

Corporate governance continued



Effectiveness

Conflicts of interests and independence

The Board has established a process to review at least annually and, if 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.

Culture and values

The Board considers leadership, culture and good governance as essential considerations in the Group's ongoing transformation. As the business seeks to build a high performance culture across the Company to deliver our strategy, the Board recognises the role it plays in providing leadership and tone from the top. The Board is developing a framework through the Executive Leadership Team for regular oversight of the culture within the Company. The intention is to ensure the De La Rue values are integral to the performance management of the senior leadership group and other employees and that the incentive structure in place supports and encourages behaviours consistent with those values.

Performance evaluation

The Board and its Committees undertake an annual evaluation of their effectiveness. In 2017, the performance evaluation involved the use of an external independent facilitator, Lintstock Limited.

The review process involved completion of online questionnaires which focused on Board composition, expertise and dynamics, quality of decisions made, Board support and processes, 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 Lintstock. The results of the questionnaire as they applied to the Board were discussed collectively and it was concluded that the Board worked well with a good breadth of skills, backgrounds and experience. The culture was open and collaborative and the Board meetings

covered the right topics across the annual cycle. The administrative support was welcomed.

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 all Directors.

The reviews undertaken in the year have concluded that the performance of the Board, its Committees and individual Directors was effective. A number of positive points were noted as well as areas for improvement and focus for the coming year, which will be monitored and progressed at the Board meetings scheduled for the year.

Whistleblowing

A whistleblowing telephone hotline – CodeLine service allows De La Rue employees to raise concerns in relation to dishonesty or malpractice on an entirely confidential basis. The hotline is operated by a third party which is independent of De La Rue. Incoming reports are provided to the General Counsel and Company Secretary who ensures that the matters are appropriately investigated. The Ethics Committee and the Audit Committee receive regular reports on any matters raised through the hotline and monitor the use throughout De La Rue.

Induction and professional development

All new Directors receive a tailored induction on joining the Board, including meetings with senior management and visits to some of the Group's locations. They also receive a detailed information pack which includes details of Directors' duties and responsibilities, procedures for dealing in De La Rue plc shares and a number of other governance related issues. Directors are continually updated on the Group's businesses and their markets and changes to the competitive and regulatory environments in which they operate. All Directors are encouraged to undertake additional training where it is considered appropriate for them to do so and to visit the Group's facilities on an ongoing basis.

Risk management and internal control

The Board retains overall responsibility for identifying, evaluating, managing and mitigating the principal risks faced by the Group and for monitoring the Group's risk management and internal control systems. However, such systems are designed to manage rather than eliminate the risk of failure to business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In accordance with principle C.2 of the Code and the related guidance, the Company has established the procedures necessary to ensure that there is an ongoing process for identifying, evaluating, managing and mitigating the principal risks it is willing to take to achieve its strategic objectives (its risk appetite). The Directors confirm that such procedures have been in place for the period ended 31 March 2018 and up to the date of approval of these financial statements and that the Group's risk management and internal control systems have been monitored during the period. Further details on the ongoing risk management and internal control systems can be found in both the risk management section of this annual report and the Audit Committee report on pages 36 to 41 and pages 66 to 69 respectively.

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

Assessment of the prospects of the Company and its viability statement

In accordance with provision C.2.2 of the Code, the Directors set out on page 41 how they have assessed the prospects of the Company, over what period the prospects have been assessed, and the Company's formal viability statement.

Relations with shareholders

As required by the relevant laws and regulations the Company reports formally to its shareholders twice a year, with the half year results announced normally at the end of November and the annual results normally at the end of May. In addition, the Board continues to value the importance of building strong investor relations, delivered through an active investor relations communication programme. We have significantly enhanced disclosure and transparency through improved reporting in the last two years.

In the reporting period, our engagement programme has focused on improving investors' understanding of the Company's strategy, operations and performance, in particular the latest development on products and technology.

During the period, an extensive investor programme has been undertaken involving formal events, including site visits. The Chief Executive Officer, Chief Financial Officer and Head of Investor Relations have regular calls and one-to-one investor meetings with representatives of institutional shareholders and potential investors. On governance-related matters there was a very significant consultation programme in advance of the remuneration policy vote at the AGM in July 2017.

The Chairman, Senior Independent Director and other members of the Board make themselves available to meet with institutional investors when requested.

All holders of ordinary shares may attend the Company's AGM at which the Chairman presents a review of the key business developments during the year. This year's AGM will be held at 10:30 on Thursday 26 July 2018 at The Hampshire Court Hotel, Centre Drive, Great Binfields Road, Chineham, Basingstoke, RG24 8FY. The notice of AGM accompanies this annual report. Shareholders can ask questions of the Board on the matters put to the meeting, including the annual report and the running of the Company generally. All Directors are invited to attend each AGM and all Committee Chairmen will be present to take questions at the AGM.

The Company sends the notice of AGM and relevant related papers to shareholders at least 20 working days before the meeting. The notice of AGM is available to view on the Group's website.

A poll is conducted on each resolution at all Company general meetings. All shareholders have the opportunity to cast their vote in respect of proposed resolutions by proxy, either electronically or by post. Following the AGM, the voting results for each resolution are published and are made available on our website.

