

Corporate governance

CHAIRMAN'S INTRODUCTION

●● The Board considers leadership, culture and good governance as essential factors in the Group's ongoing transformation. ●●



Dear Shareholder,

De La Rue operates globally in markets where security, integrity and accountability are paramount. We aim to forge a dynamic, responsive and high performing culture and the Board supports this fully. Our commitment to high ethical standards which underpin our behaviours is incorporated in our Code of Business Principles (CBP) which all employees, business partners and other third party suppliers must follow.

As a Board, we are committed to ensuring that these values and high standards are embedded throughout the Group. Our proposed reorganisation will aim to ensure we have management and cultural attributes to succeed with the executive management team playing an integral role in our governance framework by promoting positive behaviours so that our people understand how we expect to achieve our purpose.

The Board and its Committees have kept abreast of developments in the legal and governance landscape, including The Companies (Miscellaneous Reporting) Regulations 2018 and the 2018 edition of the Financial Reporting Council's (FRC) UK Corporate Governance Code (2018 Code), both of which will apply to the Company from 1 April 2019.

All references to the Code refers to the 2016 edition. The Code contains broad principles 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. We will report formally in accordance with the 2018 Code in the 2020 annual report but we believe we are already well-placed to prepare to meet the requirements of the 2018 Code including in respect of Company purpose, values and culture as described briefly in the Strategic report and the Directors' remuneration report. The Board has appointed a Non-executive Director responsible for workforce engagement to represent the Board in this area and to provide the mechanism for gathering the views of the workforce at all levels throughout the organisation to inform its decision making. We undertake an annual review of our governance framework including the terms of reference of the Board and of each of its Committees and as part of the 2019 review the Board approved appropriate amendments to ensure that such terms of reference are fully compliant with the new 2018 Code.

Board changes and 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.

Following the resignation of Jitesh Sodha in March 2018, the Nomination Committee sought a successor to the role of Chief Financial Officer, culminating in the appointment of Helen Willis (who had joined De La Rue as Interim Chief Financial Officer in April 2018) as Chief Financial Officer on 19 July 2018 and an Executive Director on the Board on 26 July 2018.

Post-year end, on 30 May 2019, the Company announced that Martin Sutherland has agreed that he will step down as Chief Executive Officer and as a Director of the Company. He will continue to serve as Chief Executive Officer until his successor is in place.

Board effectiveness

As detailed on page 59, 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.

Structure of the corporate governance statement

The Company is subject to the Financial Reporting Council's (FRC) UK Corporate Governance Code (the 'Code').

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 2016 Code have been applied during the period to 30 March 2019, but where actions have been taken in readiness for the 2018 Code, this is noted. The Code is issued by the FRC and is available for review on the FRC website: www.frc.org.uk

Leadership

→ Read more on leadership pages 52 to 57.

Read more on relations with shareholders on page 61.

The Board is responsible for leading De La Rue, and setting the tone which it believes is most likely to lead to its long term success, and promoting effective engagement with our key stakeholders including employees and shareholders.

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.

Philip Rogerson

Chairman
30 May 2019

Composition, succession and evaluation

→ Read more on page 58.

We aim to ensure that we have a balanced Board with the skills, experience and knowledge to govern the business, together with an effective evaluation and succession plan.

Division of responsibilities

→ Read more on page 58.

We ensure we have the right balance of Executive and Non-executive Directors for constructive and challenging debate and decision making.

Audit, risk and internal control

→ Read more on pages 64 to 73.

The Board defines the strategy, which aims to maximise our performance with minimum unnecessary or unacceptable risks.

Remuneration

→ Read more on remuneration pages 74 to 91.

The Remuneration Committee ensures that there is a formal and transparent process that aligns executive pay with performance that is simple to understand, linked to strategy and is in the long term interest of the Company and shareholders.

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 the requirements of the UK Corporate Governance Code. The Board considers that it and the Company have, throughout the period to 30 March 2019, 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.