



Accountability Ethics Committee



Philip Rogerson
Chairman of the
Ethics Committee



The Committee is responsible, on the Board's behalf, for reviewing compliance with the Group's Code of Business Principles (CBP). The Committee considers ethical matters and makes recommendations to the Board on how they should be addressed and reinforces the Group's commitment to ensuring business ethics are a fundamental and enduring part of the Group's culture.

Dear Shareholder

I am pleased to present the 2018 Ethics Committee report.

Composition of the Committee

Member	Date of appointment to Committee	Directors' attendance 2017/18
Philip Rogerson (Chairman)	27 September 2012	2(2)
Nick Bray	21 July 2016	2(2)
Sabri Challah	23 July 2015	2(2)
Maria da Cunha	23 July 2015	2(2)
Andrew Stevens	2 January 2013	2(2)

Note

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

Activities during the period

During the period to 31 March 2018 the Committee focused on the following activities:

- Key updates and trends in business ethics
- Status of the restructuring of the management of third party partners (TPPs) programme
- CBP activity update
- Review of incidents with an ethical dimension
- Review of the internal audit findings of the implementation of actions arising from the Banknote Ethics Initiative (BnEI) re-accreditation confirmed in 2017
- Review of the gift register for Executive Directors
- Evaluation and effectiveness review
- Review of reports on issues raised through the whistleblowing hotline – CodeLine and other channels and review of results of any investigations into ethical or compliance breaches or allegations of misconduct

Principal responsibilities

The main responsibilities of the Ethics Committee are to:

- Assist the Board in fulfilling its oversight responsibilities in respect of ethical matters
- Ensure that De La Rue conducts business with integrity and honesty and in accordance with relevant legislation and regulations
- 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 development and adoption of Group policies and procedures for the identification, assessment, management and reporting of ethical risk
- Oversee the investigation of any material irregularities of an ethical or non-financial fraudulent nature and review subsequent findings and recommendations

Corporate governance continued



Accountability Ethics Committee continued

De La Rue's ethical framework

The Group delivers high profile security print products and services to customers across the world. It is essential that the Group conducts its business with integrity, honesty and transparency to maintain the trust and confidence of its customers, and everyone it deals with both inside and outside the Group.

The Group has clear core values and principles which govern how all employees and business partners must behave and we believe that by committing to these values the business will be well placed to deliver its strategic objectives with the expected behaviours.

We recognise that our business is exposed to risks of unethical conduct because of the nature and value of many of our contracts and because the standards of integrity may not be consistent across all the countries in which we operate. We have a robust compliance programme in place which allows us to manage these risks effectively as explained below.

The Group's ethical framework is supported by the standards, policies, internal controls and communication as highlighted on page 73. We expect all our employees, consultants and those acting on our behalf to adopt these standards. We are participants of the UN Global Compact initiative which we are using as a guide to align our Company strategies and operations with business principles on human rights, environment and anti-corruption. We also collaborate with the International Chamber of Commerce corporate responsibility and anti-corruption committee.

Our ethics and compliance programme

Code of Business Principles (CBP)

The CBP was reviewed and relaunched in 2016 and our nine core principles are regularly reviewed to ensure that they continue to underpin the way in which we conduct ourselves and work on a daily basis.

If an employee is found to have acted in breach of the CBP, the Group takes appropriate action to address that breach including disciplinary action and ultimately terminating employment in the most serious cases.

Gifts and hospitality

We have a clear approval process for gifts, entertainment and hospitality offered by or given to our employees. All employees are required to comply with the gifts and hospitality policy which requires all gifts, entertainment and hospitality above a nominal value to be recorded on a central Gift Register which is reviewed on a monthly basis. The Committee receives a report on the gifts received or given by the Executive Directors.

Banknote Ethics Initiative (BnEI)

De La Rue is one of the founding members of the BnEI. BnEI sets out a rigorous framework for promoting high ethical standards in the industry and requires members to commit to the Code of Ethical Business Practice that was developed in partnership with the Institute of 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. Compliance with the code is rigorously tested through an audit framework developed in conjunction with GoodCorporation, recognised worldwide as a leading company in the field of corporate responsibility assurance and business ethics. De La Rue's re-accreditation was confirmed at Level 1 in April 2017 and recognised the level of improvement implemented in this area.

The audit focuses on anti-bribery and corruption and anti-trust processes, procedures and controls. The findings of the triennial BnEI audit confirm that De La Rue continues to perform strongly or above GoodCorporation benchmarks.

Third party partners (TPPs)

We recognise that it is not just our employees who could be exposed to ethics risks but also TPPs. Their conduct remains one of our most significant risks and there is a continuing requirement for TPPs to undergo our mandatory training programme and to conduct business in compliance with the standards set by the Company. Due diligence is undertaken on all our TPPs before they are engaged and this process is reviewed on a regular basis. TPPs are given regular training to ensure they remain alert to potential risks. We have risk management measures and controls in place including in relation to remuneration of TPPs and

we monitor all payments to ensure that the remuneration structure does not incentivise unethical behaviour.

The Committee receives regular reports on payments made to sales consultants, together with an update on the progress in moving TPPs away from the traditional commission-only model. This is part of a five year plan and reflects the Group's aim to reduce risk and manage partner performance and reflects the recommendation of the BnEI.

Ethics Champions

The Group's network of Ethics Champions ensures that each site has local support and representation for CBP matters and continues to play an integral part in ensuring that strong De La Rue values are embedded across the business. An Ethics Champions' conference was held in May 2017 and included representatives from recently acquired sites.

Whistleblowing

We encourage all employees and people acting on our behalf to speak up if they have any concerns. The Audit Committee reviews our whistleblowing policy and procedures each year. Ethical questions or concerns raised by employees or third parties through the De La Rue CodeLine are investigated and all findings and remedial actions are reported in detail in periodic reports prepared for and reviewed by the Ethics Committee.

Training

The Committee attaches significant importance to regular, relevant and focused training. Training during the period included:

- Face-to-face introduction to TPP training sessions to new TPP stakeholders
- Competition law training where relevant for all new starters
- Online training modules for TPPs and relevant employees
- Security awareness training including guiding principles on ethical behaviour for employees travelling overseas

Philip Rogerson

Chairman of the Ethics Committee
30 May 2018

