A MORE SECURE WORLD

De La Rue plc
Annual Report 2018

Inside this year's Annual Report

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Our business at a glance

Currency
£371.8m Revenue £45.1m Adjusted operating profit*

Identity Solutions
£82.0m Revenue £8.3m Adjusted operating profit*

Product Authentication & Traceability
£40.1m Revenue £9.4m Adjusted operating profit*

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OUR ROLE IN THE WORLD ECONOMY

Q&A

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How we performed

£493.9m

23

Chief Executive Officer's review

"We made good progress in our strategic plan in the year.

* This is a non-IFRS measure. See further explanations and reconciliation to the comparable IFRS measure on page 157.

Our purpose

We want to enable every citizen to participate in the global economy.

We live in a world that is crying out for trust and integrity to help make it a more secure place to live and work.

We work closely with governments, central banks and commercial organisations in over 140 countries around the world.

We invest in innovation, developing new advanced security products, software solutions and other specialist services that underpin the integrity of trade, personal identity and the movement of goods and services.

We use the UN SDG logos to illustrate how our activities support each goal.

Visit us online
www.delarue.com/ar2018

A solid performance
Financial highlights

Revenue

£493.9m

2017: £461.7m

Dividend per share

25.0p

2017: 25.0p

Adjusted EBITDA*[1]

£87.3m

2017: £97.4m

Reported EBITDA

£148.2m

2017[4]: £96.0m

Adjusted operating profit*[2]

£62.8m

2017: £70.7m

Reported operating profit

£123.0m

2017: £70.2m

Adjusted basic earnings per share*[3]

42.9p

2017: 47.1p

Reported basic earnings per share from continuing operations[4]

93.7p

2017: 47.2p

* This is an non-IFRS measure. See further explanations and reconciliations to the comparable IFRS measures on page 157. 'Reported' measures are on an IFRS basis.

1 Adjusted EBITDA represents earnings from continuing operations before the deduction of interest, tax, depreciation, amortisation and exceptional items.

2 Adjusted operating profit represents operating profit from continuing operations adjusted to exclude exceptional items and amortisation of acquired intangible assets.

3 Adjusted earnings per share are the earnings attributable to equity shareholders, excluding exceptional items, amortisation of acquired intangible assets and discontinued operations divided by the weighted average number of ordinary shares outstanding during the year.

4 Continuing operations only, excluding the Cash Processing Solutions business which was sold on 22 May 2016.

Continuing the good momentum
Introduction from the Chairman

"We made good progress against the strategic plan outlined in May 2015 to transform the Group into a less capital intensive, more technology led business. The sale of the paper business was a significant milestone towards achieving this goal. The strong focus on R&D and product management in the last three years has also strengthened the Group's product portfolio and ensured a strong pipeline that will drive sustainable growth in the future.

The year under review

Although the failure to win the UK Passport contract announced in March 2018 was a blow, the Group has made good progress in the year against the strategic plan outlined in May 2015 to transform the Group into a less capital intensive, more technology led business. The sale of the paper business – Portals De La Rue – was a significant milestone towards achieving this goal. The strong focus on R&D and product management in the last three years has also strengthened the Group's product portfolio and ensured a strong pipeline that will drive sustainable growth in the future. Martin Sutherland will comment more fully on this progress in his Chief Executive Officer's review on page 23 to 28.

I am pleased to report significant progress in strengthening the Group's balance sheet. Net debt of £49.9m at the end of the period (25 March 2017 £120.9m) was the lowest in five years, benefiting from the proceeds of the sale of the paper business together with a small net cash inflow from overall trading. The deficit of the Group's UK defined benefit pension scheme reduced from £237.0m to £87.6m in the past year, mostly reflecting the change of indexation linked to future pension increases from RPI to CPI. The stronger balance sheet gives us greater flexibility in allocation of capital in order to deliver long term shareholder value.

We are proud participants of the UN Global Compact since late 2016, reflecting the alignment of our strategy and operations with its principles on human rights, labour, environment and anti-corruption, as well as the Sustainable Development Goals (SDG). We have used the UN SDG logos in the report to show this alignment. We have also made good progress in embedding broader social, ethical, and sustainable practices across our day-to-day business. Further information can be found in our responsible business section on pages 42 to 51.

The Board

The Board has undergone a few changes and added new skills and experience in the last few years and I feel that we have the right balance of capabilities, expertise and experience to support and challenge management in the most effective way.

As previously announced, Jitesh Sodha, Chief Financial Officer, decided to step down and resigned as a Director on 19 March. We are grateful for his contribution and wish him well for his future. A search has commenced to identify a suitable successor.

Our people

Our people are our greatest assets and are vital to the successful execution of our strategy and to fulfilling our purpose. They provide products and services that enable people's participation in social, economic and commercial activities in the many countries in which we operate. On behalf of the Board, I would like to express our thanks for their continuing hard work and dedication.

In its gender pay gap statistics published in January 2018, the Group reported a gender pay gap of 10%. This is less than the UK average of 17% but still far from our goal of zero. The Board has welcomed the launch of our strategy which in part aims to eliminate the gender pay gap while creating an inclusive and diverse workforce at De La Rue.

The safety and wellbeing of our people are of great importance to the Board, and we shall continue to support the efforts being made to ensure consistent improvement in the Group's performance.

Financial performance

Group revenue increased by 7%, with growth across all three segments. Adjusted operating profit* was 11% lower at £62.8m, reflecting the write off of the one off bid costs associated with the UK Passport retender, the ongoing investment programme and the relatively poor performance of the paper business, which were offset in part by additional margin from increased sales and certain provision and accrual releases, where we now have additional information as to the likelihood and amount of potential liabilities. On an IFRS basis operating profit was £123.0m, 75% higher than the prior year. This reflected the £60.9m net exceptional gain relating to the re-measurement of the pension liability of £80.5m following the indexation change less the exceptional charges primarily relating to the paper disposal.

Adjusted basic earnings per share* were 9% lower at 42.9p due to lower adjusted operating profit in the current year. Reported basic earnings per share were up 99% to 93.7p, reflecting the impact of the significant exceptional gain explained above.

The Group delivered strong cash flows in the year with cash generated from operating activities of £73.5m, 14% higher than the prior year (2016/17: £64.3m). The lower profit in the year was compensated by the significant improvement in working capital as a result of successful inventory management and strong cash collections from debtors. Inventory and trade debtors, excluding the exited paper business, were £13m and £10m lower than the prior year.

More details of the Group's financial performance is covered in the operational and financial review on page 29 to 33.

Dividend

The Board is recommending a final dividend of 16.7p per share (2016/17: 16.7p per share). This, together with the 8.3p paid in January 2018, will make a full year dividend of 25.0p per share. Subject to shareholders' approval, the final dividend will be paid on 3 August 2018 to shareholders on the register on 6 July 2018.

Outlook

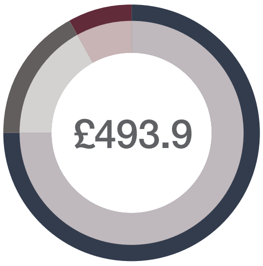
The Board was disappointed that the Group did not win the new UK Passport tender. While this clearly is a setback, it does not change the Group's goals set out in May 2015. The strong underlying performance and good strategic progress in the past three years gives the Board confidence in the future of the business. Viability assessment of the business can be found on page 41.

Philip Rogerson
Chairman

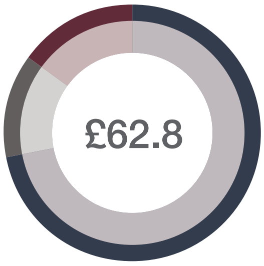
At a glance

We have three key areas of focus. Currency, identity solutions and product authentication.

Revenue £m



Adjusted operating profit* £m



Each area shares a focus on research and development, finding effective solutions for customers, and world class manufacturing facilities.

Currency

Banknote Print

We design, manufacture and deliver banknotes to customers around the world.

7.3bn notes

Banknotes sold in 2017/18 (2016/17: 7.1bn notes)

Polymer

We are the only vertically integrated producer of polymer substrate and banknotes.

810 tonnes

Polymer substrate sold in 2017/18 (2016/17: 380 tonnes)

Security Features

We create features that underpin the integrity of our currency, identity and security label products.

1.6m kms

Security threads sold in 2017/18 (2016/17: 1.2m kms)

Identity Solutions

We create and deliver passports and identity solutions for governments.

12.0m

Passports sold in 2017/18 (2016/17: 13.7m)

Product Authentication

We create and deliver secure labels and track and trace solutions for governments and commercial customers.

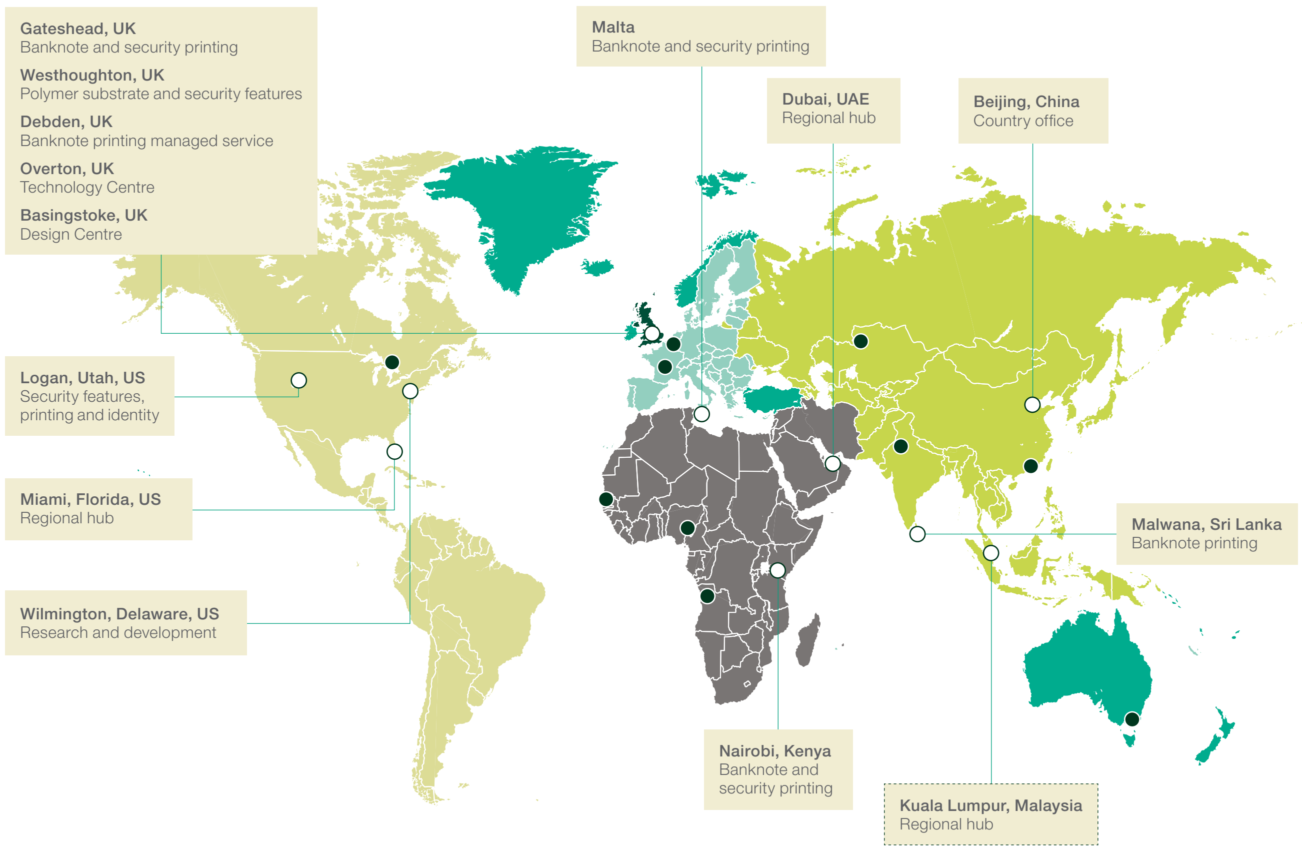
1.6bn

Security labels sold in 2017/18 (2016/17: 1.7bn)

* This is a non-IFRS measure. See further explanations and reconciliation to the comparable IFRS measure on page 157.

Our global footprint

We have a global footprint and work with governments, central banks and commercial organisations in over 140 countries.



In progress | Sales support office | Manufacturing facility and regional office

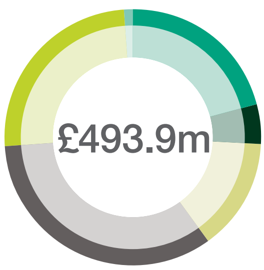
#1
In banknote and passport markets by volume.

158 years
Longest customer relationship (with Mauritius).

1/3
Of the world's total banknote denominations in circulation in 2017 were designed by De La Rue.

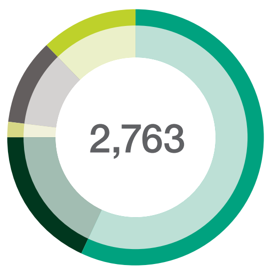
40 countries
For whom we produce passports.

Revenue by region %



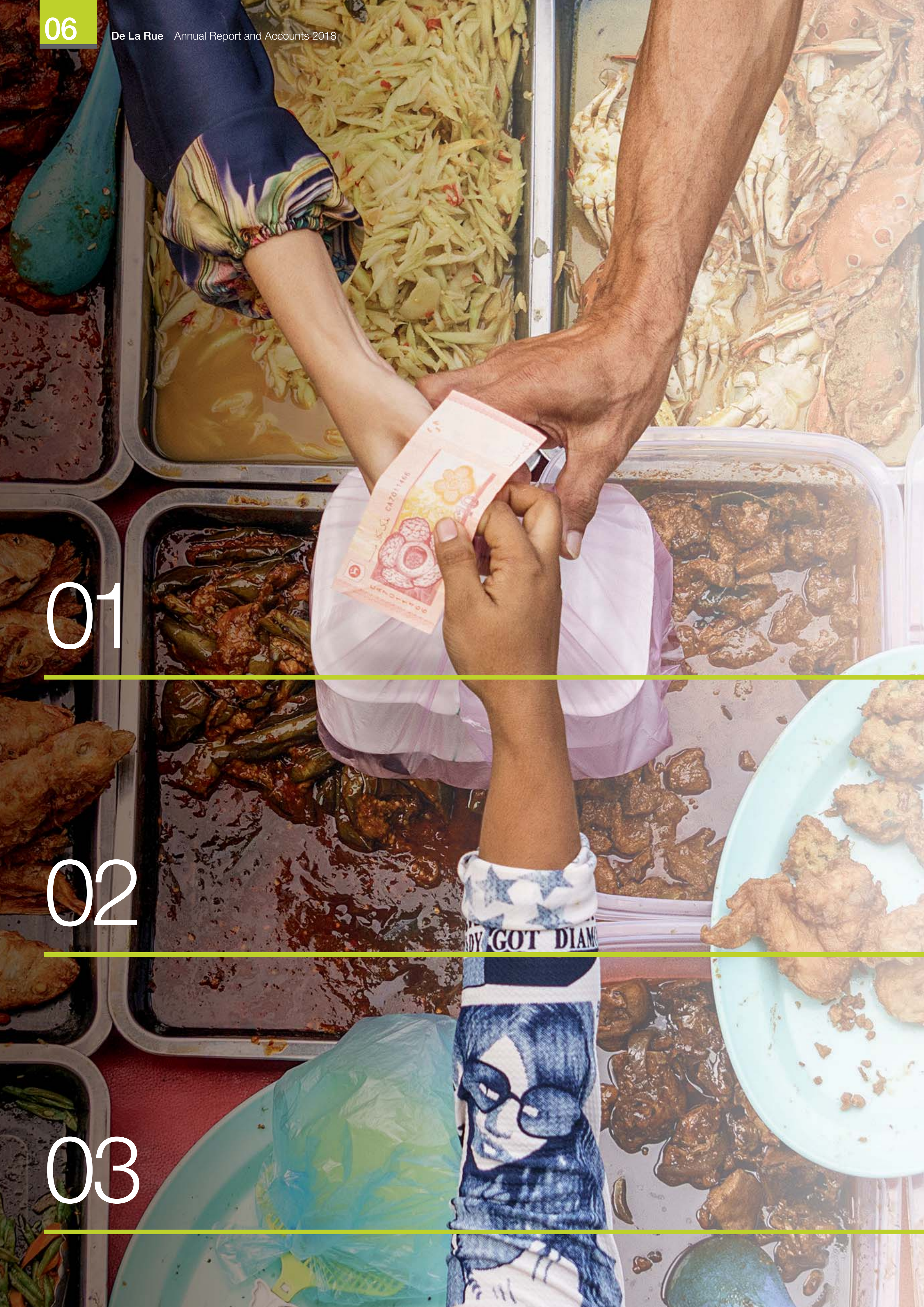
- UK – 21%
- Rest of Europe – 5%
- The Americas – 14%
- Middle East & Africa – 34%
- Asia – 25%
- Rest of world – 1%

Employees by region %



- UK – 57%
- Rest of Europe – 18%
- The Americas – 2%
- Middle East & Africa – 11%
- Asia – 12%

Find out more about our business
www.delarue.com/ar2018



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OUR ROLE IN THE WORLD ECONOMY

THE FUTURE OF CASH

Q&A with **Martin Sutherland**, our Chief Executive Officer

INNOVATING A SECURE WORLD

Q&A with **Selva Selvaratnam**, our Chief Technology Officer

PARTNERING WITH OUR CUSTOMERS

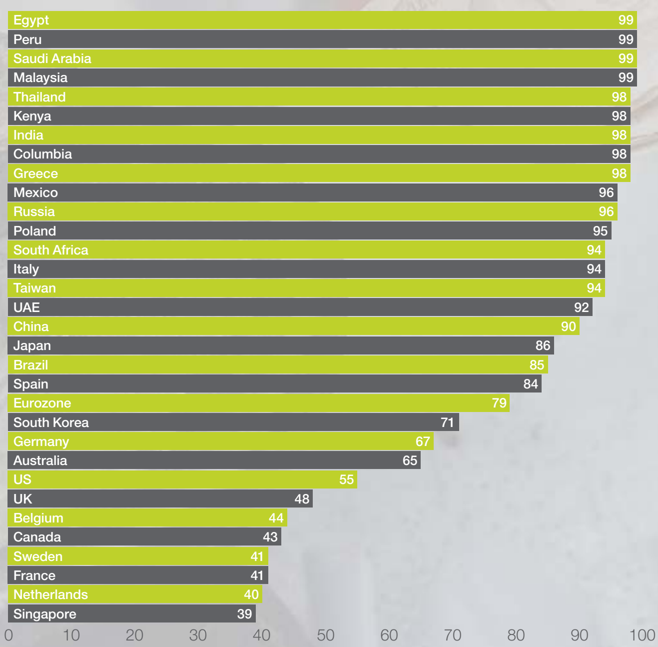
Q&A with **Richard Hird**, our Chief Commercial Officer

01

Martin Sutherland

Our Chief Executive Officer clears up some misconceptions about cash.

Cash to total payment transactions %



Source: McKinsey/Mastercard Advisers

THE FUTURE OF CASH

“Cash accounts for eight and a half out of every ten transactions worldwide. It remains by far the predominant method of payment.

Q: Everywhere you look, people are paying electronically. Isn't it a fact that cash is dead?

A: Absolutely and unarguably no. Have a peek outside the bubble of middle-class western democracies and you'll find that cash is still king. Seventy five per cent of the world's population live in countries where 95% of all transactions are cash based. Cash accounts for eight and a half out of every ten transactions worldwide. It remains by far the predominant method of payment.

Even in the developed world, cash plays a vital role in the payment ecosystem. Sixty per cent of European citizens don't have a credit card. Even in the UK, 7% of us don't have a bank account. Check out the queues at ATMs on any Saturday afternoon. You'll quickly understand why even in the UK and Europe cash in circulation is rising by about 5% a year. The most popular payment method in the world isn't about to curl up its toes.

Q: But why not? What's the attraction of cash in a digital world?

A: Firstly, some people don't have the choice. Thirty eight per cent of the world's population don't have a bank account. If you aren't able to open a bank account – for whatever reason – cash is your only option. It's the most universal, classless and socially inclusive payment method.

Cash is instantaneous and free to use. It's also a store of wealth that people turn to in times of trouble. One other important point: there's no hidden agenda with cash. You know that nobody is tracking your whereabouts or picking through your personal data. This is an increasingly big issue.

This isn't about cash versus the rest of the payment methods. This is about inclusivity, availability and security, but above all, freedom of choice. Cash has played an irreplaceable role in the payment ecosystem in the past and will continue to do so for many years to come.

Q: Could cryptocurrency replace cash eventually?

A: A number of central banks are exploring the possibility of creating their own cryptocurrencies. However I can envisage a number of hurdles that will need overcoming.

First of all, money needs to be a medium of exchange, a unit of account and a store of value. Cryptocurrency in its current form simply doesn't meet all the criteria. Secondly, in order for people to transact cryptocurrency requires the extensive availability of technology and infrastructure. With more than 50% of the world's population still not being connected to internet, this is a big ask. There are also questions about security. How secure can the system be under increasingly sophisticated cyber attacks? How well are your crypto assets protected from fraud and theft?

So, still early days for cryptocurrency. But one thing we can be sure about is that cash will continue to exist.

Q: How about mobile money systems such as M-Pesa?