Information in the Directors' report

Information fulfilling certain requirements of the corporate governance statement can be found in the Directors' report and is incorporated into this corporate governance section by reference.

For reference, relevant sections of the directors' report are:

- Substantial shareholdings
- Deadlines for voting rights
- Amendment of the Company's articles of association
- Appointment and replacement of Directors
- Powers of Directors
- Authority to issue shares
- Repurchase of shares

By order of the Board

Edward Peppiatt
Company Secretary
30 May 2018



The Board values the importance of building strong relationship with shareholders and investors.

Shareholders by location

%



● UK	69
● North America	20
● Rest of Europe	7
● Rest of World	4

Shareholders concentration

%



● Top 1 to 5	35
● Top 6 to 10	15
● Top 11 to 20	20
● Top 21 to 60	20
● The remainder	10

Corporate governance continued



Effectiveness Nomination Committee

Philip Rogerson
Chairman of the
Nomination Committee



The Nomination Committee ensures that the Board and its Committees maintain the appropriate balance of skills, knowledge, experience and diversity to ensure compliance with all legal and fiduciary obligations and to deliver value to shareholders and other stakeholders.

Dear Shareholder

I am pleased to present the 2018 Nomination Committee report.

Composition of the Committee

Member	Date of appointment to Committee	Directors' attendance 2017/18
Philip Rogerson (Chairman)	1 March 2012	1(1)
Martin Sutherland	13 October 2014	1(1)
Nick Bray	21 July 2016	0(1)
Sabri Challah	23 July 2015	1(1)
Maria da Cunha	23 July 2015	1(1)
Andrew Stevens	2 January 2013	1(1)

Note

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

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 54, 55 and 57.

Activities during the period

This year the Committee's main activity was focused on Board succession planning, which it did through formal meetings and frequent informal exchanges.

Other areas of focus 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 appointment and confirmation that all should stand for election and re-election at the AGM following a formal performance appraisal process
- Review of senior leadership talent, succession and development
- Review of the composition of Board Committees
- Evaluation and effectiveness review
- External commitments

Principal responsibilities

The key areas of responsibility of the Committee are:

- To review the structure, size and composition of the Board and its Committees, to ensure they remain appropriate, and to make recommendations to the Board
- To consider succession plans for Directors and senior executives
- To review the time commitment required of Non-executive Directors at least once a year
- To review the independence of the Non-executive Directors

Operation of the Committee

The Committee leads the process for nominations to the Board, making recommendations to the Board as appropriate. It gives full consideration to the composition of the Board and succession planning for Directors and senior executives. The Chairman and the independent Non-executive Directors together with the Chief Executive Officer are members of the Committee.

Committee meetings

The Committee is required, in accordance with its terms of reference, to meet at least once a year, and it did so during the year.

The Committee's annual evaluation involved the use of an external independent facilitator, Lintstock Limited. It was concluded that the Committee continued to operate effectively.

Diversity policy

The aim this year has been to deepen understanding in our organisation of what inclusion and diversity means in practice, how it is advantageous to our business and why getting this right is so critical for our business and to wider society. In considering appointments to the Board and to senior executive positions, it is the policy of the Committee to evaluate the skills, experience and knowledge required by a particular role with due regard for the benefit of diversity. We will continue to aim to ensure the strength of the Board's composition is maintained having regard to all the different stakeholders that the Group has as a global organisation, while ensuring that the Board members are able to provide a range of perspectives, insights and challenge to support effective decision-making.

The Group has formally approved an Inclusivity policy describing De La Rue's commitment to a working environment where all people feel valued and respected as individuals. The policy includes detailed requirement and elements of diversity.

As at 31 March 2018, the Company has one female Non-executive Director on the Board.

Further details on the Group's approach to inclusion and diversity and the gender pay gap are set out on pages 46 and 47.

Succession planning and talent

The Committee recognises that having the right Directors and senior management is crucial for the Group's success and a key task of the Committee is to ensure that there is a robust and rigorous succession process to ensure that there is the right mix of skills and experience as the Group evolves. During the period, the Chief Executive Officer and Group HR Director led a comprehensive talent review and succession planning presentation to the Board. The review focused on the executive pipeline from which future leaders of the Company were likely to emerge, both at Executive Leadership Team level and other key management areas. Strong successors and a diverse pipeline of 'ready later' emerging talent have been identified.

The Board meets ELT members and other key managers formally and informally to exchange views and ideas.

Board changes

Rupert Middleton stepped down from the Board at the conclusion of the 2017 AGM and the Board decided that the Chief Operating Officer replacement would not be a Board appointment. Jitesh Sodha resigned from the Board on 19 March 2018 and in its search for a replacement for Jitesh Sodha, the Board retained Russell Reynolds Associates, an independent executive search firm which does not have any other connections with the Company. The Committee agreed the process, timetable and mandate for Russell Reynolds Associates.

Election and re-election

As in previous years, and in accordance with the UK Corporate Governance Code, all Directors will stand for re-election at the AGM.

The Board, having carried out the effectiveness and evaluation process, considers the performance of each of the Directors standing for 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 re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

Philip Rogerson

Chairman of the Nomination Committee
30 May 2018