

Corporate governance continued

COMPOSITION, SUCCESSION AND EVALUATION

Board composition and roles

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which is set out in writing and has been agreed by the Board. The following table summarises the role and responsibilities of the different members of the Board:

Chairman

- Providing leadership to the Board, setting its agenda, style and tone to promote constructive debate and challenge between Executive Directors and Non-executive Directors
- Take overall responsibility for the composition and capability of the Board and its Committees
- Ensuring good information flows from the Executive Directors to the Board, and from the Board to its key stakeholders
- Supporting and advising the Chief Executive Officer, particularly in the development of strategy
- Chairing the Nomination Committee and building an effective and complementary Board, regularly considering its composition and balance, diversity and succession planning
- Chairing the Ethics Committee
- Ensuring high standards of corporate governance and probity throughout the Group are established and maintained

Senior Independent Director

A key role of the Senior Independent Director is to be available to shareholders if they have concerns which contact through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer has failed to resolve, or for which such contact is inappropriate. The Senior Independent Director is also available to the other Directors should they have any concerns which are not appropriate to raise with the Chairman or which have not been satisfactorily resolved by the Chairman. The Senior Independent Director will also lead the recruitment of a new Chairman other than when being considered for the position himself.

Chief Executive Officer

- Maintaining a senior management team with the appropriate knowledge, experience, skills, attitude and motivation to manage the Group's day-to-day activities
- Exercising personal leadership and developing a management style which encourages excellent and open working relationships at all levels within the Group
- Ensuring, through the Chief Financial Officer, the implementation, control and coordination of the Group's financial and funding policies approved by the Board
- Ensuring that the Group has in place appropriate risk management and control mechanisms
- Setting the operating plans and budgets required to deliver the agreed strategy for growth in shareholder value
- Implementing and reviewing HSE policy and, supported by the ELT, overseeing improvements and performance
- Identifying acquisitions and monitoring competitive forces
- Communicating with the Company's shareholders and analysts on a day-to-day basis as necessary (subject to the Chairman being made aware of any such instances)

Independent Non-executive Directors

The Non-executive Directors play a key role in corporate governance and accountability through their attendance at Board meetings and their membership of Board Committees. The Non-executive Directors bring a broad range of business and financial expertise to the Board which complements and supplements the experience of the Executive Directors.

Other Executive Directors

The Chief Financial Officer supports the Chief Executive Officer and is responsible for managing the Group's finance strategy, financial reporting, risk management and internal controls, investor relations programme and the leadership of the finance function.

General Counsel and Company Secretary

The General Counsel and Company Secretary advises the Board on matters of corporate governance and supports the Chairman and Non-executive Directors. He is also the point of contact for investors on matters of corporate governance and ensures good governance practices at Board level and throughout the Group.

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 we seek to build a high performance culture across the business 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 ELT 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. See page 27 for more information on our culture journey.

Performance evaluation

The Chairman is responsible, with support from the Nomination Committee, for ensuring that the Company has an effective Board with a suitable range of skills, knowledge, experience and diversity. The Company has a formal performance evaluation process for the Board, its Committees and individual Directors. The performance evaluation involved the use of an external independent facilitator, Lintstock Limited. The evaluation is undertaken annually.

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.

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.

All of these processes were carried out satisfactorily during the period. The reviews undertaken in the year have concluded that the performance of the Board, its Committees and individual Directors was effective.

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, 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.

Corporate governance continued

COMPOSITION, SUCCESSION AND EVALUATION

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 30 March 2019 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 37 to 40 and pages 64 to 68 respectively.

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

Whistleblowing

A whistleblowing telephone hotline, CodeLine, 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 its use throughout De La Rue.

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.

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

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

Shareholders by location

%



● UK	65%
● North America	26%
● Rest of Europe	8%
● Rest of world	1%

Shareholder concentration

%



● Top 1 to 5	36%
● Top 6 to 10	19%
● Top 11 to 20	19%
● Top 21 to 60	19%
● The remainder	7%

Relations with shareholders

The Company reports formally to its shareholders twice a year, with the half year results announced normally at the end of November and the full year 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.

In the reporting period, our scheduled engagement programme focused on improving investors' understanding of the Company's strategy, product developments and technology. An extensive investor programme was undertaken involving the Chairman, the Chief Executive Officer, Chief Financial Officer and Head of Investor Relations. This included formal events, roadshows and site visits, along with regular calls and one-to-one investor meetings with representatives of institutional shareholders and prospective investors.

Additional investor engagement activities were initiated by the Chief Executive Officer and the Chairman following the loss of the UK passport contract and the departure of Jitesh Sodha.

The Chairman, Senior Independent Director and other members of the Board make themselves available to meet with institutional investors when requested, taking their recommendations on board where appropriate.

