reviewed and was relaunched in May 2011 as the Code of Business Principles. By the end of June 2011 it is envisaged that every employee will have attended a senior management presentation on the new code, received a copy of it and acknowledged that it has been read and understood. The code outlines De La Rue's core commitments, what they mean and how they should be implemented at all levels within the organisation. It is supplemented by more detailed policies and covers the following areas:

- Bribery and corruption
- Conflicts of interest
- Gifts and hospitality
- Health, safety and the environment
- Employment principles
- Records and reports
- Protecting personal information
- Insider trading and confidential information
- Competition and anti trust laws

Whistleblowing

The Group's whistleblowing procedures enable employees who have concerns about the application of the Code of Business Principles or business practices within the Group to raise them internally or anonymously through an independently run telephone helpline, the De La Rue Codeline. 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 continues to develop and refine the processes and procedures for the appointment and reappointment of distributors, sales agents and consultants. All applications for appointment, reappointment and renewal of third party partners are managed by this central team which reports directly to the General Counsel and Company Secretary. Due diligence undertaken on partners will be extended during the next financial year. An online training module dedicated to issues surrounding working with third party partners was launched during the year for mandatory completion by employees involved in this activity.

Health and safety

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

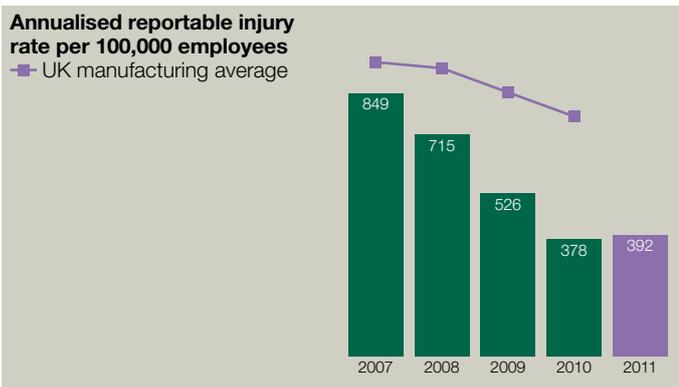
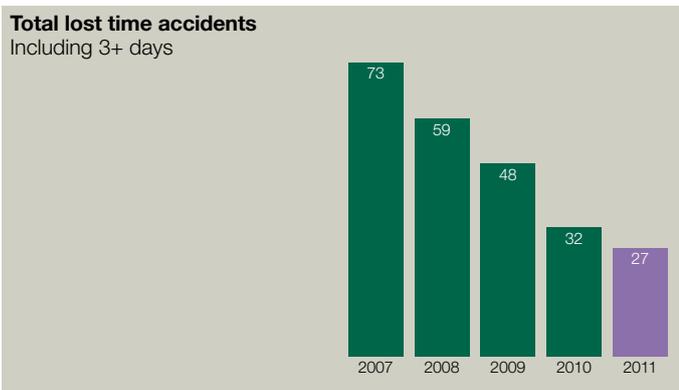
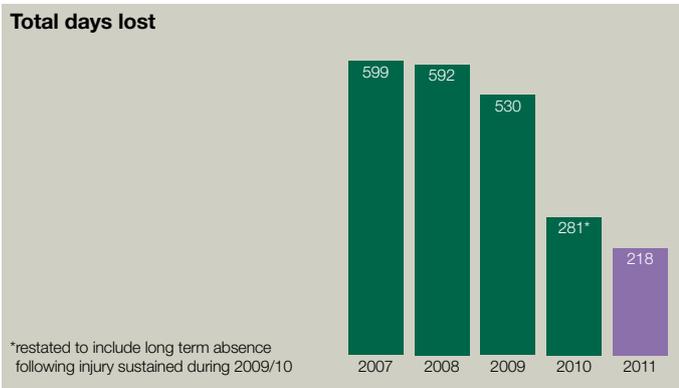
None of De La Rue's operations has been prosecuted for infringing any health and safety laws or regulations during 2010/11.

The Executive Committee and the Board receive confirmation that the divisions 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.

Fifteen of the sixteen manufacturing units have achieved OHSAS18001:2007 certification for their health and safety management system, which is externally audited.

De La Rue works with its main suppliers and main contractors to ensure their health and safety processes are robust. This year in Sri Lanka and Kenya over 30 managers and supervisors have been trained using the four day Managing Safely IOSH certified training course to ensure that they are competent to manage health and safety to a high standard in their local teams.

The health and safety KPIs are shown opposite. The slight rise in the reportable injury rate reflects better reporting in the Cash Processing Solutions international businesses and flat year on year performance at Overton mill. Total days lost due to accidental injuries has reduced by 20 per cent. The frequency of lost time accidents has also reduced.