A: M-Pesa promotes financial inclusion – and that's closely aligned with our own purpose at De La Rue and we welcome it. M-Pesa, in effect, acts as a mobile bank account and a mobile ATM. It allows users to deposit and withdraw money from a network of agents. It encourages greater usage of cash because money transfer becomes easier and faster. While the number of M-Pesa-registered users in Kenya increased from zero to 24m in the decade to 2017, Kenya's currency in circulation increased around 10% per year over the same period*. M-Pesa is in fact a great example of how cash and digital finance can co-exist to promote social and financial inclusion.

* Source: Central Bank of Kenya.

Watch video online at
www.delarue.com/ar2018

INNOVATING A SECURE WORLD

It's our intellectual property and technology that sets us apart. They underpin the products and services we offer – so that's what we're building as our platform for the future.

Q: Why is innovation important for De La Rue?

A: Innovation is nothing new at De La Rue. Going back to the envelope folding machine, the perforated stamp and the ATM, we have a long history of being first. And innovation is right at the heart of what we do and how we do it.

Why innovate? Because it's what the counterfeiters do. We need to stay ahead of them, and that requires serious investment, great people with great skills, and a lot of commitment. And as the world changes we need to invest in new products and services that our customers require. Doubling R&D spend by 2020 is our recognition that it's our intellectual property and technology that sets us apart. That's what customers pay for – so that's what we're building as our platform for the future.

Q: How is De La Rue moving to be more technology-driven?

A: Our R&D programme focuses on two areas: digital solutions and the more traditional but highly skilled area of material science which De La Rue is renowned for.

Our team of material scientists needs to continue to produce secure, distinctive and easily recognisable features. We have a systematic approach that ensures we bring new products to market faster and more regularly.

The digital innovation that is happening at De La Rue is perhaps less well known. We offer a suite of digital solutions that complement our more traditional products.

Our software development team has doubled in size this year, and we are sourcing experts and highly skilled employees around the world to ensure we deliver excellence.

We also see opportunities to accelerate our technology development through partnerships and acquisitions.

Our acquisition of DuPont Authentication and the strategic partnerships with Opalux and Optel Group, are great examples – they all have unique technologies that work well with our products.

Q: So what are the new opportunities?

A: Number one, automation. How can we use technology to improve the way we work? Clearly, there are opportunities in the manufacturing stage, especially in how we handle or finish banknotes.

We have seen a major shift in the application of data and insights. Our customers appreciate being able to work with us and draw insights from the data we generate as a business to help them make decisions. Our DLR Analytics™ software is an example of this.

Data is also enabling us to improve the way we work. Analysis of our processes helps to drive manufacturing efficiencies which also open up possibilities to save energy and resources.

Q: What's your view on disruptive technologies, such as blockchain and 3D printing?

A: We believe blockchain technology will have most impact for our product authentication customers. Why? Because it can track products from source to customer, assuring authenticity across continents through checkpoints and other interventions. Blockchain could also have implications for our identity business. We see limited application for a central bank digital currency using blockchain.

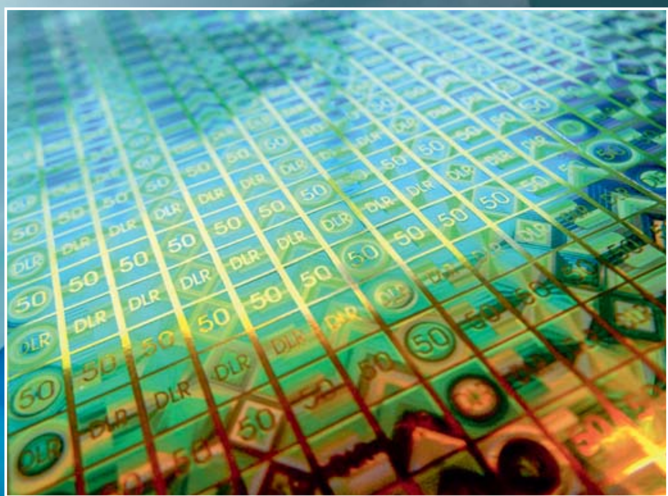
3D printing is another area where the upside is qualified by the potential downside. Yes, using it to create banknote printing plates could help us be more efficient – but if we can print our own plates, so too can others. Used unwisely, it could be a counterfeiter's dream.

Watch video online at www.delarue.com/ar2018

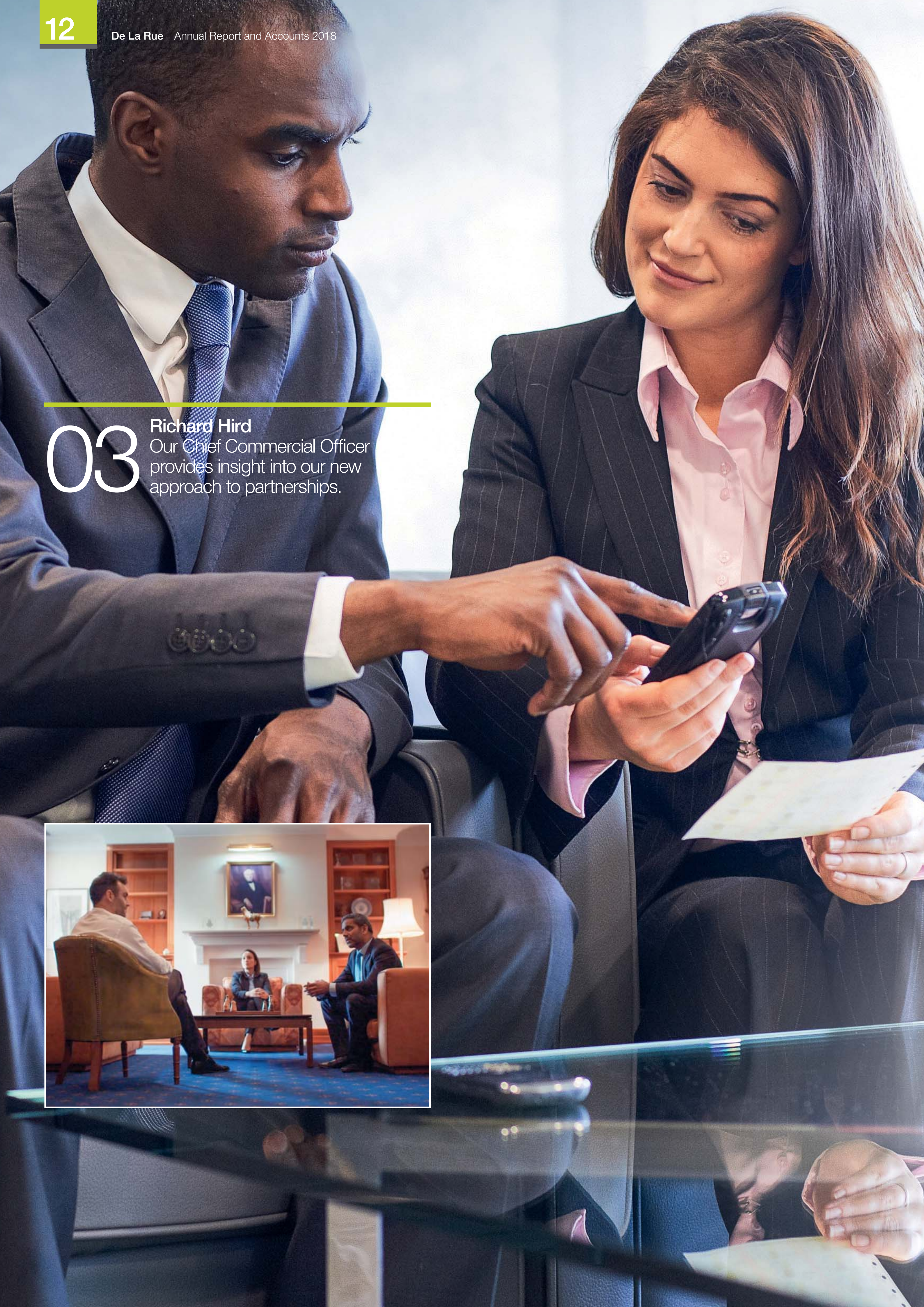
02

Selva Selvaratnam
Our Chief Technology Officer explains how innovation is shaping the future of De La Rue.

PureImage™ – Our latest holographic thread based on secure and proven technology. It can integrates with covert features such as UV fluorescence and machine readable materials



Ignite™ – A new premium feature combining liquid crystal colour-shift with complex microstructures to create dynamic and distinctive effect for public authentication



03

Richard Hird

Our Chief Commercial Officer provides insight into our new approach to partnerships.

PARTNERING WITH OUR CUSTOMERS

Customers are looking for long-term strategic partnerships based on mutual respect, deep understanding and reliable, flexible support.

Q: Why do customers buy from De La Rue?

A: Our customers value partnership over a supplier relationship. We have many experiences of long term partnerships with our customers. These are defined by continued investment, dedication to their vision and our commitment to deliver on promises.

The products and services we provide are critical to our customers and we treat them with utmost respect. We deliver our high standard products along with ambitious service level agreements. A partnership approach means we work with customers from design, through to delivery and ongoing service.

A new banknote design or a new passport or identity scheme is always a high profile activity. These require public awareness and education campaign planning – extra support that we provide.

Unfortunately our customers sometimes need disaster recovery support, whether due to natural disasters or other shocks. At these times, customers need a trusted partner who delivers no matter what.

Q: Can you give practical examples of how De La Rue does that little bit more for customers?

A: There are many instances of where we've done a lot more. Sierra Leone during the Ebola crisis is a case in point. The central bank had an urgent need for currency, but no airlines were actually willing to deliver. So we chartered our own aircraft and met the bank's deadlines. Some other examples include Haiti, after the 2012 earthquake, countries needing urgent supply during times of hyper-inflation and South Sudan during independence; the list is endless throughout our 200 year history.

We're creative, flexible and reliable no matter what the challenge – that's why customers trust us and want to work with us.

Our industry needs to be built on trust and integrity. De La Rue's strong ethics, our embedded values-driven culture and our awareness and engagement in sustainable development efforts by countries means that we are a partner they can really trust to achieve their social and economic goals.

Q: So what's new about the approach to partnership?

A: Firstly, we see ourselves as a strategic partner of our customers to help them achieve their own social and economic goals, whether that's social inclusion, building capacity of local staff, economic stability, establishing nationhood or tackling counterfeit currency and goods. Our joint venture partnership with the Government of Sri Lanka, and the partner programme in Rwanda and Sierra Leone are excellent examples of that.

We've reshaped our sales organisation to transform the way in which we engage with customers. We're reducing our reliance on third party partners, replacing them where possible with a more dynamic, more focused De La Rue hired and trained sales team that reflects the diversity of our customers in terms of language, ethnicity and cultural outlook. This team is now working out of a series of regional hubs, so we stay as close as possible to our customers.

Innovation is another way in which we're getting closer to customers. The Cash Cycle Partnership programme powered by our latest software product DLR Analytics™ helps central banks to better understand their cash cycles and forecast cash demands so they don't need to worry about running out of cash. It is a great example of how providing better service to customers with data insight goes hand in hand with driving better quality revenue.

Watch video online at
www.delarue.com/ar2018

Our markets

We operate in three main markets – currency, identity and product authentication, all of which have strong prospects for long term sustainable growth.

Currency market

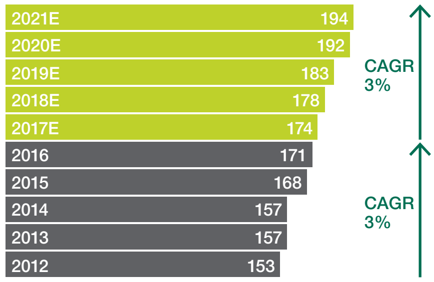
> The total amount of cash in circulation has been growing at c3% a year globally over the past decade and is expected to continue to increase at a similar rate in future years.

The total amount of cash in circulation has been growing at c3% a year[1] globally over the past decade and is expected to continue to increase at a similar rate in future years. Population growth and increasing number of ATMs are amongst the main drivers for cash growth.

Most banknotes and the substrates on which they are printed are produced by state print works (SPWs) and state paper mills (SPMs) of the respective issuing countries. The rest of the demand is fulfilled by commercial banknote printers and paper or alternative substrate makers. This situation has remained relatively stable over the past decade.

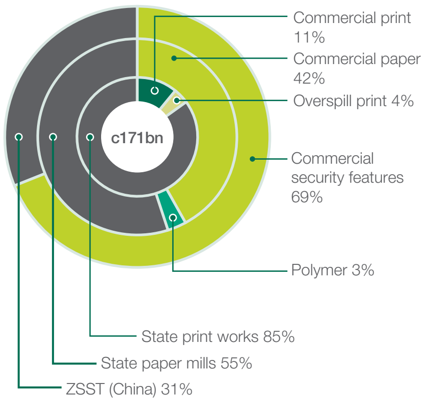
While many customers buy finished banknotes from one supplier, some follow a multi-supplier model which involves disaggregating their note buying into individual components: substrate, security features and printing.

Global banknote issuance
Billions of notes



Source: De La Rue estimates

Commercially available markets
%



Source: De La Rue estimates

Commercial print market by volume %

- De La Rue – 27%
- G&D – 23%
- Oberthur – 17%
- Crane – 7%
- Goznak – 7%
- Other – 19%

Source: De La Rue estimates. Excluding overspill orders

Printing
The number of countries outsourcing their banknote production has been stable in the past decade and this is expected to remain unchanged in the near future. Around 11% of the c171bn banknotes issued globally[1] in 2017 were commercially available. The commercial banknote print market is highly concentrated, with four major operators sharing two thirds of the market. De La Rue is the market leader, with 27% market share.

While the increase of cash in circulation drives growth in the commercial banknote printing market, the timing of orders can be unpredictable. The degree of uncertainty is exacerbated by overspill caused by the SPWs being unable to meet internal demand. Overspill orders typically account for 2% to 4% of the total banknote market and therefore have a noticeable effect on the commercial print and paper markets.

Polymer substrate
Of the banknotes in circulation, c3% are printed on next generation substrates such as polymer[1]. As central banks seek to reduce the ‘cost of cash’, polymer is becoming more popular due to its durability, sustainability and greater security[2].

More economies are switching or considering switching paper banknotes to polymer notes. Thirty eight countries have already issued or are about to issue one or more denominations on polymer. We expect the market to double in size in the next five years[1].

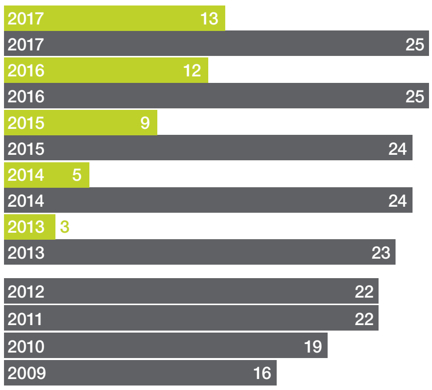
Currently there are only two commercial suppliers of polymer substrate. Although second to the market, De La Rue has been growing fast and has 11% share by volume[1]. Polymer also offers opportunities to access the countries printing their own banknotes but sourcing substrate from the commercial market, thus increasing the size of its addressable market.

Security features market by volume %

- De La Rue – 7%
- ZSST (China) – 31%
- Crane – 17%
- G&D – 12%
- Kurz – 5%
- Fabriano – 3%
- Generic/Other – 25%

Source: De La Rue estimates

Polymer market by number of issuing authorities No.



De La Rue CCL

Source: De La Rue estimates

Polymer market by volume %

De La Rue – 11% CCL – 89%

Source: De La Rue estimates

Security features
While pricing in print and paper remains stable, customers are increasingly seeking to access the benefits of added-value security features such as threads and holograms and this is making the ownership of such innovations an attractive opportunity.

Almost all countries buy security features or IP licences on the commercial market. Some 90% of the c171bn banknotes issued in 2017 incorporated security threads, while only 13% included features such as holographic patches and stripes. However, we believe growth in holographic features will accelerate as the polymer banknote adoption rate increases.

Compared to print and polymer, the security features market is fragmented, with more than a dozen suppliers ranging from banknote printers to pure play security features firms. De La Rue is the third largest commercial supplier of security threads and the fourth largest of holographic features.

1 De La Rue estimate.

2 According to the Bank of England’s study in 2013, polymer notes are more secure and last 2.5 times longer than cotton-based banknotes.

Our markets continued

Identity market

> The global identity market is valued at around £3.9bn today and expected to grow at c6% a year.

Against a background of increasing population and greater globalisation, demand for identity products and services continues to rise as governments increasingly focus on improving border security, authentication and their citizens' access to services.

While physical tokens such as passports and ID cards are important, there is a growing emphasis on end-to-end solutions that combine secure tokens with systems and services which help to create and validate unique, trusted legal identities.

The global identity market, including passports, ID cards, and the associated digital solutions, is valued at around £3.9bn today and expected to grow at c6% a year[1]. Although many countries have in-house security print capabilities, many still choose to source printing or individual components from the commercial market. More than half of the identity market is available to commercial manufacturers.

With an annual growth of c8%, the passport market remains attractive. Around 165m passports are issued globally each year, 25% of which are available to commercial security printers. Customers increasingly value security features and the systems and services surrounding the physical product. While we believe demand for physical passports will remain for the long term, the market is transitioning from Machine Readable Passports to chip-based ePassports. This further drives demand for full integration of end-to-end solutions.

Globally, around 100 countries have compulsory identity card schemes. The national ID market is expected to grow at 5%. Today, over 70% of the national IDs in circulation globally are chip-based. Technological advances in recent years have enabled new types of ID schemes, combining traditional ID functionality with payment methods.

[1] De La Rue estimate.

Global passport market
£bn

Passport: 8% CAGR

Source: De La Rue estimates

Global identity card market
£bn

National ID: 5% CAGR

Source: De La Rue estimates

Commercial passport market by volume %

- De La Rue – 32%
- Gemalto – 12%
- CBN – 12%
- IDEMIA – 9%
- G&D – 8%
- Other – 27%

Source: De La Rue estimates

Product authentication market

> The global market for brand protection is forecast to grow at 16% a year, rising to $4.2bn in 2020.

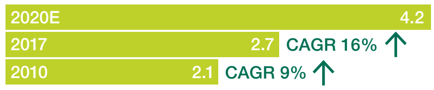
Globally, the significant increase in counterfeit goods and illicit trade means that governments are losing billions of dollars in tax revenues. Legitimate businesses and brand owners are being undermined. Consumer confidence is being eroded and their health put at risk.

Excisable fast moving consumer goods such as tobacco and alcohol are widely recognised to be among the most illegally traded products in the world. One in every 10 cigarettes lit up in the world is illicit, valued at almost $40bn, with an equivalent tax loss to global governments[1]. The need for protecting tax revenue, together with continuing changes to government policy worldwide driven by international treaties such as the WHO Framework Convention on Tobacco Control, remain the key drivers for growth in the tax stamp market.

The rise of counterfeit goods, unauthorised production and sales channel diversion also means that businesses and brand owners are losing revenue and brand equity. The rapid growth of eCommerce and easy global shipping have exacerbated the problem, with 90% of online retailers having experienced up to a 10% loss of revenue due to online counterfeit sales[2]. The total value of counterfeit and pirated goods globally is expected to be $2.8tr in 2022, a 150% increase from 2013[3]. The global market for brand protection is forecast to grow at c16% a year, rising to $4.2bn in 2020[4].

Both the tax stamp and brand protection markets are highly fragmented, with most operators offering only partial solutions such as serialised labels and tamper-evident packaging. However, there is a growing trend towards integrated, end-to-end solutions that provide a combination of highly secure labels and unique ID together with systems that can track, trace and authenticate products throughout the supply chain. As technologies advance and costs reduce, features such as printed electronics and RFID[5] tags in packaging and labels are gaining popularity. Online shopping is also driving authentication through a touchpoint of consumer smartphones.

Global brand protection market
$bn



Source: The Future of Anti-Counterfeiting, Brand Protection and Security Packaging to 2020, Smithers Pira

1 Euromonitor International.
2 Global Online Shopping Report.
3 The Economic Impacts of Counterfeiting and Piracy, Frontier Economics.
4 The future of anti-counterfeiting, brand protection and security packaging to 2020, Smithers Pira.
5 Radio Frequency Identification.

Our business model

We create value by providing solutions to our customers' unique challenges. This is driven by our focus on innovation, our expertise and our manufacturing skills.

The resources we rely on

2,763 skilled employees

Our people

We have 2,763 dedicated and passionate employees across four continents and we are moving to be closer to our customers.

1,000+ patents

Intellectual property and shared knowledge

Our knowledge is underpinned by over 200 years of continuous innovation. Ideas that derive from our R&D are patented and applied across the various services and products we offer.

7 centres of excellence

Manufacturing excellence

Our seven centres of excellence give us a global presence with consistent operating experience at the highest quality, health, safety, security and management standards.

1 global supply chain

Suppliers and partners

We work with suppliers and partners all over the world to ensure sustainability and reliable delivery to our customers. We hold these suppliers and partners to the same high ethical standards that we adopt ourselves.

£73.5m cash flow

Financial strength

We generated cash flows from operating activities of £73.5m in 2017/18. This allows us to invest in new technology and machines, fund potential strategic acquisitions and support business operations to secure long term value for shareholders.

To find out more see resources
Page 20

Our customers and what they buy from us

Central and commercial banks

need a supplier they can trust to provide data-driven insights and to design and manufacture secure currency

Our products and services

Currency

- Banknote printing
- Paper and polymer substrate
- Security features
- Cash cycle analytics

Our solutions

Intellectual property

We have invented over 100 security features for currency and register around 30 patents per year. Our security features are embedded in more than 25% of the world's circulating denominations.

