

Corporate governance

Chairman's introduction



Philip Rogerson
Chairman

Dear Shareholder

At De La Rue we believe that establishing and maintaining the highest standards of corporate governance is vitally important to the long term success and sustainability of the business. The Board recognises that good governance is about more than just compliance with rules and regulations; it is about culture, behaviours and how we do business and the Board is therefore committed to ensuring that the Group's values and high standards are set from the top and embedded throughout the Group. We are committed to having best in class corporate governance and our Board is structured to provide shareholders with a strong voice. Integrity and accountability are at the heart of everything that we do and I believe that this, together with our robust governance framework, allows the Board to lead the Company in the right direction as we pursue our strategy, while ensuring that good governance principles and practices are adhered to.

Last year we submitted our remuneration policy to the vote at the AGM in July 2017. We consulted extensively with our largest shareholders and their representative bodies and this resulted in our policy being approved by an overwhelming majority at the AGM. Details of the policy and how it was applied during the period are set out in the Directors' remuneration report on page 74.

Succession planning

Succession planning is an important element of good governance, ensuring that we are fully prepared for planned or sudden departures from key positions throughout the year. During the period, the Nomination Committee reviewed the succession plans for the Board, the Executive Leadership Team and other key roles within the organisation. This review also provided visibility of the Group's talent pipeline and the leadership development programme in place to ensure we are maximising the potential of our people. The Nomination Committee has started the search for a Chief Financial officer following the resignation of Jitesh Sodha.

Board effectiveness

As detailed on page 62, an externally facilitated evaluation of the Board and its Committees was once again undertaken during the year and I am pleased to report that as a result of the evaluation, the Board concluded that both it and its Committees continue to operate effectively. The Board continues to work closely with the executive management team and offers support and robust challenge as appropriate. All Directors play an active role in overseeing management of the business.

The Board agenda will continue to balance the need to improve oversight and governance of all aspects of the business with the ability to debate and examine forward looking strategy, including changes to the business environment and markets in which we operate and compete.

Structure of the corporate governance statement

The Company is subject to the Financial Reporting Council's (FRC) UK Corporate Governance Code (the 'Code'), which was last updated in April 2016. The Code contains broad provisions 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 report that follows provides an overview of the work undertaken by the Board and its Committees in fulfilling our governance responsibilities and describes how the principles of the Code have been applied during the period to 31 March 2018. The Code is issued by the FRC and is available for review on the FRC website: <https://www.frc.org.uk>

Philip Rogerson
Chairman
30 May 2018

Compliance statement

The Board encourages a culture of strong governance across the business, and continues to adopt the principles of good governance and adhere to requirements of the UK Corporate Governance Code. The Board considers that it and the Company has, throughout the period to 31 March 2018, complied in all respects with the provisions of the Code. The Company's auditors, Ernst and Young LLP, are required to review whether this statement reflects the Company's compliance with those provisions of the Code specified for their review by the Financial Conduct Authority's Listing Rules.

Board composition

As at 31 March 2018, the Board was made up of six members comprising a Chairman, Chief Executive Officer and four independent Non-executive Directors. Rupert Middleton, our former Chief Operating Officer, stepped down from the Board following the conclusion of the Company's AGM on 20 July 2017. Jitesh Sodha, Chief Financial Officer, resigned from the Board on 19 March 2018. Brief biographies and skills and experience of the Board are contained on pages 54, 55 and 57 and the roles of the Board is on page 59. None of the Company's Non-executive Directors had any previous connection with the Company or its Executive Directors on appointment to the Board and all of them are considered by both the Board and the criteria set out in the Code to be independent. Philip Rogerson was considered independent at the date of his appointment. His external appointments are set out on page 54. The Chairman and each of the Non-executive Directors have a breadth of strategic, management and financial experience gained in each of their own fields in a range of multinational businesses. In accordance with the terms of the Code, each of the Directors will be subject to re-election at the forthcoming AGM.

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We are committed to the highest standards of corporate governance:



Leadership

The Board sets the tone at the top of the Company through:

- A clear definition of the roles of the individual members of the Board
- A comprehensive corporate governance framework
- Defined processes to ensure the independence of Directors and the management of conflicts of interest

 Find out more on leadership
see pages 54 to 61



Accountability

The Board delegates some of its detailed work to the Board Committees:

- Each Committee meets regularly
- The terms of reference of each Committee may be found on the Company's website at www.delarue.com
- A report from the Chairman of each Committee is included in this annual report

 Find out more on accountability
see pages 66 to 73



Effectiveness

The Board carries out its duties through:


- Regular meetings focusing on the oversight of strategy, risk (including viability) and succession planning
- An annual review into the effectiveness of the Board

 Find out more on effectiveness
see pages 62 to 65



Relations with shareholders

Maintaining strong relationships with both private and institutional shareholders is crucial in helping us achieve our aims. We hold events throughout the year to maintain an open and transparent dialogue with them.

 Find out more on relations with shareholders
see page 63



Remuneration

The Remuneration Committee ensures that there is a formal and transparent process for determining and reporting on the pay of our Executive Directors:

- The remuneration policy was approved by shareholders at the 20 July 2017 AGM
- The Remuneration Committee ensures that: performance measures are linked to our strategic priorities; there is alignment between executive and shareholder interests; and our arrangements are simple to understand

 Find out more on remuneration
see pages 74 to 94