Health and safety objectives for 2010/11 were:

- For all employees to have some level of health and safety training and all supervisory employees to attend certified health and safety training. During 2010/11 De La Rue provided over 2,500 health, safety and environment training man days and all employees received an Interlock health and safety booklet
- To review and update all fire procedures at facilities and monitor test evacuations. This was achieved
- For one smaller print facility to achieve OHSAS18001:2007, which was achieved

Health and safety objectives for 2011/12 are:

- To hold an Interlock health, safety and environment conference in November 2011
- To introduce an internal cross site audit programme
- To maintain a reportable injury rate of 440 or lower

Employees

The Group employs approximately 4,000 staff in 26 countries.

Training and development

During the year the De La Rue Academy provided a single focal point for a range of core training across De La Rue to meet specific business needs. Almost 300 people attended an Academy course this year, in addition to other internal training across the sites globally. Attendees were drawn from different sites, functions and divisions, increasing internal networking and strengthening relationships. Key areas of focus were:

- Leadership and management
- Project management and problem solving
- Negotiation
- Presentation skills
- Time management
- Performance management through 'honest conversations'

As part of De La Rue's human resources strategy, the Academy is directly linked with other initiatives including performance and development review (PDR) rollout and talent reviews. All those who have been identified for Academy training have been selected through either their PDR, a formal talent review, or to meet a specific business need. The divisional and Group talent reviews, held twice yearly, have led to a more transparent and meritocratic process of selection of people to attend senior leadership or executive courses. All other forms of personal development are highlighted through the PDR process and discussed with line managers, providing greater awareness and engagement between line management and employees.

During the year 300 employees across a number of UK sites enlisted on a range of National Vocational Qualification (NVQ) training courses which were fully funded by the UK Government. The NVQs included Business Improvement Techniques, Customer Services, Business Administration and Leadership and Management. The Currency Gateshead site is worthy of special mention for the success it has achieved in putting the whole site through the Business Improvement Technique (Level 2) as part of its continuous improvement programme.

A safe place to work

At year end Bathford mill had achieved 1,240 days without a reportable incident. The Confederation of Paper Industries (the leading organisation working on behalf of the UK paper related industry) showed the mill as joint leader in their 2010 safety league table. Sites at Nairobi, Bolton and Midrand also celebrated over 1,000 days with no reportable accidents.



Corporate responsibility continued

The 'Leading Performance' programme designed to enhance leadership capability through effective (honest) conversations has now trained over 280 managers across the Currency and Security Products divisions. This has enabled all those managers to conduct more effective PDR reviews, to have a valuable tool to address operational performance issues and to build on the continuous improvement culture.

Building on the existing success of the Six Sigma methodology (a workplace organisation and housekeeping methodology) already implemented across a number of sites, a pilot online Six Sigma course is currently underway.

Communication

De La Rue communicates regularly with its UK and European works councils. The UK National Employee Forum and European Employee Forum are both composed of elected employees, management representatives and employee nominated full time trade union officers.

In 2010 there were two full meetings with the UK Employee Forum. An annual European Employee Forum was also held. Steering group meetings for both forums are held throughout the year and can be called for any special requirements.

Both forums receive formal updates on strategic business performance from senior managers and Executive Committee members. Open discussion and questions are encouraged. This year the UK Employee Forum was consulted on the UK salary adjustment policy and the improved security vetting systems. Regular information on the consultation process regarding the transfer of employees following IDS winning the UK Passport contract was also shared with members of the UK Forum.

A joint UK and European Employee Forum is being held for the first time in 2011 to provide an opportunity for information sharing.

The effectiveness of communication processes at Group and local site level are regularly reviewed to encourage employee engagement and broaden business understanding. In addition to the employee magazine and the intranet, the Chief Executive hosts regular conference calls in which all employees have the opportunity to participate and ask questions directly.

Equality and diversity

De La Rue is committed to the fair and equitable treatment of 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. 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.

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

A job evaluation exercise has been introduced across the whole Group to ensure fairness and transparency within the business.

Environment

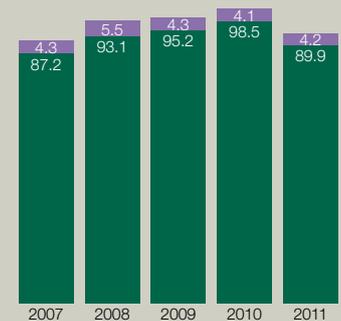
De La Rue aims to operate in a manner that protects the environment and prevents pollution, as well as considering the environmental effects of any new projects, when changing business activities and business processes and when developing new products. The environmental policy is communicated across the Group and a formal environmental management system is in operation, the objective being for all manufacturing sites to be certified to ISO 14001:2004. Fourteen of the sixteen manufacturing units have received this certification to date.

None of De La Rue's operations has been prosecuted for infringing any environmental laws or regulations during 2010/11.