Digital solutions

Our end-to-end digital solutions for identity management and product track and trace give our customers strong infrastructure, governance frameworks and flexibility to meet their individual needs.

Training

We provide our customers and their stakeholders with supporting services such as counterfeit analysis, public education and awareness campaigns, technical workshops and training courses.

Our values

drive change and innovate

act with integrity

Governments
increasingly need to monitor, validate and control identity to improve security, social inclusion and domestic and international trade

Brand owners/ governments/ tax authorities
need to protect tax revenues and brands from illicit trade and counterfeit and harmful goods

Identity Solutions

- Physical identity documents
- Software systems

Product Authentication Solutions

- Tax revenue protection
- Brand protection
- Software systems

Data analytics

We use analytics and intelligence derived from our award winning software to deliver insight to support customers' decision-making.

Design

Our 50-strong design team is recognised as the best in class. Its banknote and passport designs have won 14 international awards since 2007. We work with over 140 countries on designing and producing banknotes and passports.

Consulting

We help countries with our expertise in cash cycle management, physical and digital security, and operational excellence.

take responsibility

excel in what we do

work together

The value we create

The world around us

- Enabling everyone's secure participation in the economy
- Helping deliver confidence in the economy by ensuring a secure cash cycle
- Supporting social and financial inclusion by securing legal identities and providing currency
- Contributing to economic growth and stability by protecting tax revenues and tackling illicit trade

Our people

- Engaging and developing a world class workforce
- Building local skills and capabilities with strong partnerships in key countries

Our business

£62.8m
Adjusted operating profit*

42.9p
Adjusted basic earnings per share*

25.0p
Full year dividend

* This is a non-IFRS measure. See further explanations and reconciliation to the comparable IFRS measure on page 157.

The resources we rely on

The business model on the previous pages shows how we provide solutions to our customers' challenges. Here, we look in more detail at the resources and relationships we rely on to do so.

Our people

Our business depends on the skills, experience and commitment of over 2,760 employees at 20 locations. We're careful to maintain a mix of 'home-grown' talent that we've developed ourselves with people from outside the industry. Such individuals bring with them a range of skill sets and perspectives that add a new dimension to our business.

We hire talented people and reward them through a performance-based incentive scheme. Every employee is offered the opportunity to grow his or her knowledge and abilities.

We invest in training and development programmes to help our people be the best they can be. We encourage them to strive for and attain ambitious goals and to be passionate about both our company and our local communities. This approach can only flourish in a supportive, transparent and collaborative working environment. We have high ethical standards, extensive health, safety and wellbeing programmes.

Find out more about our employees
www.delarue.com/ar2018

Intellectual property and shared knowledge

Innovation is the driving force behind De La Rue. Over 200 years, we've amassed a huge store of expertise in how to stay ahead of the counterfeiter, whether through physical security or digital solutions. And we're adding to that resource every day – we've committed to doubling our R&D spend by 2020 and have more than 1,000 current patents, with another 500 pending. Our increased investment and focus on R&D means that we're launching more products and services, faster and more regularly. Product development is also accelerated through partnerships and, where appropriate, mergers and acquisitions.

We aim to develop once and use multiple times, deploying a platform-based approach to share technologies across our three segments – which means that all our customers can benefit from De La Rue's innovation. We also share our expertise with customers, regulators and policymakers through international forums such as ICAO[1], WCO[2], the Global Compact for Migration, through industry affiliations such as the Secure Identity Alliance and through collaborations such as our Joint Charter with the Bank of England. This creates a more secure world for everyone.

Find out more about innovation
www.delarue.com/ar2018

1 ICAO – International Civil Aviation Organisation.
2 WCO – World Customs Organisation.

Manufacturing excellence

We manufacture through seven centres of excellence on three continents. Our objective is to maintain stable and flexible operations in order to manage factors such as fluctuations in demand and product mix.

We continue to invest in our manufacturing capabilities. In the last two years, we've invested more than £20m in new machinery and equipment, including a polycarbonate line and security print line in our Malta plant and a banknote varnishing line in our Kenya plant. We also work closely with our manufacturing partners to ensure high quality products and efficient delivery.

Each site maintains strict international health and safety standards to support employees, and in October 2017 we launched a new SAFE campaign to increase safety awareness across the business. Quality is assured by ISO standards and common working practices which are shared across all operations and which have established De La Rue as a beacon of manufacturing excellence. Our plant in Kenya is the only site in Africa to have achieved ISO14298 – the highest possible level of secure printing accreditation.

Find out more about our capability
www.delarue.com/ar2018

Financial strength

We are a cash generative business with a five year cash conversion average standing at 135%. The business has generated cash flows of £323m over the last five years and our net debt/EBITDA is at 0.66x versus our bank covenant of 3.0x. During the last year we sold our paper business and improved our cash flow through better cash management – together, these have reduced our net debt by £71m.

£323m

Cash flow generated over the last five years

We use our financial strength to support business operations, fund strategic acquisitions such as the purchase of DuPont Authentication in 2017, and enable us to deliver on our commitment to double R&D spend by 2020.

Find out more about our financials
www.delarue.com/ar2018

Suppliers and partners

We depend on suppliers to provide timely and cost-effective delivery of high quality components for banknotes, ID documents and product authentication labels. We secure these supplies by entering into strong and long-lasting relationships with trusted suppliers and other partners, all of whom we expect to comply to our ethical and environmental standards.

We recognise the value of close partnerships and work with our industry's leading suppliers to encourage and support innovations that lead to benefits for society at large. For example, we operate technical partnerships with ink suppliers and manufacturers of printing equipment to develop secure print features and identify efficiency savings.

We also collaborate with our manufacturing and commercial partners to ensure that we provide the best quality products and services to our customers. Just as suppliers and partners support our aims, so we support theirs – sharing best practice in order to boost efficiency and achieve common goals. All our suppliers and partners are required to adhere to our Code of Business Principles.

Find out more about our supply chain
www.delarue.com/ar2018

Our Plan

In May 2015 we set out a plan to transform the business. As this plan has unfolded, we have simplified and rationalised our goals into four strategic priorities:

Optimise and Flex

Improve efficiency and drive flexibility in the business lines that face unpredictable markets, such as Banknote Print, or slow growth prospects, such as Banknote Paper

Invest and Build

Invest in the business lines that are exposed to high growth markets, namely Polymer, Security Features, Identity Solutions and Product Authentication

Currency

Banknote Print

Polymer
Security Features

Identity Solutions

Product Authentication

Our strategic priorities / 2020 goals

1 Deliver operational excellence

Find out more See page 24

Our strategic priorities:
- Divest non core business
- Limit exposure to volatile paper market
- Reduce banknote print volatility
- Drive efficiency

2020 goals:
- Standardised footprint with flexibility to deal with demand surges
- Improved return on capital employed (ROCE)
- Better quality of earnings

2 Invest for growth

Find out more See page 26

Our strategic priorities:
- Invest in skills and new capabilities
- Invest in new technologies and service solutions
- Accelerate growth through partnerships and acquisitions

2020 goals:
- Mid-single digit revenue growth 2015–2020 CAGR
- More diversified revenue streams
- Double R&D investment by 2020

3 Strengthen balance sheet

Find out more See page 27

Our strategic priorities:
- Manage working capital more efficiently
- Maintain prudent capital investment
- Manage pension deficit effectively

2020 goals:
- Improved cash flow
- Reduced pension deficit

4 Drive culture change

Find out more See page 27

Our strategic priorities:
- Improve performance management
- Training and development

2020 goals:
- Dynamic, high performing culture
- Diverse skilled workforce with high ethical standards

Strategic focus see pages 24 to 28 Principal risks see pages 36 to 41 Strategic measures see pages 34 to 35

Chief Executive Officer's review

> We have made good progress against our strategic objectives.

Martin Sutherland
Chief Executive Officer

An overview

In May 2015, we announced a five year plan to transform De La Rue into a less capital intensive, more technology led security product and services provider, with a more balanced business portfolio that will deliver growth, improve quality of earnings as well as reduce volatility in the business. I identified two areas that required attention. We had to 'Optimise and Flex' the parts of the business facing unpredictable markets or slow growth. At the same time, we needed to 'Invest and Build' in the areas where we saw high growth opportunities.

We are half way through our plan and, despite some headwinds along the way such as the ending of a material contract at the end of 2015, we have made good progress in delivering our strategic objectives. Excluding the exited paper business, Group revenue and adjusted operating profit have been growing on average at 3% and 4% a year, respectively. We have also made good progress in diversifying our revenue streams and improving business mix over the last three years. The 'Invest and Build' product lines now contribute around a third of the Group's revenue and half of its operating profit.

The four strategic priorities shown opposite will guide us towards completing the plan by 2020, in line with our targets. On the following pages, I review each priority in detail and outline some examples that show our progress.

Watch the interview with CEO Martin Sutherland
https://www.delarue.com/investors/new-investors-report

1

Deliver operational excellence

This priority is about optimising and flexing those elements of our business that present the greatest downside risk. We sold the underperforming Cash Processing Solutions business in 2016. During the last 12 months our attention turned to our Banknote Paper and Banknote Print businesses – and we have made good progress in both areas.

Finding a long term solution for our paper business was one of our top strategic priorities. The sale of our paper business – Portals De La Rue Limited – and a ten year supply agreement have reduced our exposure to the volatility of the oversupplied paper market, as well as secured paper supply for our print business over the long term. The capital investment related to the paper business can now be redeployed. This, combined with the cash proceeds from the transaction, gives us greater flexibility in allocating capital in order to generate better returns and drive sustainable growth.

There is more to do regarding our print business, where we are exposed to market volatility. Here, again, we can report steady progress. We've reconfigured our manufacturing footprint in the last two years. Although machine upgrades are still ongoing in Kenya and Sri Lanka, our production capacity is now more closely aligned with average annual demand. Working with our external partners gives us the flexibility we need to cope with additional demand, and it's already working well – over the last year we outsourced over 100m notes to our long term partners. In short, we're now able to do more with less. In 2017/18 we produced more banknotes with fewer print lines than we managed in the previous years, and we expect this trend to continue.

Additionally, DLR Analytics™ launched in May 2017 helps central banks to better understand their cash cycle and requirements. The new module released in May 2018 will help them to forecast future demands, thus reducing the peaks and troughs on demand side.

1

17 PARTNERSHIPS FOR THE GOALS

8 DECENT WORK AND ECONOMIC GROWTH

Securing a strategic relationship for our paper business

In February, we agreed to sell our paper business Portals De La Rue, comprising both the Overton and Bathford mills, to private equity house Epiris Fund II for around £61m.

The banknote paper market has been oversupplied for a number of years, a factor that we expected to continue. While we pursued cutting production costs and driving efficiencies as short-term fixes, we continued to explore other more strategic options during the year – culminating in the deal with Epiris.

This is a significant milestone in delivering our strategy to transform De La Rue into a less capital intensive, more technology led product and service provider. It limits our exposure to the volatility of the paper market, strengthens our balance sheet and enables further investment in innovative technology solutions for the currency, identity and brand protection markets.

At the same time, we secured the long term paper supply for our print requirements with a ten year supply contract.

All affected staff were transferred in accordance with TUPE regulations and rights.

Find out more about us
www.delarue.com

2

Collaborating to stay ahead of the counterfeiters

In order to stay ahead of the counterfeiters, we seek to accelerate technology and product development through partnerships and acquisitions. In October 2017, we teamed up with Opalux to create a strategic partnership that will add new capabilities to our security features portfolio. Together, we're going to explore product development and sales opportunities across the world.

Opalux develops and manufactures tunable photonic crystals, smart materials that change colour in response to external stimuli.

We anticipate that the first product developed by our new partnership will be launched later in 2018.

In April 2018, we entered into a strategic partnership with another Canadian technology firm Optel Group, a market leader in track and trace technology which is used for supply chain management as well as brand protection in a number of industries, including pharmaceutical and health care. We will closely collaborate in product development and sales. This partnership will enhance our product offering and extend our market reach in our Product Authentication business.

Find out more about our partnerships
www.delarue.com

We are working hard to improve efficiency in our factories as well as at the corporate level so that we can remain price competitive while protecting margins.

During the year, we have reassessed our supply chain management and launched a procurement transformation programme. The goal is to build a strong supply chain through forming strategic partnerships with our key suppliers. In addition, we've introduced an advanced manufacturing engineering function to reduce cost of quality and the time it takes to bring new products to market over time.

We are making progress in driving efficiency and reducing costs across our factories, but recognise that there is more to do in meeting our goal of being a world class manufacturer. We plan to roll out monitoring and note inspection systems into all sites in the next 18 months in order to improve quality and reduce wastage. In the meantime, we are exploring opportunities of automating certain processes to improve operational efficiency.

We are investing in new IT infrastructure to improve the way we work. This has begun in the Finance function, where we are half way through a transformation programme which will see SAP implementation across the Group. The programme will continue in the coming year, which will drive efficiency and improve decision making once complete.

2

Invest for growth

Our second strategic priority is to invest in order to drive our future growth, and here we see opportunities in four key areas: in security features and polymer for the Currency market; and also across our Identity Solutions (IDS) and Product Authentication & Traceability (PA&T) businesses.

Innovation is a key differentiator for us – we aim to counter the counterfeiters at every turn, and that means having access to the best technology. We continue to invest product management, R&D and sales, with R&D investment up 13% in FY17/18. We are on track to double our R&D investment which is up 74% since 2015. The investments and improved focus in R&D have increased the number of patents filed and granted last year to 33 and 46, respectively. In addition to the six new products launched last year, the Group introduced two more in May 2018 – Ignite™ and PureImage™. We launched more products in the last two years than the previous five years combined.

In May 2017, our significant and ongoing investment in digital expertise led to the launch of DLR Analytics™, which in January 2018 won the 5th Central Banking Awards for Consultancy and Advisory Services. DLR Analytics™ provides analysis on banknote lifespan and distribution trends, which helps central banks to better understand what is happening within their cash cycles. Such data allows institutions to make better-informed decisions on their banknote issuance policy, such as switching from paper to polymer or withdrawing high-denomination banknotes. For us, the advantages go beyond providing better customer service. DLR Analytics™ takes a little more volatility out of the market – because an improved understanding of upcoming needs means that we can plan our resources more effectively. This will support our drive to generate recurring revenue by building longer term partnerships. To date, 70 issuing authorities – almost half of the world's total – have signed up to DLR Analytics™, one third of which are new to De La Rue.

Tracking the supply chain, from manufacturer to consumer

We are proud to be providing the first tax stamp solution to meet the demanding criteria of the WHOs Framework Convention on Tobacco Control (FCTC). Set to be implemented by the UAE in early 2019, this highly secure label and track and trace system comply with the FCTC's strict protocol to eliminate all forms of illicit trade in tobacco products. The FCTC aims to achieve this via several ways, in particular the establishment of an international tracking and tracing system. Our technology supports this capability in full, enabling the tobacco to be tracked from manufacturer right through to consumer, thereby giving governments the tools to ensure that the relevant tax revenue is collected. In short, we are well-positioned to capture the growth opportunities in this market.

Find out more about our products
www.delarue.com

The trend towards polymer banknotes is a good example of innovation driving growth as we continue to take share in this fast growing market. Our volumes of polymer more than doubled to 810 tonnes in the year, with future growth underpinned by new contracts including with the Bank of England for the new £20 note which is due to be issued in 2020. Including the notes on order, our polymer substrate Safeguard® has now been adopted by 24 out of 38 polymer note issuing authorities.

We also see opportunities to accelerate technology development through partnerships and acquisitions. In October 2017, we entered into a strategic partnership with Opalux, a Canadian authentication firm, to explore its tunable photonic crystals technology for the identity market. And in April 2018, we partnered with another Canadian technology firm Optel Group, a market leader in track and trace technology, further enhancing our product offering.

The acquisition of DuPont Authentication in 2017 brought world-leading Lippmann hologram technology into De La Rue. Currently being applied in the identity and product authentication sectors, we are now working hard to modify this technology for the currency market.

We are putting more efforts in sales and marketing in the growth areas, particularly in IDS and PA&T. Since 2016 sales investments in these two segments are up 79% and 47%, respectively. Given the typical 18-24 months sales cycle of public services contracts, early signs of returns on these investment have just started to emerge. Order intakes in IDS excluding the UK Passport contract increased by 117% and in PA&T by 97% in FY17/18, including some long term contracts. Implementation of some of these contracts is expected to start in the second half of FY18/19, which will generate stable revenue and profit from FY19/20 onwards.

3

Strengthen our financial position

We are committed to strengthening our financial position through improving profit and managing cash prudently.

The additional effort put into managing cash better has borne fruit. During the year, inventory and trade debtors, excluding the exited paper business, reduced by £13m and £10m, respectively. The £60.3m cash proceeds from the sale of Portals De La Rue completed on 29 March 2018 has further reduced our net debt at the year end to £49.9m (25 March 2017: £120.9m), the lowest in five years. Cash conversion rate in the year was 163% (2016/17: 114%). The year on year increase was driven by lower inventory due to structural changes and a focus on inventory management, and lower account receivable on strong cash collections in the last two months of the year. See more details on page 34.

In November 2017, we announced that the Group's pension trustee had decided to change indexation linked to future pension increases from RPI to CPI for our UK defined benefit pension scheme. This change has reduced the pension liabilities and the corresponding deficit by £80.5m. The pre-tax pension deficit at the year end was £87.6m, substantially lower than the £237.0m a year ago.

The stronger balance sheet gives us greater flexibility in allocating resources and enables us to continue investing for growth. We are sharpening our focus on the deployment of capital. Our disciplined approach to capital investments means our capex programme is more targeted.

The purchase of DuPont Authentication has already proved to be a successful transaction for us. It's given us market-leading and differentiating technology, and a great team of skilled people who are making a real difference across the organisation.

The Group's return on capital employed in the year was 36% (2016/17: 39%), demonstrating our ability to generate good returns on our investments. See more details on page 34.

3

Reducing our liabilities

Addressing the Company's pension deficit has played a key role in strengthening our financial position. Our Pension Trustee has agreed that from April 2018, the indexation for future increases in the Group's UK defined benefit pension scheme should be changed from RPI to CPI. This has the effect of reducing the scheme's liabilities and corresponding deficit by £80.5m, which is reflected in the full year financial accounts. See more details on pages 143 to 146.

At the time of its last triennial valuation in April 2015, the scheme's underlying actuarial funding deficit had increased to £252m, £92m higher than in 2012, despite contributions of around £70m being made by the company in that period. Clearly this was unsustainable – the change in indexation has reduced risks for the members and put the scheme on a stronger footing, while helping to secure pensions for current and deferred pensioners. At the same time, it will enable us to continue to invest in jobs and R&D and attract sufficient investment for the long-term growth of the business.

Find out more about our employees
www.delarue.com

4

Drive culture change

Our culture underpins every aspect of our business. It's the strategic priority that enables all the other priorities to be delivered effectively.

When I joined in 2014, I quickly learnt that De La Rue was a great organisation with a long history of quality service that had led to enduring customer relationships, some of which went back – and still do – well over a century. But I also realised that things had to change. There was a clear disconnect between the strategy we needed to pursue and how people here were actually working. De La Rue simply couldn't do what it needed to do without a dramatic shift in culture – so we set a goal of creating a high performance, accountable and results-based culture.

Today, De La Rue is a business transformed. Every individual but one of my Executive Leadership Team is new in the last two or three years. Among the senior leadership team, we have seen turnover of around 50% over the same period and a fall in numbers too, which has helped us on the cost side. The sales force is also unrecognisable from its composition in 2015, with around 40% being relatively new faces.

But a change in culture needs more than just new faces, some nice values, mugs and mousemats. It needs solid foundations. We now have a marked emphasis on performance. Our people have objectives aligned to the strategy, and we have refreshed the entire incentive framework.

We are also investing in training and development. These place a key role in identifying and supporting internal talent pools so we can reach the point where 80% of management positions are filled by internal candidates. At the same time, our salesforce is being upskilled to help them focus on the ID and product authentication sectors where the sales process is more consultative.

Valuing and respecting our people

We know that diverse organisations perform better and are more engaging places to work.

During the year, we launched our first inclusion and diversity strategy, which aims to ensure that all our people feel they have a perspective that is valued and a voice that is listened to and respected. Our first action was to increase awareness of unconscious bias – what it is, why we have it, and where we see it in De La Rue. Among other initiatives, we've also identified and implemented changes in our recruitment methods to remove barriers to inclusion. For example, we've started to reviewed job descriptions and adverts to remove any language or tone that may create a barrier.

We have a number of specific programmes around gender diversity, including a target that women should account for 25% of our senior leadership team by 2020. For the last financial year, that figure was 18%. We've also established a Women's Network to explore potential benefits of greater inclusion. Specific initiatives include: supporting managers to enable them to champion flexible working; reviewing our existing flexible working policies; and establishing a culture of flexible working through our employee value proposition to attract talent to De La Rue.

We recognise that we're just starting out on this journey – as we learn we'll develop our strategy further.

Find out more about our employees
www.delarue.com

It almost goes without saying that ethics are absolutely central to what we do and how we do it. We apply the highest standards and expect our supply chain to follow our lead, at all times and without exception. De La Rue has always worked like this – but we are strengthening our emphasis on ethics to ensure we maintain the full respect of the banks and leading organisations we work with.

We are also supporting a drive towards a more diverse workforce – more aligned with the cultural and ethnic diversity of our customers. We launched an inclusion and diversity strategy in October 2017, encouraging inclusivity through changes in recruitment practices and training programmes. In addition, we've moved away from an agent-led sales function towards a more direct approach, with locally based sales teams who understand the local markets and cultures, working out of regional hubs. We have already opened hubs in Dubai and Miami and are close to doing the same in Kuala Lumpur.