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 25 July 2019 at De La Rue House, Jays Close, Viables, Basingstoke, Hampshire RG22 4BS. 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.

By order of the Board

Edward Peppiatt
Company Secretary
30 May 2019

Corporate governance continued

COMPOSITION, SUCCESSION AND EVALUATION

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.

Principal responsibilities

The key areas of responsibility of the Committee are:

Board structure

- To review the structure, size and composition of the Board and its Committees, to ensure they remain appropriate, with regard to maintaining a balance of skills, experience, knowledge and diversity and to make recommendations to the Board

Succession

- To consider succession plans taking into account challenges and opportunities facing the Company and the skills required

Effectiveness

- To review the time commitment required of Non-executive Directors at least once a year
- To review the independence of the Non-executive Directors



The Board recognises the importance of having an inclusive and diverse culture, and we aim to reflect this within its composition.



Dear Shareholder

I am pleased to present the 2019 Nomination Committee report.

Members and attendance

Member	Directors' attendance 2018/19
Philip Rogerson (Chairman)	4 (4)
Martin Sutherland	4 (4)
Nick Bray	4 (4)
Sabri Challah	4 (4)
Maria da Cunha	4 (4)
Andrew Stevens ¹	3 (4)

Note:

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

- 1 Andrew Stevens was absent from a meeting where the only item on the agenda was his own re-appointment.

Biographical details of the members of the Board who held office up to the date of this report can be found on pages 52 and 53.

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. During the year, the Committee met four times.

Activities during the period

This year the Committee's main activity was Board and senior leadership succession planning, in particular the search for, and appointment of, a new Chief Financial Officer. This was achieved through a mixture of formal meetings and frequent informal exchanges. Further detail on the process involved is given under Board changes below.

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 re-election at the AGM following a formal performance appraisal process
- Review of the composition of Board Committees
- Evaluation and effectiveness review
- External commitments

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.



Philip Rogerson

Chairman of the Nomination Committee

Board changes

Following the resignation of Jitesh Sodha in March 2018, the Nomination Committee sought a successor to the role of Chief Financial Officer. The Board retained Russell Reynolds Associates, an independent executive search firm which does not have any other connections with the Company, to conduct an extensive and thorough search. Two candidates were short listed, of whom Helen Willis (who had joined De La Rue as Interim Chief Financial Officer in April 2018) was the preferred candidate. Helen was appointed as Chief Financial Officer on 19 July 2018 and became a member of the Board on 26 July 2018, following the conclusion of the AGM.

Board Diversity policy




Diversity and inclusion continues to be an area of focus for the Nomination Committee and the Board is committed to promoting an inclusive and diverse culture in terms of ideas, skills, knowledge, experience, education, ethnicity, gender, or any other relevant measure.

The primary objective and responsibility of the Board when making new appointments is to ensure the strength of the Board's composition. The Board will continue to follow a policy of ensuring that the best people are appointed for the relevant roles while ensuring that the Board members are able to provide the range of perspectives, insights and challenge required to support effective decision making. Appointments will be made based on merit by assessing candidates against objective criteria, but recognising and embracing the benefits of greater diversity. The Committee will instruct search consultants to identify candidates who meet the skills and experience brief and as with previous appointments, the Board will consider candidates from the widest pool.

As at 30 March 2019, the Company has two female Directors (one Executive, one Non-executive) (nearly 30%) which is higher than last year. Maria da Cunha is a Non-executive Director and Helen Willis, Executive Director, is our Chief Financial Officer.

Non-executive Directors' periods of appointment

Director	2013	2014	2015	2016	2017	2018	2019	2020	2021
Andy Stevens									
Sabri Challah									
Maria da Cunha									
Nick Bray									

 First three year term
  First additional three year term
  Second additional three year term

Non-executive Directors are appointed for an initial period of three years with the expectation of one further three year term, subject to satisfactory performance and annual re-election by shareholders. Terms beyond this period are considered on a case by case basis and only following rigorous review, taking account of performance and ability to contribute to the Board in light of the knowledge, skills, experience and diversity required.

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. Further details on the Group's approach to inclusion and diversity and the gender pay gap are set out on pages 45 and 46.

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 Committee and to the Board.

The review focused on the executive pipeline from which future leaders of the Company were likely to emerge, both at ELT 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.

Election and re-election

Helen Willis, having been appointed by the Board since the last AGM, will stand for election at the 2019 AGM. As in previous years, and in accordance with the UK Corporate Governance Code, all other 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 election and 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 election and re-election and recommends that shareholders vote in favour of the resolutions at the AGM.

Philip Rogerson

Chairman of the Nomination Committee
30 May 2019