Greenhouse gas emissions

'000 tonnes as CO₂

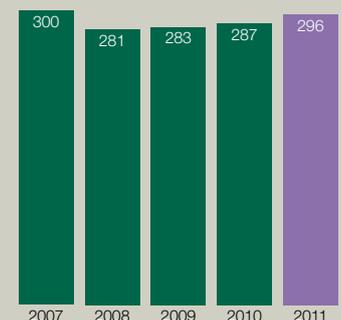
■ Transport emissions
■ Energy and production emissions



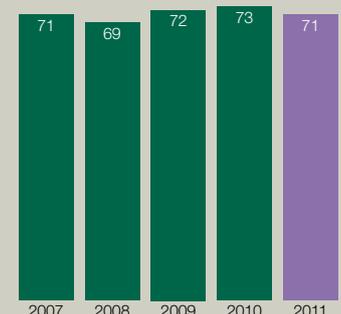
Water used per gross tonne of banknote paper

m³

Note: Total water used (abstraction plus recycled) per production tonne of banknote paper produced at Overton for 2010/11. Production tonne definition here means production tonnes at standard weight including spoil less any paper trials.



Recycled and recovered solid waste as a percentage of solid waste



The Group continues to measure greenhouse gas emissions, shown in the graph opposite, 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, employee passenger transport and owned transport energy consumption. Following a review, five years of passenger transport emissions have been restated in line with the new 2010 UK Defra conversion factors and using averages calculated from latest spend and distance figures. De La Rue believes these figures are more representative going forward. Over 50 per cent of De La Rue's carbon footprint relates to gas and electricity used at Overton mill. The combined heat and power plant operating at this site, which uses heat recovery to generate steam for the paper machines, has been rated 'good quality' under the Government's combined heat and power quality assurance scheme. Several sites have energy reduction committees and energy reduction initiatives, such as swapping in energy efficient motors and installing energy efficient lighting systems during upgrades, have been implemented.

Water used per gross tonne of banknote paper produced is partly dependent on the volume, mix and complexity of the paper produced. Due to the production issues experienced during the year and associated changes in production processes, there has been an increase in water used per gross tonne of banknote paper. The rate of recycled water use at Overton mill has been maintained at c10 per cent of all water used. At the Sri Lanka facility, a new effluent treatment plant has been installed which is now recycling 90 per cent of the water used while meeting new and tighter local discharge requirements.

Recycled and recovered solid waste as a percentage of all solid waste is dependent on the waste markets. De La Rue looks for any opportunities for recycling and recovery and various composting trials are ongoing in the UK. One continuing challenge for the business is the advance of anti counterfeiting features in products which by their nature are complex to produce and can affect waste volumes. There was an increase in waste at Overton mill during the year due to the paper production issues.

Four UK sites are operating under Climate Change Agreement energy policies setting reduction targets, although these could be subject to change by the Government. De La Rue in the UK has registered under the Carbon Reduction Commitment Energy Efficiency Scheme and continues to aim to reduce energy consumption.

Examples of environmental achievements on a local and Group wide level over the last few years include:

- Reducing natural gas usage at Dulles, USA by 25 per cent by implementing heat saving initiatives
- Extending the scope of ISO14001:2004 certification at two sites this year to cover the IDS business
- The phasing out of ozone depleting substances at the Malta facility, now in its final stages
- De La Rue Sri Lanka won the merit award under the total waste management category at the Geo Responsibility Award ceremony for the achievement of performance and commitment towards managing the environment in a responsible manner

Environmental objectives for 2011/12 are:

- To develop an updated environmental strategy with new targets
- To maintain the ISO14001:2004 certification programme
- A target of reducing waste to landfill by 3 per cent each year over the next three years
- A target 3 per cent energy reduction related to output over the next three years

Community and charitable donations

Around the Group, De La Rue's facilities and factories are widely engaged with local communities. Just two examples are the production of calendars to be sold for the benefit of children suffering from cancer in Dulles, USA and granting the use of land for a metal detecting rally to raise money for youth projects in Overton, UK.

De La Rue is proud to support a variety of charitable causes on a local and international level. In 2010/11 Group donations for charitable purposes amounted to £58,000 (2009/10: £96,000), excluding donations made by the De La Rue Charitable Trust detailed below. During the year employees also organised fundraising activities to benefit various charities, including the provision of 100 emergency ration packs for Sri Lankan flood victims, fundraising for various local hospices in the UK and gaining sponsorship for taking part in the Three Peaks Challenge in the summer of 2010 in aid of the Haiti earthquake appeal.

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.

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 2010/11, the Trust distributed £46,000 (2009/10: £45,000).

Marketplace

Customers

As part of its commitment to continually improving the products and services provided to customers, IDS conducted a short survey. The questionnaire covered 180 customers and achieved a 48 per cent response rate (an 11 per cent increase in responses compared to a similar activity carried out the previous year). Feedback and comments were thoroughly reviewed, with team briefings taking place across all business functions. Appropriate action plans have since been agreed ensuring focus is maintained and that the customer is regularly updated on progress made.

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, De La Rue expects its suppliers to share the Group's 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 continues to review these suppliers to ensure they comply with De La Rue's 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.