It's been a long and at times challenging journey, for the Company and for our people. But there is evidence that it has been worthwhile – the latest employee engagement survey indicated a shift in culture. People have bought into what we are doing. They appreciate reward and thank you programmes. They acknowledge the work we are doing to reduce the gender pay gap, which at 10% is good but needs to be zero. And they see all the other good work taking place around diversity, health and wellbeing.

Looking ahead

While losing the new UK Passport tender was disappointing, it does not change our goals. We will continue to seek out every opportunity to improve operational efficiency during the year ahead, while investing in the innovation that will keep our business one step ahead of the counterfeiters as well as the competition. This twin-track approach will be supported and enabled by our ongoing focus on strengthening our financial position and driving a positive, results-led culture.

The strong 12 month order book gives good revenue coverage for the year ahead. Operating profit is expected to be in line with FY17/18 as we continue to invest in R&D and sales to drive long term sustainable growth.

The sale of the paper business and the associated long term paper supply agreement have reduced our exposure to the volatility of the oversupplied paper market, while securing the surety of supply for our print business. Through this, and good cash generation from the business, we have significantly strengthened our balance sheet with net debt now at its lowest in five years. The stronger balance sheet provides the Group with greater flexibility to allocate capital to deliver long term shareholder value.

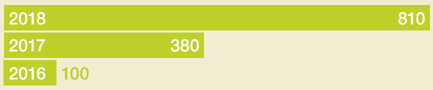
Martin Sutherland
Chief Executive Officer

Operational and financial review

Operational review

Banknote print volume
Billion notes

Polymer volume
Tonnes



Currency revenue
£m

Currency adjusted operating profit*
£m

* This is an non-IFRS measure. See further explanations and reconciliations to the comparable IFRS measures on page 157.

Group revenue increased by 7% to £493.9m, with solid performance across all three segments. Adjusted operating profit was 11% lower at £62.8m. A significant reduction in the profitability of the paper business was the major factor causing the profit decline, with the write off of the UK Passport bid costs as well as planned investments in R&D and sales being offset in part by additional margin from increased sales and certain provision and accrual releases, where we now have additional information as to the likelihood and amount of potential liabilities.

Excluding the exited paper business, Group revenue was up 4% to £426.4m and adjusted operating profit was up 7% to £56.9m.

Currency

The Currency business comprises Banknote Print, Banknote Paper, Polymer and Security Features.

The Currency business delivered 6% growth in revenue to £371.8m (2016/17: £349.5m), benefiting from the high volumes from Banknote Print, Banknote Paper as well as Polymer. Adjusted operating profit was £45.1m (2016/17: £50.3m). A significant reduction in the profitability of the paper business was the major factor causing the profit decline, offset in part by additional margin from increased sales and certain provision and accrual releases, where we have additional information as to the likelihood and amounts of potential liabilities.

Excluding the exited paper business, revenue was up 2% to £312.0m and operating profit was 11% higher to £40.5m.

Banknote Print

Banknote Print volume increased by 3% to 7.3bn notes (2016/17: 7.1bn), and revenue was up 5%, reflecting both the higher volumes and higher average price. The manufacturing footprint programme completed its second year, with refurbishment of banknote print lines in Kenya and Sri Lanka progressing slower than expected. A new varnishing line which makes printed banknotes more durable has been added to the Kenya factory, providing more operational flexibility in line with other sites.

In FY17/18, we outsourced the printing of 115m banknotes and are expecting the outsource volume to increase in the current financial year. Separately, a plan to roll out quality control systems, including note inspection machines, to improve quality and reduce costs is now in place.

Banknote Paper

Banknote Paper revenue grew by 5%, driven by the higher volumes of 12,200 tonnes (2016/17: 11,700 tonnes). However high raw material cost, compounded with production issues, resulted in a decline in profitability. Banknote Paper, as part of Portals De La Rue, was sold on 29 March 2018.

Polymer

Polymer volumes more than doubled to 810 tonnes (2016/17: 380 tonnes) in the year. In January 2018, we helped Botswana transition its 10 Pula note from paper to polymer, which was also designed and printed by De La Rue. Following the award of the milestone contract in October 2017 to supply polymer substrate for the Bank of England's new £20 note, we also secured a contract to provide polymer substrate to a state print works of a West African country.

Security features

Security thread volume was up 23% year on year. There was good uptake on Kinetic StarChrome™ launched in 2014 with multiple wins, including the Macedonia 2000 Denar and the Bangladesh 100 and 500 Taka. We also secured the first order of Starchrome Portrait™, one of the four new features launched in May last year. In addition, we have further strengthened our product portfolio through the launch of two new features in May 2018 – Ignite™ and PureImage™.

A number of joint development projects with customers and partners are underway, including the personalisable security feature for identity products with Opalux, which is expected to launch within the current financial year.

At the year end, the 12 month order book for Currency excluding the paper orders was £272m (2016/17: £265m).

Operational and financial review continued

Identity Solutions

Identity Solutions performed as expected, with revenue up 2% to £82.0m (2016/17: £80.6m). Adjusted operating profit was 27% lower than the prior year due to the £3.7m write off of the bid costs associated to the UK Passport retender. Excluding the bid costs, operating profit was up 5%.

Excluding the exited paper business, revenue was up 4% to £76.4m and operating profit was 20% lower to £7.1m, or 21% higher excluding the one off UK Passport bid costs.

We have made good progress in our core markets as countries are switching from Machine Readable Passport to ePassport. During the year, we helped Kenya to launch its first polycarbonate ePassport with production starting in January 2018. It was the first adoption amongst the East Africa Community members. The momentum continued with two new wins in East Africa transitioning to ePassport, as well as a new eID end-to-end solution contract with the Government of Malta.

The project with Note Printing Australia to design and develop Australia's next generation passport due to be launched in 2020 is progressing well.

While losing the new UK Passport tender will not affect the financial performance of this segment in the next 18 months as we will continue to fulfil our existing ten year contract with Her Majesty's Passport Office and assist with transitioning to the new supplier, we are reassessing our capabilities and cost base in order to remain competitive in this market.

Product Authentication & Traceability

Product Authentication & Traceability (PA&T) continued to perform well. Revenue increased by 27% to £40.1m (2016/17: £31.6m), driven by De La Rue Authentication Solutions (DAS, previously DuPont Authentication). Adjusted operating profit in the period was up 4% to £9.4m (2016/17: £9.0m). Increased investment in sales and R&D, particularly software solutions, resulted in a lower margin.

Excluding the exited paper business, revenue was up 31% to £38.0m and operating profit was 16% higher at £9.3m.

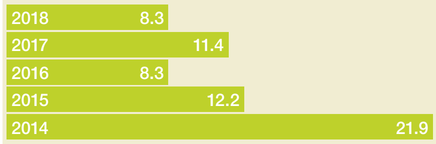
We made good progress in the government revenue services (GRS) area, winning a contract with an initial five year term under a build, operate, transfer model to implement a full FCTC compliant track and trace tax stamp solution for the Federal Tax Authority in the UAE. The scheme is expected to roll out in early 2019, initially applying to the tobacco industry. Successful implementation will give us an excellent reference in the Gulf Cooperation Council region.

On brand protection, DAS exceeded management's expectations in the first year post-acquisition, with both revenue and operating profit ahead of plan. Operating costs of £3m were in line with plan and the business benefited from the investment and sales synergy of being part of the Group.

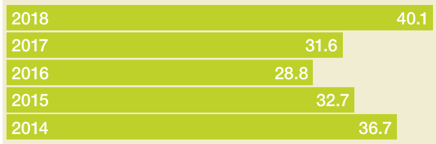
To enhance our product and service offering, we have partnered with Canadian firm Optel Group, one of the leaders in track and trace technology being used in pharmaceutical and health care industries, the most mature and regulated brand protection market. The two groups will closely collaborate on product development and sales to accelerate growth.

Identity Solutions revenue[1]
£m

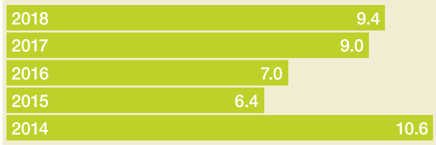
Identity Solutions adjusted operating profit*[1]
£m



Product Authentication & Traceability revenue[1]
£m



Product Authentication & Traceability adjusted operating profit*[1]
£m



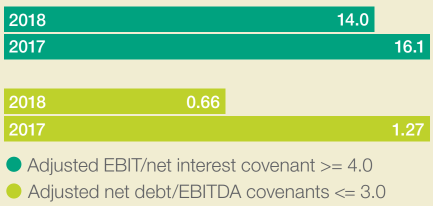
* This is a non-IFRS measure. See further explanations and reconciliations to the comparable IFRS measures on page 157.

[1] The Group reclassified the results of one of its manufacturing sites in FY2016/17 in order to align the external and internal reporting. The historic revenue and operating profit numbers (except 2014 adjusted operating profit) in IDS and PA&T have been adjusted to reflect this change.

Financial review

Underlying effective tax rate (before exceptional items)
%

Bank covenants
Times



Financial performance

Overview

The Group has made good progress in improving working capital management during the year with successful initiatives in inventory management and strong cash collections. We have also significantly strengthened our balance sheet following the receipt of £60.3m for the disposal of the Portals De La Rue paper business which has resulted in significantly lower net debt of £49.9m compared to £120.9m last year. Finally, following the indexation change from RPI to CPI on the Group's UK defined benefit pension scheme, the liability has substantially reduced to £87.6m from £237.0m last year. The Group generated revenues of £493.9m which was a 7% increase on last year. Adjusted operating profit was £62.8m which was down on the £70.7m in the prior year. A number of factors have impacted operating profit during the year and further details on these are set out below. All figures and commentary in this section are for continuing operations only unless otherwise stated.

Revenue and profit

Group revenue was £493.9m representing a 7% increase over the prior year (2016/17: £461.7m). Good growth was generated by the Currency division with revenue up £22m in particular relating to banknote sales due to both higher volumes and average price. The PA&T and IDS divisions both saw revenue growth following the acquisition of DuPont Authentication Inc in January 2017 of £8.5m and £1.4m respectively.

Adjusted operating profit was £62.8m, down from the £70.7m last year. The reduction was due to the write-off relating to capitalised bid costs for the UK Passport retender of £3.7m, the impact of the poor performance of the paper business in addition to the impact of higher operating costs due to planned increases in sales and marketing and research and development activity as we invest in the business for the future. During the year adjusted operating profit also benefited from certain provision and accrual releases where we now have additional information as to the likelihood and amount of the potential liabilities.

Adjusted EBITDA was £87.3m down from £97.4m in 2016/17.

Operating profit on an IFRS basis was higher at £123.0m compared to £70.2m in 2016/17 as the impact of lower adjusted operating profit was offset by the £80.5m gain on the re-measurement of the pension liability following the change in indexation from RPI to CPI. This gain was partly offset by the impairment of the disposal group relating to the sale of the paper business (Portals De La Rue) of £9.3m in addition to costs associated with the transaction and higher site relocation and restructuring costs in the current year.

See commentary below for further details on exceptional items.

Adjusted profit before tax was lower than the prior year at £53.4m (2016/17: £58.7m) as the impact of lower adjusted operating profit was partially offset by lower net finance expense of £9.4m compared to the prior year (2016/17: £12.0m) primarily due to a lower IAS 19 interest charge. Profit before tax on an IFRS basis was £113.4m (2016/17: £58.2m).

Profit from continuing operations on an IFRS basis was £96.8m compared to £49.5m in the prior year the increase being accounted for by the credit of £60.9m on exceptional items.

Finance charge

The Group's net interest charge was £3.8m a reduction on the prior year. The reduction was due to a release of accruals for potential interest charges relating to tax liabilities. The IAS 19 related finance cost, which represents the difference between the interest on pension liabilities and assets was £5.6m (2016/17: £7.4m). The charge is lower in the current year reflecting the fall in the pension liability which was effective from November 2017 when the Trustees of the main scheme agreed to the change in indexation method from RPI to CPI.

Operational and financial review continued

Exceptional items relates to the disposal of Portals De La Rue

In March 2018 the Group disposed of the Portals De La Rue paper business for cash consideration of £60.3m. In addition the group received further consideration in the form of loan notes valued at £3.8m and holdings of shares in parent company of Portals De La Rue valued at £2.8m. In accordance with IFRS 5 prior to the sale an impairment of the disposal group of £9.3m was recorded representing the difference between the carrying value of the assets and liabilities of the disposal group and the fair value less costs to sell.

Costs associated with the transaction of £4.2m were also recorded primarily relating to advisor and professional fees. In addition a loss of £0.9m was incurred relating to the early close out of some derivatives prior to the sale.

The Group has entered into a relationship agreement with Portals De La Rue which provides guaranteed supply to meet our paper needs going forwards.

Other exceptional items

Excluding items related to the paper disposal the group incurred other exceptional items, which on a net basis totalled a gain of £75.3m (2016/17: net charges of £0.4m).

Exceptional items comprise: A gain of £80.5m on the revaluation of the defined benefit pension scheme liability following the change of indexation from RPI to CPI. Costs of £1.0m were also recorded relating to professional advisor and other costs directly associated with this change.

Site relocation and restructuring costs of £4.0m (2016/17: £0.2m) which relate the manufacturing footprint review announced in December 2015 of £1.8m and costs relating to the upgrading of our finance systems and processes of £2.2m.

Costs of £0.2m have been incurred during the year in relation to the acquisition of DuPont Authentication Inc in January 2017.

See note 4 "exceptional items" for further details.

Taxation

The net tax charge in respect of continuing operations for the year was £16.8m (2016/17: £8.7m). The effective tax rate before exceptional items and tax on the movement of acquired intangibles was 15.5% (2016/17: 15.8%).

A net tax charge relating to exceptional items, on continuing operations, arising in the period were £9.7m (2016/17 credit of £0.6m).

Earnings per share

Adjusted basic earnings per share was 42.9p compared to 47.1p in 2016/17 lower due to lower adjusted operating profit in the current year.

Reported basic earnings per share were 93.7p compared to 47.2p in 2016/17 due to the impact of the gain of £80.5m on the re-measurement of the defined benefit pension scheme following the change in indexation.

Loss from discontinued operations

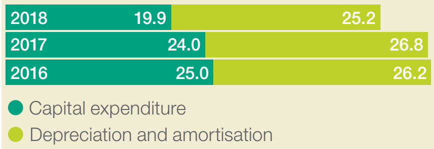
The loss from discontinued operations in the year was £1.8m and included charges of £3.6m relating to costs incurred on a loss making contract which the Group had to retain post the disposal of the Cash Processing Solutions (CPS) business and other costs associated with the closure of the business. These charges were offset by the receipt of £1.4m in further consideration for sale of CPS for which a receivable was not recorded due to the likelihood of this amount being paid.

A net tax credit on discontinued operations of £1.2m.

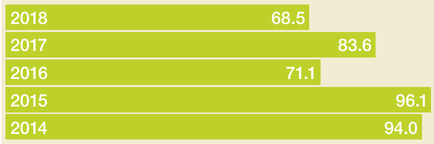
Dividend

The Board is recommending a final dividend of 16.7p per share (2016/17: 16.7p per share). Together with the interim dividend paid in January 2018 of 8.3p per share, this will give a total dividend for the year of 25.0p per share (2016/17: 25.0p per share). Subject to approval by shareholders, the final dividend will be paid on 3 August 2018 to shareholders on the register on 6 July 2018.

Capital expenditure relative to depreciation
£m



Group trade working capital*
£m



* Trade working capital comprises inventories plus trade receivables less trade payables and advance payments. Amounts stated for 2018 are before the impact of the portals disposal. 2013-15 comparatives have not be restated for discontinued operations.

Financial position

Cash generation and cash conversion

The group delivered strong cash flows in the year with cash generated from operating activities of £73.5m higher than the £64.3m recorded in 2016/17. The increase was due to a significant reduction in inventory holdings compared to the prior year (a £13m benefit excluding the impact of the disposal of Portals De La Rue) due to successful initiatives to manage inventory holdings and strong cash collections from debtors (a £10m benefit in the year). Cash generated from operating activities is also stated after special pension funding payments of £13.5m.

Cash conversion ratio for the year was 163%. The improvement resulting from the improvement in working capital levels during the year which more than offset the lower adjusted operating profit reported in the year. Cash conversion is the ratio of adjusted operating profit adjusted for depreciation, amortisation and the movement in working capital over adjusted operating profits.

Investing and financing cashflows and net debt

In addition to the £60.3m proceeds received from the sale of Portals De La Rue, £3.0m was also received in relation to the sale of the CPS business. These amounts related to £0.8m of deferred consideration which was payable on the first anniversary of the transaction in May 2017 and £0.8m working capital adjustment. These were in addition to the £1.4m received in the current year as referred to in the discontinued section above.

These proceeds in addition to the strong operating cashflows generated in the year have resulted in us being able to repay £67.0m of debt and invest £24.7m in capex. The Group ended the year with substantially lower net debt of £49.9m down by £71.0m from £120.9m at 25 March 2017.

The Group utilises a £275m revolving credit facility which expires in December 2021. The Group has operated well within the key financial covenants on this facility. These are that the ratio of EBIT to net interest payable be greater than four times and the net debt to EBITDA ratio be less than three times. At the period end the specific bank covenant tests were as follows: EBIT/net interest payable of 14.0 times and Net debt/EBITDA of 0.66 times.

Pension deficit and funding

In November 2017 it was announced that the Group's pension trustee had decided to change the indexation of future increases from RPI to CPI for its UK defined benefit pension scheme effective from April 2018. At the time of the Group's last triennial in April 2015, the Scheme's underlying actuarial funding deficit increased to £252m, £92m higher than in 2012 despite c£70m contributions made to the scheme by the Group in that period. The funding plan agreed in June 2016 to eliminate the deficit over a 12 year period will remain in place until the conclusion of the next triennial review commencing in April 2018. The agreed funding plan was for payments of £13.5m in 2018, increasing to £20.5m in 2019 and then rising by 4% per annum to 2022. It will be frozen at £23.0m per year between 2023 and 2028.

On a pre-tax basis the net pension deficit was £87.6m (25 March 2017: £237.0m) The decrease results primarily from the change in indexation method which has accounted for £80.5m of the reduction in the pre-tax pension deficit. However in addition the scheme benefited from positive investment returns on assets and favourable changes in assumptions for the long term rate of inflation and life expectancy which resulting in an actuarial gain of £58.8m presented within reserves.

The charge to operating profit in respect of the UK defined benefit pension scheme in 2017/18 was £2.3m (2016/17: £1.5m). This amount was higher due to costs associated with the indexation change. The element of the £2.3m which directly relates to the indexation change (£1.0m) has been recorded in exceptional items consistent with where the gain on re-measurement has been recorded. In addition, under IAS 19 there was a finance charge of £5.6m arising from the difference between the interest cost on liabilities and the interest income on scheme assets (2016/17: £7.4m). This charge was lower following the reduction in the pension deficit following the CPI change becoming effective in November 2017.

Capital structure

At 31 March 2018 the Group had net liabilities of £20.7m (25 March 2017 (restated): £142.8m). The significant reduction reflects the fall in the pension deficit recognised during the year.

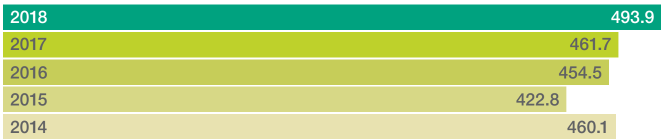
The Company had shareholders' funds of £210.5m (25 March 2017: £230.5m) and had 102.4m fully paid ordinary shares in issue (26 March 2017: 101.4m) at the year end.

How we performed

We measure our performance using both financial KPIs and strategic indicators that we believe provide a meaningful assessment of our performance against our strategy.

Financial KPIs

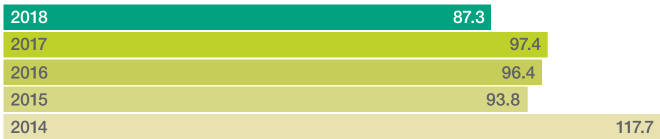
Revenue
£m



£493.9m

Revenue demonstrates our ability to deliver growth. Revenue increased by 7% in the year, with solid growth across three segments. Excluding the paper business sold on 29 March 2018, revenue was up 4% to £426.4m.

Adjusted EBITDA[1]
£m



£87.3m

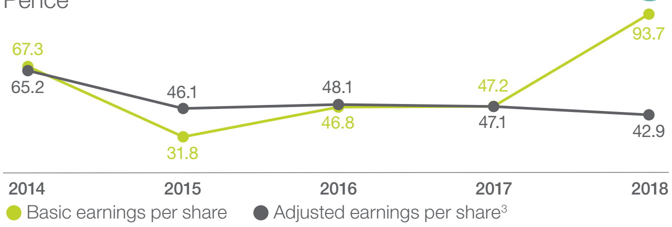
Adjusted EBITDA provides an underlying picture of our performance by excluding the non-operating factors such as financing and changes to tax environment. The year on year decline was due to lower adjusted operating profit as well as lower depreciation and amortisation in the current year.

Adjusted operating profit[2]
£m

£62.8m

Adjusted operating profit was 11% lower than the prior year, reflecting the £3.7m write off of the UK Passport bid costs, the planned investment programme, and the poor performance in the paper business. Excluding the exited paper business, adjusted operating profit was up 7% to £56.9m.

Basic earnings per share
Pence



Growth in earnings per share demonstrates our ability to create value for our shareholders. The year on year decrease in adjusted earnings per share was due to decline in profit. The year on year increase in basic earnings per share was due to the £60.9m exceptional gain relating primarily to the pension indexation change.

Return on capital employed[4]
%

36%

Return on capital employed shows how efficiently and effectively we use our assets and resources to generate return for shareholders. The year on year decline was primarily driven by lower adjusted operating profit in year.

Cash conversion[5]
%

163%

We are focusing on better managing our cash through effective inventory planning and credit control. The year on year increase was driven by lower inventory due to structural changes and a focus on inventory management, and lower account receivable on strong cash collections in the last two months of the year.

[1] Adjusted EBITDA represents earnings before the deduction of interest, tax, depreciation, amortisation and exceptional items.

[2] Adjusted operating profit represents operating profit adjusted to exclude exceptional items and amortisation of acquired intangible assets.

[3] Adjusted basic earnings per share are the earnings attributable to equity shareholders excluding exceptional items, divided by the weighted average number of ordinary shares outstanding during the year.

[4] ROCE is calculated as the ratio of adjusted operating profit over average capital employed (where capital employed equals net assets excluding liabilities for pension, tax interest and long term liabilities).

[5] Cash conversion is the ratio of operating cash flow (adjusted operating profit plus depreciation and amortisation and working capital movement) divided by the adjusted operating profit.

See page 157 for further explanations of non-IFRS measures and reconciliations to comparable amounts.

Linking to performance

Performance measures which directly affect the remuneration of our Directors

See Directors' remuneration report on pages 74 to 94

Strategic measures

Adjusted EBITDA margin[1]

%

	%
2018	17.7
2017	21.1
2016	21.2
2015	22.2
2014	25.6

17.7%

This measurement provides an underlying picture of our performance by excluding the non-operating factors such as financing and accounting decisions, or tax environments. Adjusted EBITDA margin decline due to the higher revenue combined with the decline in profit.

Identity Solutions revenue

£m

	£m
2018	82.0
2017	80.6
2016	76.5
2015	75.9
2014	87.1

£82.0m

Identity Solutions is one of our key growth product lines in which we are investing to build capabilities and focusing resources. Revenue grew by 2% year on year primarily driven by increasing sales from existing customers as well as the acquisition of DuPont Authentication Inc completed in January 2017.

Percentage of revenue from long term agreements (LTAs)

%

	%
2018	51
2017	44
2016	35

51%

Increasing long term recurring revenues as a proportion of total sales enables us to improve the visibility as well as the quality of earnings. LTAs are contracts that have a duration of two or more years and a regular call-off value. This was a new measure in 2017 and therefore historic data are not available.

Group 12 month order book

£m

	£m
2018	363
2017	341
2016	365
2015	226
2014	283

£363m

Group 12 month order book is a record of received customers' orders that are due to be delivered in the next 12 months following the reporting date. The numbers include committed orders and regular call-off orders on contracts. Excluding the paper orders, Group 12 month order book increased by 6% year on year.

Net debt/EBITDA covenant ratio

Times

	Times
2018	0.66
2017	1.27
2016	1.25
2015	1.23
2014	0.83

0.66

Net debt/EBITDA is a bank covenant which excludes pension liabilities. The year on year decrease was primarily due to a lower net debt of £50.0m (25 March 2017: £120.9m), reflecting the £61m cash proceeds from the disposal of the paper business as well as favourable working capital movement as result of good cash management.

Product Authentication & Traceability revenue

£m

	£m
2018	40.1
2017	31.6
2016	28.8
2015	32.7
2014	36.7

£40.1m

Product Authentication & Traceability is one of our key growth product lines in which we are investing to build capabilities and focusing resources. Revenue was up 16% year on year, reflecting the acquisition of DuPont Authentication Inc completed in January 2017.

Total number of patents granted

Number

	Number
2018	46
2017	26
2016	22
2015	29
2014	18

46

We have a strong track record of innovation, with more than 1,000 granted patents and 500 pending applications. Our commitment to double our R&D investment in the five years to 2020 will ensure a strong product pipeline and enhance differentiation.

[1] Adjusted EBITDA margin represents adjusted EBITDA as a percentage of sales.

Risk and risk management

How we manage our principal risks and uncertainties

How we manage risk

Risk management is the responsibility of the Board, supported by the Risk Committee which comprises members of our Executive Leadership Team (ELT). The Risk Committee is accountable for identifying, mitigating and managing risk. Further details about the Committee can be found on page 70. Our formal risk identification process evaluates and manages our significant risks in accordance with the requirements of the UK Corporate Governance Code. Our Group risk register identifies the risks, their potential impact and likelihood of occurrence, the key controls and management processes we have established to mitigate these risks, and the investment and timescales agreed to reduce the risk to an acceptable level within the Board's risk appetite.

The Risk Committee meets twice a year to review risk management and monitor the status of key risks as well as the actions we have taken to address these at both Group and functional level. Any material changes to risk are highlighted at the monthly ELT meetings, while the Audit Committee also reviews the Group's risk report. The ELT undertakes a risk workshop each year to challenge whether it has identified the principal risks that could impact the business in the context of the environment in which we operate.

Management is responsible for implementing and maintaining controls, which have been designed to manage rather than eliminate risk. These controls can only provide reasonable but not absolute assurance against material misstatement or loss. See page 68 for further information regarding internal controls.

Principal risks and uncertainties

The following pages set out the principal risks and uncertainties that could crystallise over the next three years. The Board has undertaken a robust risk assessment to identify these risks, which are listed in order of potential impact. There may be other risks that we currently believe to be less material. These could become material, either individually or simultaneously, and significantly affect our business and financial results. We have modelled potential scenarios of these risks crystallising to support the disclosures in the Viability Statement and assess the Group's risk capacity. See page 41 for further details. Due to the nature of risk, the mitigating factors stated cannot be viewed as assurance that the actions taken or planned will be wholly effective.

De La Rue's risk management framework

Board of Directors and Company Secretary

- Responsible for risk management and internal controls
- Defines risk appetite and tolerance
- Approves the risk profile

Audit Committee

- Reviews the effectiveness of internal controls
- Approves the annual internal and external audit plans
- Reviews findings from selected assurance providers

Risk Committee

- Reviews and proposes the business risk profile
- Monitors the management of key risks
- Tracks implementation of actions to mitigate risks

Ethics Committee

- Reviews ethical risks, policies and standards

Health, Safety and Environment (HSE) Committee

- Sets HSE standards
- Agrees and monitors implementation of HSE strategy
- Monitors HSE performance

Executive Leadership Team

- Accountable for the design and implementation of the risk management process and the operation of the control environment

Group policies

- Policies for highlighting and managing risks
- Procedures and internal controls

Functional management

- Ensures that risk management is embedded into business culture, practice and operations

Risk appetite

The Board has reviewed our principal risks and considered whether they reflect an acceptable level of risk. Where this is not the case, the Board has also considered what further investment is being made to reduce the likelihood and potential impact of the risk. The Board either approves the level of risk being taken, or requires management to reduce the risk exposure.

For core areas of the business, the Board uses a number of methods to ensure that management operates within an accepted risk appetite. These include delegated authority levels, the approval of specific policies and procedures and the approval of the annual insurance programme. The Board receives regular feedback on the degree to which management is operating within acceptable risk tolerances.

This feedback includes regular operational and financial management reports, internal audit reports, external audit reporting and any reports to the whistleblowing hotline. All members of the ELT have individual ownership for one or more of the principal risks. Management of those risks forms part of their personal objectives.

Key for strategic focus

1. Deliver operational excellence
2. Invest for growth
3. Strengthen balance sheet
4. Drive culture change

Key for risk outlook

- Increasing
- No change
- Decreasing

Principal risks and uncertainties ranked by net predicted impact

Risk	Exposure	Impact	Mitigation	Impact on strategy	Outlook
Breach of legal and regulatory requirements	It is possible that our employees or overseas representatives, either individually or in collusion with others, could act in contravention of our stringent requirements in relation to bribery and corruption, anti-competitive behaviours and management of third party partners (TPPs).	Major reputational and financial damage. A successful prosecution under Anti-Bribery legislation could see the Company barred from participating in major tenders.	We are accredited to the Banknote Ethics Initiative, which provides governments and central banks with assurance regarding our ethical standards and business practices. Our commitment to ethical standards is articulated in the Code of Business Principles. This is supported by underlying policies which are reviewed regularly and enforced robustly. Where necessary, non-compliance is dealt with through disciplinary procedures. We have a particular focus on raising awareness as well as training on anti-bribery and corruption, and competition law. Our policies and processes are independently audited. Our process for the appointment, management and remuneration of TPPs operates independently of the sales function. The behaviours of TPPs are strictly monitored and the TPP process is overseen by the General Counsel and Company Secretary, who reports directly to the Board on these matters. To reduce the exposure of TPPs, we are working on migrating them to employee relationships. Our whistleblowing policy and associated procedures are integral aspects of the compliance framework.	4	No change
Mergers and Acquisitions	We are seeking to grow our business both organically and through appropriate partnerships and acquisitions.	Acquiring or partnering with third parties carries a level of inherent risk that the transaction may not achieve the expected business benefits over the medium to long term.	We have a controlled process for reviewing all opportunities that have to meet certain criteria before being able to progress to full due diligence and offer stage. The Board has to approve all such transactions before they can proceed.	2	Increasing

Risk and risk management continued

Principal risks and uncertainties ranked by net predicted impact

Risk	Exposure	Impact	Mitigation	Impact on strategy	Outlook
Failure to maintain and exploit competitive and technologically advanced products, services and manufacturing processes	We operate in competitive markets. Our products and services are characterised by continually evolving industry standards and changing technology, driven by the demands of our customers. Longer term threats could include the growth of eCommerce, the emergence of cashless societies and lower barriers to manufacturing.	Failure to maintain and exploit technical innovation and intellectual property may result in lower demand, loss of market share and lower margins.	We maintain sustained levels of investment in research and development to ensure a steady flow of ideas into our innovation pipeline. Our product roadmaps are designed to meet our customers' needs. Our materials science expertise and software science team are centralised in the UK. These teams follow defined technology management processes, which include regular pipeline and portfolio reviews. We continue to invest in new technologies to enable us to advance our R&D and manufacturing capabilities, and have increased our focus on digital technologies since the strategy review in 2015. We aim to double our R&D investment in the five years to 2020.	2	
Quality management failure	Each of our contracts has a unique specification on product quality and delivery. Some of these contracts demand a high degree of technical specification.	A shortfall in quality management may expose us to additional cost to remake as well as to any associated fines or warranty costs.	We operate an established quality management system across all production sites. All major sites are certified to ISO9001 quality management standards. In 2012, we introduced an Operational Excellence programme to further drive continuous improvement across our manufacturing sites. In 2017-18, we introduced further capital and operational investment to increase quality management in response to increasing quality standards demanded by our customers.	1	
Supply chain failure	We have close trading relationships with a number of key suppliers, including unique producers of specialised components that we incorporate into our finished products. With the sale of Portals De La Rue Limited, our paper supplier now moves to become a third party supplier.	Failure of a key supplier, the inability to source critical materials or poor supplier performance in terms of quality or delivery could disrupt our supply and ability to deliver on time and in full.	Where we rely on external supply, we have established procedures for identifying possible risks for each supplier. Key suppliers are managed through a supplier relationship management programme. This incorporates checks on their financial strength and their ability to deliver to our quality standards and security, as well as their business continuity arrangements. Key suppliers are audited on a rotational basis. As a contingency, alternative suppliers are pre-qualified wherever possible and where necessary we retain higher levels of stocks.	1	
Unpredictability in the timing and size of substantial contract awards	Political and other factors can delay government procurement decisions for sensitive products such as banknotes and passports.	The timing and size of contract awards is often uncertain. Delays lead to volatility in our order book and variance against our predicted financial performance.	We maintain close and regular contact with customers so that any changes in timing and requirements are recognised promptly. We monitor our sales activity, order pipeline and forward order book to optimise production planning and ensure that delivery to customers is on time and in full. We also monitor any delays in order confirmation on a weekly basis. This enables us to maintain flexibility in the supply chain as far as possible, and to accommodate any changes to production planning. To minimise future unpredictability, we proactively pursue longer term commitments from customers. We also aim to grow recurring revenues by expanding our digital and service offerings.	1 3	

Principal risks and uncertainties ranked by net predicted impact

Risk	Exposure	Impact	Mitigation	Impact on strategy	Outlook
Failure to win or renew a material contract	While we operate globally and have a diversified geographic, product and customer profile, we rely heavily on a small number of medium and longer term material contracts.	Failure to win or renew a key contract could restrict growth opportunities and have a material impact on our financial performance and reputation.	Our business involves tendering for long term contracts on a constant basis. We have dedicated bid specialists and where necessary contract in additional resources for the largest strategic bids. We employ complex sales methodologies to identify and qualify opportunities. These measures, along with our focus on customer service and quality mean that we are well positioned to win or renew strategic or significant contracts. We are focused on retaining key contracts, as and when they fall due for renewal, and on winning new opportunities as they arise. However, as the UK Passport contract award announced in March 2018 shows, there can be no certainty that we will win all major contract tenders. Our order book as at March 2018 was 6% above that of March 2017.	1 2	–
Capacity for change	Our business has seen a considerable level of organisation change over the last three years. The Board expects there to be a similar level of change over the next two to three year period.	All grades of staff may become demoralised by the level of constant change in the organisation. Processes, procedures, and control environments may suffer as the ELT continues to implement change.	Our change goals are incorporated into the annual objectives each year, so that all staff understand and are familiar with our priorities. All change initiatives are reviewed and approved by the ELT following risk analysis. All change initiatives are managed through programme managers with progress monitored and reported to the ELT and Board.	4	↑
Pension fund deficit	The Group's UK defined benefit pension scheme (the Scheme) is in deficit. As at 31 March 2018 the deficit as accounted for under IAS 19 was £87.6m (25 March 2017: £237.0m).	We have created a joint working group with the pension trustees to proactively manage our pension obligations. If at the next triennial valuation in 2018 the deficit increases further under actuarial valuation, the future cash flow commitments may put future capital investment and dividends at risk.	We continue to work with the pension trustees to explore methods of improving the return of the Scheme's assets and reducing the Scheme's liabilities. As announced in November 2017, the trustees changed the primary index for increased Scheme benefits to the Consumer Prices Index. The movements in the assets and liabilities as measured under IAS 19 are in note 24 of the financial statements.	3	↓
Loss of a key site	All our manufacturing sites are exposed to business interruption risks.	The total loss of any one of these sites could have a major financial impact, particularly where the site represents a single source of supply.	Our head office and the banknote production operations in Debden and Gateshead UK are both accredited to the ISO22301:2012 Business Continuity standard. We maintain a degree of interoperability across our banknote production and security printing sites. We aim to minimise risk by adopting the highest standards of risk engineering in our production processes. In recognition of our customers' increasingly high requirements regarding business continuity, we continue to enhance the resilience of our major facilities in line with the ISO standard.	1 2 3	–

Risk and risk management continued

Principal risks and uncertainties ranked by net predicted impact

Risk	Exposure	Impact	Mitigation	Impact on strategy	Outlook
Health, safety or environmental failure	All of our activities are subject to extensive internal health, safety and environmental (HSE) procedures, processes and controls. Nevertheless, there is a risk that any failure of an HSE management process could result in a serious incident.	Failure of an HSE management process could lead to a serious injury or an environmental breach.	At all major facilities, we have a robust HSE management system which is internally audited and certified to the OHSAS18001 and ISO14001 standards. All of our activities are subject to extensive internal HSE procedures, processes and controls. The Group HSE Committee regularly reviews HSE performance. This is also monitored by the Chief Operating Officer's leadership team and reported to the Board monthly. Each manufacturing facility has clear HSE action plans which are prioritised, monitored and subject to review by local senior management to ensure that health and safety standards are maintained.	1 2 3	
Functionality and information security risk	Increasingly, our business involves providing software to customers. Poor quality of the functionality and information security built into the software and associated hardware could affect the confidentiality and integrity of our customer, employee and business data. Factors that could potentially impact functionality and information security include human error, ineffective design or operation of key data security controls, or the breakdown of IT control processes.	Any compromise in the software functionality or confidentiality of information could impact our reputation with current and potential customers.	Our corporate information systems are accredited to the ISO27001 Information Security standard. We strengthened governance processes in 2017 with the introduction of an Information Security Steering Group. We maintain a strict control environment to enforce disciplined software development and information security practices and behaviours. A number of key technical controls are in place to manage this risk, including agile software development techniques, quality reviews, regular testing, network segregation, access restrictions, system monitoring, security reviews and vulnerability assessments of infrastructure and applications. We regularly review all aspects of information security arrangements, and our employees undertake mandatory information security e-learning.	1 2	
Product security	Loss of product or high security components from a manufacturing site could occur as a result of negligence or theft. Loss of product while in transit, particularly during transhipment, through the failure of freight companies or through the loss of an aircraft or vessel as a result of an accident or natural disaster, is also possible.	Any loss of product or high security components has the potential to cause reputational and financial damage. In certain circumstances, customer contracts may mean that we are liable for those losses.	We have robust physical security and materials control procedures at our production sites, which reduce the risk of inadvertent loss or theft during manufacturing. We apply stringent operational procedures – and use carefully selected carriers and personnel – to handle movements of security materials between our sites and onward delivery to customers. All movements are risk managed and monitored globally on a 24/7 basis. We also maintain a comprehensive global insurance programme.	1 2	

Risks and uncertainties where the net impact has reduced since prior year, and which are no longer regarded as principal risks and uncertainties

Risk	Exposure	Impact	Mitigation
Cultural change	In order to ensure our continued success and growth, an internal organisational redesign took place in 2015/16. The focus is on achieving sustained cultural change in our organisation to be able to adapt to a rapidly changing market environment.	Without the culture change we seek to achieve, we may not be able to execute the strategy laid out in May 2015.	As reported in 2017, our 2016/17 leadership training built on the 2015/16 strategic leadership skills with a focus on cross functional working, especially in the areas of influencing and managing competing interests. The strategic plan envisaged a three year programme of training, communication and recruitment to fill capability gaps. The outcome is expected to be a change in behaviours and skills that will allow De La Rue to be a more dynamic, agile and high performing organisation. The plan remains on track and has delivered substantial cultural change. The Executive Leadership Team now considers change fatigue to be a greater risk to the business. Consequently this risk is no longer seen as a principal risk, although it continues to be monitored at a functional level.
Failure to secure a partner for the banknote paper business, or a strategic print partner for the Banknote print business	Our ability to address the material issues of volatile demand in banknotes and over capacity in the banknote paper business will not be achieved without third party agreements.	Predictability of future revenue streams and the ability to increase the ROCE may be compromised.	The sale of Portals De La Rue Limited to Epiris has mitigated this risk such that it is no longer a principal risk.

Viability statement

The Directors have considered the longer-term viability of De La Rue plc in line with the recommendations under the UK Corporate Governance code.

While the Group has a five-year strategic planning horizon, our financial performance is inherently less predictable in years four and five because good visibility of the order book is over a shorter-term horizon. Therefore, the Directors believe that an appropriate period to consider the Group's viability is over three years.

In assessing the viability of the Group, the Directors have reviewed the principal risks as set out in pages 37 to 40 and considered foreseeable scenarios of one or more of the principal risks crystallising in the same time period in the context of our strategic plan. The scenarios have been modelled on year end net debt as well as forecast average net debt over the next three fiscal years.

The forward looking financial information upon which the impact of the risks was modelled, accounted for the loss of the UK Passport contract and the sale of Portals De La Rue paper business announced in March 2018.

The Directors have focused on principal risks that could plausibly occur and result in the Group's future operational results, financial condition and future prospects differing materially from current expectations, including the ability to maintain a dividend, meet current investment plans and comply with liquidity ratios.

Scenarios that the Directors see as implausible (or outside of the Group's control e.g. a terrorist attack or an event of nature) have not been modelled, nor have all potential mitigating responses. The Directors have assumed that the current revolving credit facility remains in place with the same covenant requirements through to December 2021.

The outcome of modelling the principal risks crystallising in a plausible combination showed that the Group's credit facilities were not exhausted. The Board also considered a reverse stress test; the extent of EBITDA the Group would have to lose against its strategic plan forecast in order to breach its credit facilities.

The result of reviewing plausible scenarios and the reverse stress test is that the Directors have a reasonable expectation that the Group is viable and will be able to meet its obligations as they fall due up to March 2021.

A responsible business

De La Rue provides governments with the products, services and insights to enable participation, protection and the implementation of standards.

Martin Sutherland
Chief Executive Officer

Sustainable development lies at the heart of our business – to enable everyone to participate securely in the global economy. We provide governments and commercial organisations with the products and services that enable countries to trade, companies to sell, economies to grow and people to move securely around an ever-more connected world.

We increasingly hear from our customers that we can achieve the greatest impact on sustainable development efforts by active collaboration. We can amplify the impact of our sustainability initiatives while supporting the highest standards of governance and ethics.

As part of our continued commitment to the UN Global Compact and its principles, we have assessed our materiality against the UN Global Compact Sustainable Development Goals (SDGs) with some of our key partners and stakeholders and gained a detailed understanding of where we have most impact, both positive and negative. The following illustrates our SDG alignment. I am proud to acknowledge the fundraising and charitable giving of employees around the world. This has a great impact on our local communities.

Watch the interview about responsible business
www.delarue.com/ar2018

> Being responsible is at the core of our business.

Find out more about UN Global Compact
www.unglobalcompact.org.uk/

Lead
SDGs where our impact is significant and where we will continue to lead

Focus and Improve
SDGs where we have the opportunity to improve and achieve great impact

Maintain Momentum
SDGs where we must maintain our strategies in order to ensure we continue to make an impact

Maintain Foundations
SDGs which we continue to support

Enabling participation

Financial and social inclusion are two of the biggest challenges today. According to the World Bank, 38% of the world's population do not have a bank account. Eighty five per cent of worldwide payments are still made with cash. One in six women say that a lack of identity documents is the reason why they can't open a bank account.[1]

In 2017, there were an estimated 258m international migrants[2] globally. 665.6m people were forcibly displaced, of which 22.5m were refugees[3]. International cooperation and trust in legal identities has never been more important to ensure that people's human rights are protected wherever they are.

Now more than ever, it is critical for governments to be able to support their populations with robust and efficient cash cycle logistics and legal identity management systems. These systems enable participation in society and protection from fraud and mistreatment. Accessibility of cash and the provision of secure and trusted legal identities underpin the integrity of society and enable it to function efficiently. We, at De La Rue,

- work to ensure banknotes are secure, trusted and available for use in 140 countries around the world
- have provided 22m people with identity documents this year, enabling secure, safe and orderly migration as well as access to services
- provide the largest food agency in the world with secure food vouchers which enable humanitarian rations to be delivered
- work with ICAO[4], UNHCR[5] and IOM[6] on international standards and approaches to migration and documentation

Over the last year, we have created new tools and products which equip governments to understand the needs of their populations and to make decisions based on data. You can read more in our case studies on DLR Analytics™ and new civil registration system for Antigua and Barbuda.

[1] The World Bank.
[2] International Migration Report 2017, UN DESA.
[3] UNHCR figures.
[4] ICAO – International Civil Aviation Organisation.
[5] UNHCR – United Nations High Commissioner for Refugees.
[6] IOM – International Organization for Migration.

Award winning DLR Analytics™

Access to trusted banknotes whether in a rural location or in a city, is critical for those who rely on it. This is particularly evident in times of crisis when people require humanitarian aid. However, even in stable environments, cash always enables economic growth, stability and financial inclusion, particularly for women, who are less likely to have a bank account. Making sure that cash is available and of an acceptable quality is essential. De La Rue has a long history of helping central banks in times of crisis, whether it is after the fall of an old regime or the emergence of a new state. The cash cycles and factors impacting the demand for cash are hugely complex to monitor and manage. In 2017 De La Rue launched DLR Analytics™, which helps issuing authorities improve demand forecasting and budget planning. This service standardises the language and calculations behind cash cycle analytics, enabling issuing authorities to more directly learn from the experiences of others. DLR Analytics™ can help issuing authorities ensure that banknotes are available and consequently that businesses can continue to participate in both the local and the global economy. Analytics also offers central banks the opportunity to be transparent and to qualify their decision-making regarding their cash cycle management.

Helping our customers with forecasting and analytics also helps our business. We are able to plan resources more effectively because we can analyse trends in the whole market. To date, 70 issuing authorities have signed up to DLR Analytics™ – almost half of the world's total.

Find out more about the Future of Cash
See page 08

Enabling participation through identity

The Government of Antigua and Barbuda has decided that it would like to make it simpler for people in the country to interact with the government and to improve the ease of doing business. To do this, they have chosen to work with De La Rue and a local IT company (ACT) to transform the Civil Registration and Vital Statistics system. This will provide people with a trusted legal identity from birth. Midwives will be able to notify the government that a birth has taken place on mobile technology and the birth will be verified and registered centrally. With their legal identity, people will be able to access key services, pay taxes and set-up businesses more easily. De La Rue and local firm ACT have based the solution on local laws and are proud to be able to build and deploy replicable models in the region and globally, bolstering Antiguan skills and industry.

Visit us online
www.delarue.com/ar2018

A responsible business continued

Enabling protection

Illicit trade is a hindrance to economic growth. One in ten cigarettes consumed globally are thought to be illicit and cost governments billions in lost tax revenue. Counterfeit goods are on the rise. The estimated value of the global counterfeit market is expected to reach $2.8tr in 2022. The consequences of illicit trade are far reaching and damaging for society. They include the stunting of socio-economic growth, increased risk to citizens' health, the fuelling of criminal activity and damage to brand reputations. To combat illicit trade, the authenticity of products needs to be guaranteed from source to consumption.

Differing tobacco and alcohol taxation levels across regions and borders leads to tax evasion and avoidance. Worldwide tax non-compliance has been estimated to cause 164,000 premature deaths a year[1]. The World Bank states that new consensus seems to be emerging to globally enforce corrective tax instruments, on goods whose consumption creates social negative externalities, such as tobacco[2].

De La Rue has a long established history of combating illicit trade and tax evasion:

- We secure $30bn of commercial supply chain goods each year with some of the world's biggest brands
- We produce 1.6bn uniquely traceable identifiers each year enabling governments and organisations to trace goods around the world
- We work with governments to implement product authentication and traceability solutions to reduce the volume of illicit dangerous cigarettes and alcohol available to buy in the country
- A tax stamp scheme on tobacco in Kosovo recouped $12m in tax and reduced smuggling by 61% in the first year of implementation

Raising charitable funds through innovation with Disney and the UK Government's GREAT Campaign

The release of Star Wars: The Last Jedi caused great public interest during 2017. To celebrate this event while showcasing the best of British innovation and raising funds for a worthwhile cause, we teamed up with the UK Government's GREAT campaign and the Walt Disney Company. We produced 1,000 limited edition and 50 premium exquisitely designed Star Wars™ commemorative banknotes, which were sold and auctioned for £186,000. All proceeds were donated to Together for Short Lives, a UK-based charity which supports children's hospices and the 49,000 children with life-threatening and life-limiting conditions in the UK, and their families.

Visit us online
www.delarue.com/ar2018

Enabling protection through track and trace solutions

Our authentication and traceability solutions help governments clamp down on illicit trade of tobacco, alcohol and other goods, and effectively recover tax from the sale of genuine products in their country. We have worked hard to create both a product and commercial solution that offer sustainability for our customers. The approach we have come up with requires no upfront capital investment from the government and ensures that proceeds of the scheme are reinvested into the solution and its expansion. This in turn helps the government collect more tax revenue. We also make sure that the implementation causes minimal disruption across the tobacco and alcohol organisations that are

impacted and provide transparent reporting mechanisms to build trust between government, De La Rue and product suppliers.

Visit us online
www.delarue.com/ar2018

[1] Joossens L, Merriman D, Ross H, et al. How eliminating the global illicit cigarette trade would increase tax revenue and save lives. Paris: International Union against Tuberculosis and Lung Disease, 2009.

[2] The World Bank

Implementing standards

Edward Peppiatt
Company Secretary and General Counsel
ELT sponsor for responsible business

At De La Rue, we recognise the importance of integrating sustainability into daily businesses. This is the only way to achieve the UN's SDGs. Over the last year, we engaged our employees, customers, investors and suppliers in order to help understand our impacts, our responsibilities, our associated risks and opportunities. We have begun incorporating our sustainability thinking into different functional teams and are working to measure and report our impact and actions to meet both statutory and non-statutory requirements.

Last year's materiality assessment enabled us to identify that we can have significant positive impacts in delivering strong institutions (SDG16) and Quality Education (SDG4). Alongside these, we recognised we had to focus and improve in the areas of Health and Wellbeing (SDG3), Gender Equality (SDG5) and Innovation (SDG9). We committed to maintaining momentum across the environmental goals and providing decent work and economic growth (SDG8), and to acting as a responsible producer and consumer (SDG12). Collaborating for the goals (SDG17), to end poverty (SDG1) and reduce inequalities (SDG10) remain the foundations of our business.

Over the next pages, we offer some highlights of our activities and our statutory reporting in areas including human rights, labour rights, the environment and anti-corruption.

Watch the full interview with Edward Peppiatt here
www.delarue.com/ar2018

As the largest commercial security printer in the world, we take our responsibility seriously. We recognise that our influence can help ensure that international standards and best practice become the norm. Being a member of the Banknote Ethics Initiative (BnEI) as well as the Secure Identity Alliance provide us with platforms to drive positive changes in our industries towards the highest product and ethical standards. Below are a couple of examples of the work we have done this year.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
17 PARTNERSHIPS FOR THE GOALS

Working with our suppliers to understand ethics in our supply chain

We conducted a key supplier survey with PricewaterhouseCoopers LLP to identify the level of understanding of social, economic and environmental impacts in our supply chain. We evaluated their approach to ethics so that we could fully understand any issues and drive responsible business activity in our supply chain. Suppliers were assessed for their understanding of Corporate Social Responsibility (CSR). A series of questions helped determine the suppliers' understanding of CSR, the KPIs or metrics they used to assess their impact, and how they control their supply chain – as well as their policies and procedures on slavery and human trafficking. Based on our findings, we are creating a specific De La Rue supplier CSR policy, and will embed this into our procurement governance processes. This robust approach is supported by building awareness of sustainability issues in the procurement team.

Visit us online
www.delarue.com/ar2018

17 PARTNERSHIPS FOR THE GOALS
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY

BANK OF ENGLAND
JOINT CHARTER | STRENGTH IN PARTNERSHIP
DeLaRue

Working with the Bank of England on Responsible business activities

Through our Joint Charter with the Bank of England, we have identified opportunities for collaboration at our Debden manufacturing facility over the coming 12 months. These include medium-term plans to share knowledge about sustainability, to work together to engage our people in wellbeing initiatives, and to protect the environment by introducing joint energy reduction plans and waste management strategies.

Visit us online
www.delarue.com/ar2018

Implementing standards

Richard Hird
Chief Commercial Officer
ELT sponsor for inclusion & diversity

Our products and services provide trust and security to billions of people around the world. We must ensure that we provide that same sense of trust and security to our staff and those helping to deliver our products and services within our supply chains. We are continuously striving to ensure that wellbeing, human rights and labour rights are protected in our supply chain, in our business and in our customer solutions.

Jo Easton
Group Director of Human Resources

Watch the full interview with Richard Hird and Jo Easton here www.delarue.com/ar2018

Human Rights

We treat our employees fairly and equally irrespective of their gender, transgender status, sexual orientation, religion or belief, marital status, civil partnership status, age, colour, nationality, national origin, disability or trade union affiliation. Our focus this year has been on deepening our understanding of what inclusion and diversity means in practice and how it impacts our business. We have also concentrated on identifying why getting this right is so critical to wider society as well as our business, and on providing our managers with further tools and training to recognise and be ready to respond to any issues.

Our aspiration, as detailed last year, is to have an inclusive and diverse workforce. We aim to:

- **employ a diverse workforce which reflects our communities and customers**
  By working with our recruitment partner Optamor we have introduced changes to our recruitment process, which seeks to remove bias. For example, CVs are now provided to our managers absent of details not relevant for the role, such as gender and name. By working with Optamor we are also starting to see a richness of management information allowing us to assess our talent acquisition process and start using data to inform decisions.
- **benefit from advantages of a diverse workforce, where inclusion becomes the normal way of working**
  The De La Rue Board, the Executive Leadership Team, Senior Leaders, HR Managers, Union Representatives and Ethics Champions have all received an introductory training session on unconscious bias. In addition to this we have run a number of open sessions across the organisation which will continue over the coming year. We have also provided an infographic on unconscious bias that is accessible to all employees. We view this training as a key step in developing an inclusive culture but acknowledge that the true value comes from exploring our organisational biases and putting in place action plans to remove any barriers.
- **celebrate diversity by recognising that everyone is an individual and has a contribution to make**
  We have held a number of Women's Network Events this year, providing both men and women with the opportunity to hear external speakers, create informal networks with colleagues and to discuss and debate topical issues relating to inclusion. De La Rue uses Insights Colourworks profiling which helps our employees to understand themselves and the teams that they work within. This enables employees to recognise the value of diversity of thought and communication style and improve their ability to communicate with others.
- **eliminate the gender pay gap**
  As at 5 April 2017, we had a gender pay gap of 10.04% (mean) or 9.74% (median). This is better than the UK figure of 17.4% (ONS provisional mean) or 18.4% (ONS provisional median, October 2017), but far from our goal of zero. As part of our Inclusion and Diversity Strategy we have a long-term commitment to eliminate this gap. We can confirm that the data published in our report satisfied the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

De La Rue has ambitions to improve female representation at senior and executive management levels of the business to 25% by 2020. As at the end of this financial year, the percentage was 18%.

We fully support the principles set out in the UN Declaration of Human Rights, in particular with regards to equal opportunity and freedom from discrimination. We have effective management systems in place to protect human rights. Our Code of Business Principles (see our Corporate Governance report on page 72) covers human rights issues including employment principles, health and safety, anti-bribery and corruption and the protection of personal information. The Code also embraces whistleblowing – we seek to provide an environment where employees can raise concerns via a variety of mechanisms, including a CodeLine which is managed by an external third party, an internal Ethics Committee to which issues can be flagged and a network of Ethics Champions across the Group where issues can be raised in confidence.

Every manager and employee has responsibility for the implementation of our equal opportunity policy and training is provided to employees and newly appointed line managers in equal opportunities and associated policies and procedures such as stress management, grievance and anti-harassment.

On a regular basis we conduct employee surveys. We work closely with the relevant trade unions and other employee representatives and report to all employees the outcomes of these meetings.

We communicate all relevant news, business and financial updates. To do this we hold regular town hall meetings, conduct conference calls, update our Sharepoint intranet, send email blasts and publish monthly site magazine style news updates. These are adapted to the audience, whether all staff, a country, a site or department.

The business has remedial processes in place should there be any human rights' infringements. These include claims procedures and trade union engagement procedures.

Gender diversity as at 31 March 2018	Female	Male	Female	Male
Employees	845	1,874	31%	69%
Senior Management	7	30	19%	81%
Executive Management	1	6	14%	86%

Accessible training and support for our employees around the world

Within 2017/18, we have broadened our educational offering to all levels in the business. We have rolled out unconscious bias awareness sessions across the business to help our people understand more about themselves and how they can reinforce inclusivity through their actions. Other new courses included storytelling, presenting with charisma, influencing and stakeholder management skills. In 2018 we will continue the offering and focus on team and individual performance. We will build technical skills and capability through utilisation of the apprenticeship levy where practical. A big focus will be the implementation of a Learning Management System and an increase in bite-sized learning which will improve the accessibility of content for all employees.

Visit us online
www.delarue.com/ar2018

Understanding migrant rights

Global Compact for Migration

As a specially accredited organisation, De La Rue participates in the preparatory process for the Global Compact for Safe, Orderly and Regular Migration. In July 2017, we took part in a panel discussion on International Cooperation and Governance of Migration in the Trusteeship Council Chamber at UNHQ in New York. We continue to help identify best practice approaches to create secure and accessible identities across borders.

View our accreditation at
www.delarue.com/ar2018

A responsible business continued

Implementing standards

Bryan Gray
Chief Operating Officer
ELT sponsor for labour rights

We directly employ over 2,700 people and provide livelihood to thousands more indirectly across our global supply chain. Improving health and safety and protecting labour rights for people in our supply chain as well as in our business is a priority for us. We are proud that we have the highest health and safety standards and that we can influence our local communities by sharing best practice on labour rights.

Labour Rights

Zero tolerance of modern slavery and human trafficking

Recognising that our responsibilities extend beyond our own organisation, we work closely with main suppliers and contractors to ensure that their health and safety processes are robust.

We take a firm approach to slavery and human trafficking. We are absolutely committed to preventing slavery and human trafficking in our corporate activities, and in our supply chains. Our Modern Slavery Transparency statement sets outs our stance in compliance with the Modern Slavery Act 2015. Suppliers are obliged to abide by the United Nations Convention on the Rights of the Child and International Labour Organisation Conventions 138 and 182. As part of our ongoing procurement programme, we monitor our key cotton comber and linter suppliers.

We are pleased to report that we achieved the following health and safety objectives for 2017/18:

- To maintain a world class Lost Time Injury Frequency Rate per 200,000 worked hours below 0.62 (LTIFR)
- To continue to demonstrate manufacturing site improvements within our internal HSE audit levels programme
- To continue to drive a good level of health and safety training across all employee levels within our business including NEBOSH certificates, IOSH Managing Safely and more Making Good Safety Decisions modules
- To ensure that all new machinery meets good safety standards prior to use. In addition, ensure that all machines being moved or refurbished as a result of the footprint restructuring project undergo independent safety assessments, with safety upgrades as required

The following objective is in progress to complete by the end of 2019:

- To bring all the manufacturing sites under the central OHSAS18001 certification

During the year, we experienced zero prosecutions for infringing health and safety laws or regulations. All our main manufacturing sites have maintained OHSAS18001 certification for their health and safety management systems, following external audits by accredited providers. More details on our Company policies and procedures around health and safety and wider labour rights can be found on our website.

We have set the following new objectives for health and safety and labour rights for 2018/19:

- To maintain a world class LTIFR per 200,000 worked hours of less than 0.6
- To maintain our strong HSE training delivery performance of over 2,000 man-days per year
- To achieve >92% of conformance to our Zone 'SAFE' EHS inspections programmes
- To cascade more certified (e.g. NEBOSH, IOSH) health and safety training and deliver four 'SAFE' training modules

3 GOOD HEALTH AND WELL-BEING
8 DECENT WORK AND ECONOMIC GROWTH

SAFE campaign promotes health and mental wellbeing

As per our strategy, we focused on building greater understanding of health and wellbeing. Education has centred on two principal themes: musculoskeletal (keeping active) and mental wellbeing. Events have varied by site, led by the local management teams, understanding what it is most relevant to their employees. Activities such as 'Working body' seminars led by a physiotherapist at our Overton site, supporting care of the musculoskeletal system and line manager workshops at our Gateshead site to help identify mental wellbeing issues and how to support employees. We held an outdoor team building event promoting activity at our site in Kenya and 16 people across

our UK sites have also been accredited as Mental Health First Aiders. We will look to raise further awareness in the coming year, as part of our journey towards greater integration of both physical and mental wellbeing in our health and safety policy and practices.

Visit us online
www.delarue.com/ar2018

Collective bargaining in Malta

During the year, we successfully concluded an agreement with the local trade union in Malta regarding our employees. This agreement ensures a further three years of good working conditions and higher than local average wages for our people, as well as a positive outcome for our organisation.

Bryan Gray
Chief Operating Officer
ELT sponsor for environment

By planning ahead, we are able to minimise risk and our impact on our local environment, while ensuring the sustainability of the products we offer and securing the future of our manufacturing sites.

Protecting the environment

Delivering against objectives:
We were pleased to have met the following 2017/18 environmental objectives:

- To continue with our ISO14001 certification alignment for all manufacturing sites to ensure all sites are covered by the central certificate and one external audit process. Apart from Sri Lanka & Kenya which are scheduled for end of 2019, all sites have the central certificate. We will be meeting the new ISO14001:2015 standard as recommended for transition
- To reduce our greenhouse gas emissions in tCO_2e related to output by 2% per annum over a three year period ending 2017/18
- To reduce solid waste sent to landfill by 2% related to output per annum over a three year period ending 2017/18
- To develop a wider sustainability programme covering HSE, tracked by KPIs. We are now tracking several environmental KPIs and working to set new science-based targets at end of 2018/19

Polymer vs cotton: Measuring the environmental footprint of the new £5 and £10 with the Bank of England

The Bank of England is taking steps to reduce the environmental impact of banknotes, including recycling the vast majority of banknotes that are no longer fit to use. The Bank's decision to move to polymer banknotes will have lasting environmental benefits.

In 2017, we helped the Bank obtain independent certification from the Carbon Trust on the carbon reduction delivered by switching £5 and £10 banknotes from paper to polymer. We continue to work in partnership with the Bank on other responsible business activities.

Visit us online
www.delarue.com/ar2018

Our goals/objectives for 2018/19 are:

- To measure key environmental KPIs in the changed business during the year to enable the business to set science-based targets that are realistic for the next two to three years
- To review all products and main processes, identifying all significant carbon impacts in order to drive an investment and change programme
- To review our supply chain in order to improve our sustainable procurement and reduce carbon impact
- To include Sri Lanka and Kenya in our ISO14001:2015 Group Certification by the end of 2019

Energy saving at Gateshead

At our Gateshead site, we have commenced a £1.9m five year energy saving contract with Siemens. Covering chillers, compressed air systems, lighting, boilers and building management system improvements, the agreement will deliver an estimated 5MWh energy saving each year from year two onwards, based on predicted electricity and gas usage.

A responsible business continued

Greenhouse gas emissions year on year comparison for FY 2017/2018

		2017-18		2016-17		%
Type of emissions	Activity	tCO_2e	% of total	tCO_2e	% of total	Difference in emissions
Direct (Scope 1)	Natural gas	**26,156**	**32.2**	39,240	37.6	(33.3)
	Other fuels	**707**	**0.9**	888	0.9	(20.5)
	Process emissions	**1,197**	**1.5**	1,197	1.1	0.0
	Fugitive emissions	**393**	**0.5**	75	0.1	422.2
	Owned vehicles	**99**	**0.1**	119	0.1	(16.8)
	Subtotal	**28,552**	**35.2**	41,520	39.8	(31.2)
Indirect (Scope 2)	Electricity	**30,350**	**37.4**	36,084	34.6	(15.9)
	Subtotal	**30,350**	**37.4**	36,084	34.6	(15.9)
Indirect other (Scope 3)	Rail travel	**5**	**0.0**	5	0.0	(0.9)
	Air travel	**6,961**	**8.6**	7,426	7.1	(6.3)
	Non-owned vehicles	**0**	**0.0**	0	0.0	
	Water	**1,538**	**1.9**	1,900	1.8	(19.1)
	WTT all scopes	**13,801**	**17.0**	17,357	16.6	(20.5)
	Subtotal	**22,306**	**27.5**	26,689	25.6	(16.4)
Total gross emissions (tCO_2e)		**81,208**		104,294		(22.1)
Renewable electricity (tCO_2e)		**0**		0		
Electricity exported to grid (tCO_2e)		**238**		949		(74.9)
Total net emissions (tCO_2e)		**80,970**		103,345		(21.7)

Intensity metric

	2017-18	2016-17	% Difference
Total gross emissions (tCO_2e)	**81,208**	104,294	(22)
Total net emissions (tCO_2e)	**80,970**	103,345	(22)
Revenue (£m)	**474,000,000**	461,800,000	3
Tonnes of gross CO_2e per million GB £ turnover	**171**	226	(24)
Tonnes of net CO_2e per million GB £ turnover	**171**	224	(24)

The numbers have been re-based following best practice.

Methodology: The table and the calculations has been created using the most recent DEFRA emission factors and complies with DEFRA mandatory greenhouse gas reporting guidelines.

Scope 1, 2 and significant Scope 3 emissions have been calculated and reported. To comply with recent changes to DEFRA 2014 emission factors guidelines we have also provided a breakdown of 'well to tank' emissions that fall into an additional Scope 3 category. Emissions associated with water consumption have also been calculated. All raw data, calculations and emissions factors have been internally audited by Carbon Clear.

Further environmental stewardship

As a business, we take a precautionary approach to environmental challenges:

- We are aiming towards zero to landfill
- We have delivered consistent 2% reduction strategies and are now moving towards science based goals where possible
- We have a Group HSE Sustainability policy and ISO 14001 certification

We undertake initiatives to promote greater environmental responsibility:

- We install LED lighting at sites as we refurbish our facilities
- Our research and development function reviews and assesses environmental impacts of new products being developed according to a technical manual. Examples exist but due to commercial sensitivities are not available for disclosure
- Instead of shredding and incinerating our Safeguard® polymer notes we provide our customers with the opportunity to recycle them with Yes Recycling Ltd

For further details about our ongoing environmental stewardship and accreditations can be found at www.delarue.com

Implementing standards

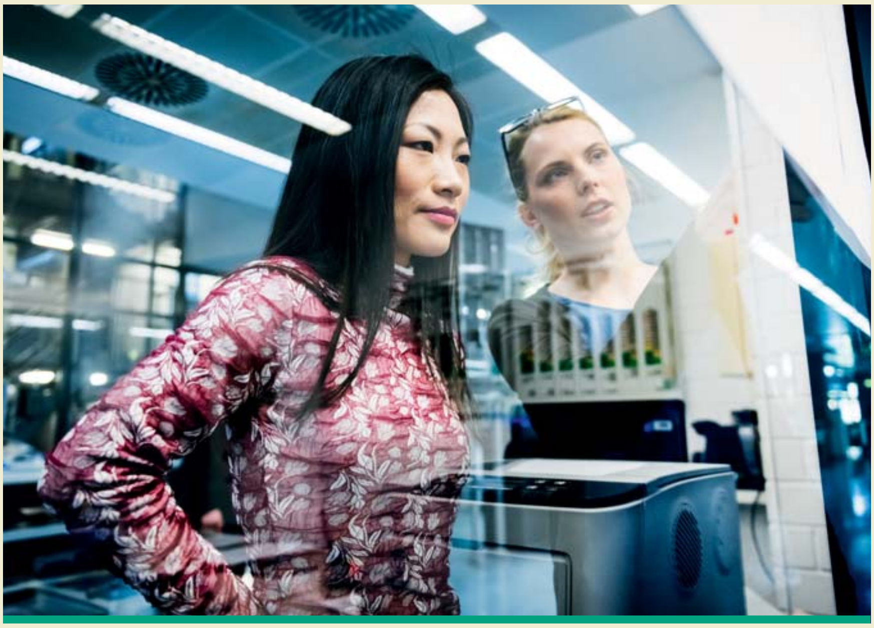
Selva Selvaratham
Chief Technology Officer

We help to build strong institutions, creating trust and encouraging inclusive and fair societies.
It's what we do and have done for over 200 years.

Anti-corruption and ethics

We continue to support Global anti-corruption efforts through the provision of our core products and services.
In order to function, central government cash, identity and authentication services require integrity, robustness and trust to be built-in. This not only determines how we act as a supplier, but also means that we strive to design solutions that can be implemented by the customer. Whether digital services or physical documents, our solutions have anti-corruption and anti-counterfeit features built into their core.

Our membership of the UNGC helps us to amplify our efforts with our customers as well as our ethical behaviour in our business, our industry and our supplier base. Membership helps to ensure that governance and ethics remain at the heart of the products and services we provide to customers.



16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Transforming our sales partner remuneration

We are now three years into a five year programme to change the way our sales partners are remunerated. Our aim is to reduce risk to the business while recognising all the work carried out by our partners. A rolling Agent Transition Plan is being implemented to change partner remuneration as agreements become due for renewal.
The majority of partners are now engaged under the new scheme, which is based on the Banknote Ethics Initiative commitments – and we believe that we are one of the Initiative's leading members in this respect.

Visit us online
www.delarue.com/ar2018

Further examples of anti-corruption and ethics

- We are members of the International Chamber of Commerce Anti-corruption Committee and the Banknote Ethics Initiative (BnEI). We regularly participate in high level round table discussions with the UK Government to discuss how they can work more effectively and collaboratively with UK businesses to tackle corruption associated with exports to countries with high ratings on the corruption index (SDG 16 and 17)
- We work to ensure that we drive best practice in our industry through our board memberships of the BnEI and the Secure Identity Alliance. Both have strong codes of conduct and we will continue to use our influence to push for further transparency and accountability in our sector
- We are working in collaboration with the Bank of England to align and improve the implementation of our approaches to embed sustainability principles in our supply chains, as part of our Joint Charter (SDG 12)
- Goals and objectives for the BnEI, and for our own ethics management
- Continue to advocate for better collaboration between UK Government and businesses to tackle corruption and to export British integrity standards
- Advocate for countries to include weighted ethical requirements and support of relevant SDGs in their central government tender processes
- Help central banks implement DLR Analytics™ to enable accurate data-driven forecasting and procurement
- Implement an Anti-Bribery and Corruption annual affirmation to be conducted by the Senior Leadership Group and customer facing personnel. The aim is to remind people of their obligations and confirm that they comply with legislation and our Code of Business Principles
- Create and roll-out a Supplier Code of Conduct

Full details of our ongoing governance and anti-corruption activities, our policies, procedures and legislative alignment can be found at **www.delarue.com**

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.

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.

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

Leadership Board of Directors

1 Philip Rogerson
Chairman

Appointment to the Board

Appointed to the Board on 1 March 2012 and became Chairman on 26 July 2012.

Committees

- Ethics Committee (Chairman)
- Nomination Committee (Chairman)
- Remuneration Committee

Current directorships and business interests

- Bunzl plc, chairman
- Blancco Technology Group plc, non-executive director (senior independent director)
- Advisory Board of the North and East London Commissioning Support Unit (NELCSU) of the NHS, chairman

2 Martin Sutherland
Chief Executive Officer

Appointment to the Board

Appointed to the Board on 13 October 2014.

Committees

- Nomination Committee
- Risk Committee

Current directorships and business interests

- International Currency Association, board member
- Forterra plc, non-executive director

3 Sabri Challah
Independent Non-executive Director

Appointment to the Board

Appointed to the Board on 23 July 2015.

Committees

- Audit Committee
- Ethics Committee
- Nomination Committee
- Remuneration Committee (Chairman)

Current directorships and business interests

- CogitalGroup Limited, deputy chairman
- Robert Kime, advisor
- Contemporary Art Society, trustee
- Actis, senior advisor

4 Maria da Cunha
Independent Non-executive Director

Appointment to the Board

Appointed to the Board on 23 July 2015.

Committees

- Audit Committee
- Ethics Committee
- Nomination Committee
- Remuneration Committee

Current directorships and business interests

- British Airways, director of people and legal
- Community Integrated Care, trustee

⑤ Nick Bray
Independent Non-executive Director

Appointment to the Board

Appointed to the Board on 21 July 2016.

Committees

- Audit Committee (Chairman)
- Ethics Committee
- Nomination Committee
- Remuneration Committee

Current directorships and business interests

- Sophos Group plc, chief financial officer

⑥ Andrew Stevens
Senior Independent Non-executive Director

Appointment to the Board

Appointed to the Board on 2 January 2013.

Committees

- Audit Committee
- Ethics Committee
- Nomination Committee
- Remuneration Committee

Current directorships and business interests

- CAE Inc., non-executive director
- Hèroux-Devtek Inc., non-executive director
- Praesidiad Group Limited, non-executive director/ Chairman
- Erpe Topco Limited, non-executive director

⑦ Edward Peppiatt
General Counsel and Company Secretary

Appointment to the Board

Appointed as General Counsel on 1 March 2009 and as Company Secretary with effect from 1 April 2009.

Committees

- Risk Committee (Chairman)

Leadership Board of Directors

Governance principle

The Board is collectively accountable to the Company's shareholders for good corporate governance and all Directors are responsible for complying with their legal and fiduciary obligations. The Board is committed to ensuring the highest standard of corporate governance which is critical to creating value. The diverse range of experience offered by the Chairman and the Non-executive Directors means that they are well qualified to scrutinise performance, assess the Group's risk management and control processes, provide constructive challenge and to support the Executive Directors.

Diversity

The Board recognise the importance of having an inclusive culture and the value that diversity brings to De La Rue. We aim to reflect this within the composition of the Board. The Chairman seeks to ensure that the composition of the Board includes individuals whose varied backgrounds, experience, knowledge and expertise bring a wide range of perspectives to the business.

Following the departure of Rupert Middleton and Jitesh Sodha, and as at 31 March 2018, the percentage of women on the Board was 16.7%.

The Group's inclusion strategy is discussed further on page 46.

The role of the Board

The Board is ultimately responsible to shareholders for the direction, management, performance and long term success of the Company. It sets the Group's strategy and objectives and overseas and monitors internal controls (in conjunction with the Audit Committee), risk management, principal risks, governance and viability of the Company. In doing so the Directors comply with their duties under section 172 Companies Act 2006.

To ensure Directors maintain overall control over strategic, financial, operational and compliance issues, the Board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for decision.

Matters reserved for the Board's decision

- Group strategy, long term objectives, annual budgets
- Approval of the annual and interim results
- Acquisitions, disposals
- Approval of risk appetite
- Ensuring that a sound system of internal control and risk management is maintained
- Changes to the Group's capital structure
- Approval of dividend policy
- Changes to Board composition

The Board has established certain principal Board Committees to assist it in fulfilling its oversight responsibilities, providing dedicated focus on particular areas, as set out on pages 64 to 94. The Board Committees play an important governance role through the work they carry out to fulfil the responsibilities delegated to them. The matters reserved to the Board and the terms of reference for each of its Committees, which are reviewed on an annual basis, can be found on the Company website at www.delarue.com. These were last reviewed on 21 March 2018.

Executive Leadership Team (ELT)

Matters that are not reserved to shareholders, the Board or one of its Committees are the responsibility of the Chief Executive Officer who has established and maintains a schedule of delegations of authority to members of the ELT and other management as approved by the Board.

The Chief Executive Officer reports on the activities through his (and the Chief Financial Officer's) regular reports to the Board. The Board and each Committee receives sufficient, reliable and timely information in advance of meetings and are provided with access to all necessary resources and expertise to enable them to fulfil their responsibilities and undertake their duties in an effective manner. The ELT comes together to communicate, review and agree on issues and actions of Group-wide significance. It develops, implements and monitors strategic and operational plans, and considers the continuing applicability, appropriateness and impact of risk. It leads the Group's culture and aids decision-making of the Chief Executive Officer in managing the business in the performance of his duties.

① Philip Rogerson
Chairman

Career, skills and experience

Philip was an executive director of BG plc (formerly British Gas plc) from 1992 to 1998, latterly as deputy chairman. Since then he has been both a non-executive director and chairman of a number of companies.

② Martin Sutherland
Chief Executive Officer

Career, skills and experience

Martin joined De La Rue from BAE Systems Applied Intelligence, where he was managing director since its acquisition by BAE Systems in 2008. At BAE Systems Applied Intelligence (formerly Detica), Martin was responsible for the strategic expansion of the business internationally through both organic growth and acquisitions. Prior to joining Detica in 1996, Martin worked for Andersen Consulting (now Accenture) and British Telecom.

④ Maria da Cunha
Independent Non-executive Director

Career, skills and experience

Maria has spent her career in a range of legal roles as a solicitor and in-house at Lloyds of London and since 2000, with British Airways where she is director of people and legal and is a member of the executive board and corporate security board. Maria is experienced at working with international regulators and governments and has a deep understanding of operational risk, including cyber security, data and mobile risk. She also has significant geo-political, multi-channel distribution, acquisition and post-merger integration experience.

⑥ Andrew Stevens
Senior Independent Non-executive Director

Career, skills and experience

Andrew has extensive international experience in the technology and engineering sectors, having spent over 30 years operating across the globe, including in North America, Europe, the Middle East and Asia. He was a director of Cobham plc between 2003 and 2012, where he held a range of positions, becoming chief executive in 2010 until stepping down from that role in June 2012. Before that he held senior positions in Rolls Royce, Messier Dowty International and Spirent plc.

③ Sabri Challah
Independent Non-executive Director

Career, skills and experience

Sabri was a Partner at Deloitte from 1991 to 2013, where he had a varied career. He served as a member of both the Deloitte UK board, where he acted as chairman of the remuneration committee, and the Deloitte Global board, where he was chairman of the succession planning committee. Sabri was also chairman of Igneus UK Limited, a leading provider of welfare to work services. Sabri has significant and wide ranging experience in organisational design, change management, strategy, and corporate development.

⑤ Nick Bray
Independent Non-executive Director

Career, skills and experience

Nick has extensive international experience in the technology and information security industries and for the last six years has been chief financial officer of security software firm, Sophos Group plc. Before joining Sophos, he was chief financial officer at Micro Focus International plc, Fibernet Group plc, and Gentia Software plc. Prior to that, he held various senior financial positions at Comshare Inc. and Lotus Software.

⑦ Edward Peppiatt
General Counsel and Company Secretary

Career, skills and experience

Edward has many years of experience as a general counsel and company secretary in publicly quoted businesses and his roles in the past have included responsibility for risk, security, insurance, HSE and HR. He was previously general counsel and corporate secretary of Christian Salvesen PLC and prior to that practised as a corporate lawyer at Stephenson Harwood. He is a qualified solicitor and holds an MBA from Cranfield School of Management.

Corporate governance continued

Leadership Our governance framework

Certain Board responsibilities are delegated to formal Board Committees which play an important governance role through the work they carry out:

Remuneration Committee
Sets the remuneration policy for the Chairman and Executive Directors and monitors the policies and practices applied to senior management remuneration

See pages 74 to 94

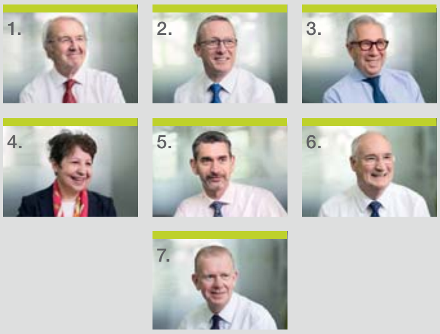
Risk Committee
Oversees the risk management framework for the Group. Identifies, evaluates and monitors principal risks facing the Group

See page 70

Audit Committee
Reviews and monitors the integrity of the Company's financial reports, risk processes and internal controls and the effectiveness of the internal audit function and external auditors

See pages 66 to 69

Board of Directors and Company Secretary



Nomination Committee
Reviews the structure, size and composition of the Board and its Committees with regard to diversity and to ensuring a balance of skills, knowledge and experience

See pages 64 to 65

Ethics Committee
Makes recommendations to the Board on ethical matters and reinforces the Group's commitment to ensuring business ethics are a fundamental and enduring part of the Group's culture

See pages 71 to 73

Disclosure Committee
Oversees the implementation of the governance procedures associated with the assessment, control and disclosure of inside information in accordance with the Market Abuse Regulation

Chief Executive Officer

Executive Leadership Team
- Operates under the direction and authority of the Chief Executive Officer
- Manages the day-to-day running of the Group
- Develops and implements strategy, monitoring the operating and financial performance and the prioritisation and allocation of resources

See page 56

Group Health, Safety and Environment Committee
- Makes recommendations on HSE strategy
- Monitors compliance with HSE obligations
- Reports on key HSE KPIs
- Recommends appropriate training

See pages 48 to 50

Leadership Board roles

Board composition and roles

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
- 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
- Ensuring high standards of corporate governance and probity throughout the Group are established and maintained

Chief Executive Officer

- Maintaining a senior leadership team with the appropriate knowledge, experience, skills, attitude and motivation to manage the Group's day-to-day activities
- Exercising personal leadership and developing, on an ongoing basis, 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
- Implementing and reviewing health, safety and environment policy and, supported by the Executive Leadership Team, overseeing improvements and performance
- Identifying acquisitions and monitoring competitive forces

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.

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.

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.

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.

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.

Executive and Non-executive Director balance No.

Executive Directors	1
Independent Non-executive Directors	4
Chairman	1

Board tenure No.

More than 5 years	2
3 to 5 years	1
1 to 3 years	3

Gender of Board No.

Male	5
Female	1

Leadership The Board's area of focus

Board activity during the year

The Board has a programme of meetings during the year and also meets on an ad hoc basis as required. In the period under review, the Board's focus has been on progress with strategy and ensuring that the structures, capabilities and reports are in place to support the Group strategy. The Board has received regular reports from both the Chief Executive Officer and the Chief Financial Officer.

In particular the Board:

Strategy

- Received presentations from different parts of the business on progress with agreed strategy and opportunities
- Held the annual strategy review meeting in October 2017
- Approved updated budget and medium term plans in the context of the agreed strategy
- Reviewed progress with implementation of the strategy through regular reports from the Chief Executive Officer
- Approved the strategic paper partnership
- Reviewed the manufacturing footprint restructuring programme
- Considered the Kenya joint venture
- Received presentations on technology and innovation and on cyber security

For more information on our strategy see page 22

Shareholder engagement

- Reviewed reports from brokers on shareholder feedback following meetings with the Chief Executive Officer and Chief Financial Officer during the period
- Received presentations from brokers on the market perception of De La Rue plc
- Consulted with shareholders and proxy voting bodies on resolutions put to the AGM

For more information see page 63

Performance monitoring

- Reviewed performance reports from the Chief Executive Officer and Chief Financial Officer
- Reviewed reports on the Group's financial position
- Reviewed the year end and interim results

For more information see pages 34 to 35

People

- Visited the Malta and Sri Lanka sites during Board meetings in March 2017 and September 2017 respectively
- Reviewed progress on the culture change journey
- Received presentations from the Group Director of Human Resources on succession planning
- Reviewed the operation of the apprenticeship levy

Governance and risk

- Received reports from the Director of Audit, Risk and Assurance
- Approved principal risks and the risk appetite for those risks
- Discussed the results of the Board performance evaluation
- Received reports from the Chairs of the Audit, Remuneration, Ethics and Nomination Committees
- Approved changes to composition of the Board
- Carried out the annual corporate governance review

For more information on principal risks see pages 36 to 41

For more information on Board Committee reports see pages 64 to 94

Other

- Approved the 2017 annual report and accounts and the 2017 notice of AGM
- Approved the 2017/18 annual budget
- Reviewed the Group's insurance programme renewal
- Reviewed HSE performance
- Approved capital expenditure projects and other matters reserved for the Board
- Approved Non-executive Directors' fees
- Received an update on the proposed changes to pension fund indexation

Leadership Board attendance

Board and Board Committee meetings

The Board and Board Committee attendance during the year is shown in the table below. In addition to the schedule of Board meetings, the Board meets for dinners that give the Directors additional time together to discuss issues more broadly. For further information regarding when the Board members joined or stepped down from Committees during the year, please refer to the relevant Board Committee report.

Directors' attendance 2017/18[1]	Board[2]	Nomination Committee	Ethics Committee	Audit Committee	Remuneration Committee
Nick Bray	14(15)	0(1)	2(2)	5(5)	5(6)
Sabri Challah	13(15)	1(1)	2(2)	5(5)	6(6)
Maria da Cunha	12(15)	1(1)	2(2)	3(5)	6(6)
Rupert Middleton (stepped down from the Board 20 July 2017)	4(4)	–	–	–	–
Philip Rogerson	15(15)	1(1)	2(2)	–	6(6)
Jitesh Sodha (resigned from the Board on 19 March 2018)	13(14)	–	–	–	–
Andrew Stevens	14(15)	1(1)	2(2)	5(5)	6(6)
Martin Sutherland	14(15)	1(1)	–	–	–

Notes

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

2 Of the meetings detailed within the table, six Board meetings were convened on an ad hoc basis to consider matters in between scheduled Board meetings.

Unscheduled meetings

The unscheduled meetings of the Board during the year were to discuss the strategic paper partnership and the resignation of the Chief Financial officer.

Non-attendance

Some Board members were unable to participate in Board and Board Committee meetings due to these being held at short notice as noted in the table above. If any directors are unable to attend a meeting they communicate their opinions and comments on the matters to be considered via the Chairman of the Board or the relevant Board Committee Chairman.

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:

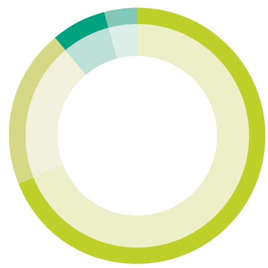
- Substantial shareholdings
- Deadlines for voting rights
- Amendment of the Company's articles of association
- Appointment and replacement of Directors
- Powers of Directors
- Authority to issue shares
- Repurchase of shares

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

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

Accountability Audit Committee

Nick Bray
Chairman of the Audit Committee

The Audit Committee provides an independent overview of the effectiveness of the internal financial control systems and financial reporting processes.

Dear Shareholder
I am pleased to present the 2018 Audit Committee report. This report describes the Committee's ongoing responsibilities and key tasks as well as its major activities in the period ended 31 March 2018.

Composition of the Committee

Member	Date of appointment to Committee	Directors' attendance 2017/18
Nick Bray	21 July 2016	5(5)
Sabri Challah	23 July 2015	5(5)
Maria da Cunha	23 July 2015	3(5)
Andrew Stevens	2 January 2013	5(5)

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

Activities during the period

During the period, the Audit Committee met on five occasions and dealt with the following matters:

- Group half year results
- Group preliminary announcement and annual results
- Principal judgemental accounting matters affecting the Group based on reports from management and the external auditors
- External audit plans and reports
- Risk and assurance plans and reports including:
  - Group risk profile
  - Internal audit plan
  - Internal audit reports
  - Follow up of internal audit recommendations
  - Annual review of the system of internal controls
  - Quality and security internal assurance reviews
  - Internal control self assessment review
  - HSE legal assurance and compliance audits
- Group disclosure and whistleblowing policy
- Review of controls concerning the management of capital expenditure proposals
- Going concern and viability assessment
- External auditor effectiveness, independence, and fees
- Review of the new regulatory requirements regarding external audit firm and audit partner rotation
- Audit Committee effectiveness

Principal responsibilities

- The appointment of the external auditors including the agreement of the terms of engagement at the start of each audit, the audit scope and the external audit fee
- Monitoring and reviewing the effectiveness of internal financial controls and internal control and risk management systems and the effectiveness of the internal audit function
- Reviewing the integrity of the interim and full year financial statements
- Reviewing significant financial reporting issues and judgements contained in the financial statements
- Reviewing and monitoring the external auditor's effectiveness, independence and objectivity including the nature and appropriateness of any non-audit fees
- Reviewing reports on the effectiveness of the Group's whistleblowing procedures and arrangements, details of which are set out on page 62
- Advising the Board on whether taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy

The terms of reference of the Audit Committee are available on the Group's website.

All members of the Committee are Independent Non-executive Directors. The Board is satisfied that the membership of the Audit Committee meets the requirement for relevant and recent financial experience.

I have continued with the practice of inviting the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel and Company Secretary, Director of Audit, Risk and Assurance and the external and internal auditors to join meetings of the Committee. The Director of Audit, Risk and Assurance, who is the chief internal auditor, and external auditors each meet the Committee without Executive Directors or other employees being present.

Significant accounting matters

The Audit Committee is responsible for reviewing whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements in the preparation of the financial statements. In respect of the financial statements for the period ended 31 March 2018, the significant issues reviewed and how these issues were addressed is summarised below:

Revenue recognition in the Currency division

The Committee considered the Group's revenue recognition and contract accounting policies and procedures to ensure that they remained appropriate and that the Group's internal controls were operating effectively in this area. Feedback was also sought from the external auditors over the application of the revenue recognition policy including a specific review of shipments pre and post year end. Following a review of the varied sources of information received, the Committee concluded that the accounting treatments were reasonable and appropriate.

Post-retirement benefit obligations

The Committee received and considered reports from management and the external auditors in relation to the valuation of the defined benefit pension scheme and challenged the key actuarial assumptions used in calculating the scheme liabilities, especially in relation to discount rates, RPI and CPI inflation rates and mortality.

The Committee discussed the reasons for the decrease in the net pension deficit and was satisfied that the assumptions used were appropriate and were supported by independent actuarial specialists. Details of the key assumptions used are set out in note 24.

Valuation of inventory in Currency

The Committee reviewed the Group's policies and procedures over the valuation and recoverability of inventory in Currency (£24.7m). The Committee received confirmation that the valuation principles had been consistently applied and noted that the majority of inventory items were made to order rather than held for generic stock and hence the recoverability risk was low. Accordingly, the Committee concluded that the accounting treatments were reasonable and appropriate.

Estimation of accruals and provisions

The Group holds a number of provisions relating to warranties including present obligations for defective products and known claims as well as anticipated claims that had not been reported at the balance sheet date. The Committee reviewed and discussed reports from management and the external auditors concerning the significant provisions held for such matters including any provisions with notable movements. The Committee considered the background to all material accruals and provisions and challenged management over the judgements applied in determining the value of provisions required. The Committee enquired of management and the external auditors as to the existence of other matters potentially requiring a provision to be made. The Committee concluded that it was satisfied with the value of accruals and provisions carried.

Classification of exceptional items

As part of the Committee's deliberations over whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, the Committee also considered the amounts disclosed as exceptional items. The nature of the items classified as operating exceptional items during the period is described in note 2 and 4.

In particular, the Committee reviewed the accounting treatment of the £79.5m net gain from the re-measurement of pension liabilities following the decision by the Trustees of the scheme to use CPI as the indexation measure from 1 April 2018.

The Committee considered the accounting treatment and disclosure of these items in the financial statements including seeking the views of the external auditors. On the basis of this review, the Committee concluded that the accounting treatment and disclosures in relation to these items were appropriate.

Disposal accounting following the disposal of Portals De La Rue Limited

The Committee reviewed the disposal accounting following the disposal of Portals De La Rue Limited. The Committee reviewed the:

- assessment of discontinued operations treatment
- critical accounting estimates used in the estimate of potential recompense of consideration
- accounting treatment for the "disposal group" under IFRS 5
- appropriate accounting treatment for the remaining interest De La Rue has in the disposal group

Following presentations by management and discussions with the external auditors, the Committee was satisfied with the disclosures relating to the disposal of Portals De La Rue Limited.

Independence and objectivity of external auditors

The Committee ensures that the external auditors (Ernst & Young LLP) remain independent of the Group. The Audit Committee has a detailed policy covering:

- Choosing the statutory auditors and approving the audit fee
- Commissioning non-audit work
- Defining circumstances in which it is appropriate or inappropriate for incumbent auditors to be allowed to provide or be prohibited from providing non-audit work
- De La Rue's procedures for procuring non-audit services from external sources, which specifically prohibits Ernst & Young LLP from undertaking certain types of service (including but not limited to services where it would audit its own work, where it would act in an advocacy role for the Group or where it would participate in activities normally undertaken by management)

Accountability Audit Committee continued

> The Audit Committee believes that this annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

However, it may be cost-effective for Ernst & Young LLP to perform certain non-audit services, in particular where the skills and experience required make Ernst & Young LLP the most suitable supplier. Certain categories of non-audit services, including corporation tax compliance and due diligence services must be subject to competitive tender unless it is justifiable in the circumstances not to do so. Areas which would not normally be acceptable non-audit services but in exceptional circumstances may be considered appropriate, such as litigation and compliance services, require my prior approval. The selection criteria include detailed proposals, timescales, local resource, cost and the safeguards put in place by Ernst & Young LLP to avoid conflicts of interest or loss of independence. In addition, the Group's policy is for any individual assignment to be undertaken by Ernst & Young LLP where the fee is likely to be in excess of £50,000 to be approved by me prior to commencement of work. During 2017/18 the amount of non-audit fees paid to Ernst & Young LLP was £0.3m.

The safeguards Ernst & Young LLP put in place avoid compromising their objectivity and independence. They provide a written report to the Audit Committee on how they comply with professional and regulatory requirements and best practice designed to ensure their independence. Key members of the Ernst & Young LLP audit team rotate and the firm ensures, where appropriate, that confidentiality is maintained between different parts of the firm providing services to De La Rue.

The Audit Committee places great emphasis on the objectivity of the Company's auditors, Ernst & Young LLP, in reporting to shareholders.

The Ernst & Young LLP audit partner is present at Audit Committee meetings to ensure communication of matters relating to the audit. The Audit Committee has discussions with the auditors, without management being present, on the adequacy of controls and on judgemental areas and receives and reviews the auditors' highlights reports and management letters, which are one of the main outputs from the external audit.

The scope and key focus of the forthcoming year's audit is discussed with, and approved by, the Audit Committee.

Appointment of auditors

The Audit Committee assesses annually the qualification, expertise, resources and independence of the external auditors and the effectiveness of the audit process. The Audit Committee's assessment is performed by an audit satisfaction questionnaire completed by the Chairman, relevant senior management and Audit Committee members.

Following the conclusion of the tender process reported in last year's Annual Report and Accounts, the Board confirmed its intention to propose to shareholders, for approval at the 2017 AGM, to appoint Ernst & Young LLP as the Group's auditor. Ernst & Young LLP were subsequently appointed.

Internal control and risk management

As noted above, the Committee is responsible for reviewing, on behalf of the Board, the effectiveness of the Group's internal financial controls and the assurance procedures relating to the Group's risk management systems. These controls and procedures are designed to manage, but not eliminate, the risk of failure of the Group to meet its business objectives and, as such, provide reasonable but not absolute assurance against material misstatement or loss. The key elements of the Group's risk management framework and procedures are set out on pages 36 to 41. The Committee reviews these topics at each meeting and considers that none of the areas identified for enhancement during the year constituted a significant failing or weakness for the Group.

Internal audit

Assurance over the design and operation of internal controls across the Group is provided through a combination of techniques. The Board, through the Audit Committee, monitors the effectiveness of internal control systems through reports received from the internal audit function during the period. The internal audit function has been outsourced since 2009. PricewaterhouseCoopers LLP have performed this role since the start of 2013/14.

Internal audit continued to ensure that their efforts were better aligned to the operational risks that the Group faces while maintaining an emphasis on reviewing the adequacy and effectiveness of general finance and IT controls across the Group on a cyclical basis. In addition to internal audit work, there is a system of self assessment internal control reviews by which management are required to detail and certify that controls are in operation to ensure the control environment in their business areas is appropriate. Actions agreed are followed up by senior management to ensure that satisfactory control is maintained. The internal audit plan is set and reviewed by the Audit Committee. Additionally, the Audit Committee reviews reports from the external auditors on internal control matters noted as part of their audit work.

The 2018/19 Internal Audit plan was approved by the Committee in April 2018.

Fair, balanced and understandable view

At its May 2018 meeting, the Committee reviewed the content of this annual report and accounts and advised the Board that, in its view, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

In making its recommendation to the Board the Committee continued its robust existing governance arrangements by:

- Comprehensive Group and subsidiary accounts process, with written confirmations provided by business unit senior management teams on the health of the financial control environment
- Reviews of the annual report undertaken at different levels of the Group and by the senior management team that aim to ensure consistency and overall balance
- External audit review
- Clear guidance and instruction of the requirement provided to contributors
- Written confirmation that information provided by executive management has been done on a fair and balanced basis
- Additional reviews by the Audit Committee Chairman of the draft annual report in advance of the final sign-off in the context of the Code provision

Final sign-off is provided by the Board, on the recommendation of the Committee.

Nick Bray
Chairman of the Audit Committee
30 May 2018

Accountability Risk Committee

Edward Peppiatt
Chairman of the Risk Committee

The Board has delegated to the Risk Committee the responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are managed.

Dear Shareholder
On behalf of the Risk Committee, I am pleased to present the 2018 Risk Committee report. This report sets out the composition, role and activities of the Committee in the period ended 31 March 2018.

Composition of the Committee

Member	Date of appointment to Committee	Members' attendance 2017/18
Edward Peppiatt (Chairman)	20 October 2009	1(1)
Steve Brown	22 September 2015	1(1)
Jo Easton	22 September 2014	1(1)
Richard Hird	22 September 2015	1(1)
Rupert Middleton (stepped down from the Board 20 July 2017)	20 March 2012	0(0)
Selva Selvaratnam	22 September 2015	0(1)
Jitesh Sodha (resigned from the Board 19 March 2018)	10 August 2015	1(1)
Martin Sutherland	13 October 2014	1(1)
Martin Sutton	22 September 2015	1(1)

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

A meeting which was scheduled to take place in March 2018 had to be moved to April 2018 and therefore fell outside of the period ended 31 March 2018.

Activities during the period

During the period, the Risk Committee considered reports on:

- The principal risks of the Group (see the risk and risk management report on pages 36 to 41)
- Risk appetite
- Outputs from executive and functional risk workshops
- Specific operational risks of concern and the mitigations in place
- General Data Protection Regulation requirements

Principal responsibilities

- Recommend the risk management policy and strategy
- Oversee development and maintenance of a Group-wide risk management framework for identifying and managing risks
- Identify and review all major risks faced by the Group and ensure that appropriate controls are in place to manage those risks
- Review the Group's ability to identify and manage new types of risks
- Promote a risk management culture and control environment
- Review the effectiveness of the Group's non-financial internal control systems in the management and reporting of risks

The Committee comprises all Executive Directors of the Board, the rest of the Executive Leadership Team members including Customer and Commercial Officer, Chief Operating Officer, Chief Technology Officer and Group Director of Human Resources, and Group Director of Audit, Risk and Assurance, as well as Group Director of Security. The Committee meets and reports to the Board at least annually.

Any Director may attend meetings and the Board may direct other members to join.

The Directors acknowledge that they have overall responsibility for the Group's system of internal control for managing risks associated with the business and markets within which the Company operates. Further details relating to how the Directors maintain overall control of significant strategic, financial, operational and compliance issues is set out in the risk and risk management report on pages 36 to 41.

In addition, the Board has delegated to the Risk Committee the responsibility for identifying, evaluating and monitoring the risks facing the Group and for deciding how these are managed.

At the period end, following review by the Audit Committee of internal controls and of the processes covering these controls, the Board evaluates the effectiveness of the risk management procedures conducted by senior management.

The Committee is assisted by Group Committees, which deal with specific areas of risk, such as health, safety and environment and security.

The Committee met once during the year.

Edward Peppiatt
Chairman of the Risk Committee
30 May 2018

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

Strategic report
Corporate governance
Accounts

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

Code of Business Principles 9 Topics

Bribery & corruption	Competition & anti-trust	Gifts & hospitality	HSE	Employment principles	Records and reports	Personal information	Insider trading	Conflicts of interest
Backed up by policies								
• ABC • Gifts and entertainment • Charitable giving	• Competition and anti-trust	• Gifts and entertainment • Expenses • ABC • Conflict of interests	• Health and safety • Environment • Fire safety	• Equal opportunities • Anti-harassment • Diversity	• Group finance manual	• Data protection	• Share dealing, market abuse and insider trading	• Conflicts of interest • Gifts and entertainment
Supported by processes								
• TPP • Gift register • Expenses vetting	• Legal Department Guidelines	• Gift register • Expenses vetting	• Monthly reporting • Global HSE standards • ISO management systems	• Grievance procedure • Disciplinary process	• Compliance declarations • External monitoring • Separation of duties	• Annual data protection returns	• Procedure for dealing with inside information • Dealing approvals	• Gifts register

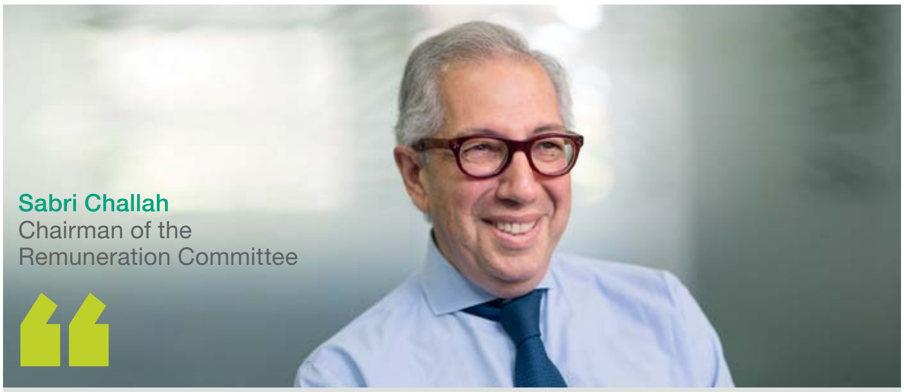
Underpinned by oversight, controls and communication

- Specialist audits
- Benchmarking
- CodeLine
- Employee surveys
- Ethics Committee
- External audit
- Internal audits
- Training/induction
- Risk reviews
- SharePoint
- BnEI accreditation
- ICC CR & Anti-Corruption Committee
- UN Global Compact

Corporate governance continued

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee



Sabri Challah
Chairman of the Remuneration Committee

We believe our remuneration policy is critical to delivering both planned performance each year and the longer term transformation of De La Rue.

Composition of the Committee

The Remuneration Committee consists exclusively of Non-executive Directors, all of whom are regarded as independent, and the Chairman of the Board, who was regarded as independent on his appointment as Chairman.

Member	Date of appointment to Committee	Directors' attendance 2017/18
Sabri Challah (Chairman)	23 July 2015	6(6)
Philip Rogerson	26 July 2012	6(6)
Nick Bray	21 July 2016	5(6)
Maria da Cunha	23 July 2015	6(6)
Andrew Stevens	2 January 2013	6(6)

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

Activities during the period

The Committee follows a cycle of activities during the year and in 2017/18 this covered amongst other things the following matters:

- Review of the Directors' remuneration policy and a consultation with major shareholders and institutional bodies
- Approval of the Executive Leadership Team Group and strategic individual objectives for the year
- Review of performance targets against short and long term incentive plans
- Approval of pay awards for Executive Directors and the Executive Leadership Team
- Benchmarking of Executive Directors' and Executive Leadership Team pay and benefits
- Determination of remuneration for new Chief Operating Officer
- Determination of retention arrangements for key senior executives
- Review and approval of the Directors' remuneration report
- Awards under the UK Sharesave employee share scheme
- Review of the report on gender pay gap and action plan
- An effectiveness review of the Committee
- In addition the Committee went through a tender and selection process for the appointment of independent remuneration advisers

Principal responsibilities

The Committee's responsibilities are outlined in its terms of reference which can be found at www.delarue.com. The responsibilities are reviewed annually and referred to the Board for approval. A summary of the responsibilities are as follows:

- Recommendations to the Board on Group policy regarding executive remuneration
- Determination of the specific remuneration packages of the Chairman, Executive Directors and senior executives who report to the Chief Executive Officer
- Determination of the design, conditions and coverage of annual and long term incentive plans for senior executives and approval of total and individual awards under the plans
- Determination of targets for any performance related pay plans
- Determination of the issue and terms of all share based plans available to all employees
- Oversight of any major changes in remuneration

Dear Shareholder
As Chairman of the Remuneration Committee, I am pleased to present the report on the work of the Committee during the period to 31 March 2018.

We continue to regard our remuneration policy as critical to delivering both planned performance each year and the longer term transformation of De La Rue. In 2017/18, we continued in our progress towards the delivery of our strategic plan to transform the business into a less capital intensive, more technology orientated business. The sale of our paper business was a significant milestone towards achieving this goal. This year also saw significant progress in strengthening the Group's balance sheet with net debt at £49.9m being the lowest in five years. Our reward model aims to incentivise the achievement of the specific short and long term objectives set out in our strategic plan, and reinforces the desired behaviours and culture that will sustain the success of De La Rue.

We aim to ensure that executive remuneration is fair and competitive so that the Group can attract, motivate and retain the highly talented people required to deliver the operational and strategic transformation of the business that we have committed to. Above all, the Committee's objective is to ensure that our Directors' remuneration policy incentivises and rewards delivery of sustainable shareholder value.

As reported last year, during 2016/17 the Remuneration Committee carried out a thorough review of the remuneration policy and implemented changes to enhance the level of disclosure associated with variable pay, changed holding arrangements for long term incentives and developed the conditions for malus and clawback. The Remuneration Committee is not proposing any changes to the remuneration policy for the year ahead. However, the Committee does propose to make some changes to the implementation of the executive remuneration policy from 2018/19. These changes are explained later in this letter.

Committee meetings

The Committee met six times during the period and details of attendance can be found on page 74. The Chief Executive Officer and the Group Director of Human Resources also attended meetings. The General Counsel and Company Secretary, who is also secretary to the Committee, advised on governance issues.

No Executive Director or employee is present or takes part in discussions in respect of matters relating directly to their own remuneration.

Structure of Directors' remuneration report

This report is presented in three main sections: an annual statement from the Chairman of the Committee; the Directors' remuneration policy; and the annual report on remuneration for 2017/18. The Directors' remuneration policy was approved by shareholders at the AGM on 20 July 2017 and had a binding effect at that date. The policy is not subject to a vote at the 2018 AGM.

2018 review of implementation of the executive remuneration policy and shareholder consultation

This year the Committee, with support from our independent remuneration consultants, has reviewed the way in which our remuneration policy is implemented, with particular focus on our variable pay plans, to assess the degree to which the performance measures and targets remain aligned to our Group strategy and forecast performance.

As part of this review, we have consulted with our largest shareholders and have actively taken on board their comments and views.

The changes proposed to the implementation of the policy from 2018/19 are set out in more detail within the annual report on remuneration and are summarised below.

Changes to the operation of the Performance Share Plan

- Re-weighting of the performance measures under the PSP from 75% EPS: 25% ROCE to 50% EPS: 50% ROCE. This re-weighting reflects the strategic importance of strong capital management and generation of efficient returns during this period of growth and investment
- Significant increase to the stretch of the ROCE performance targets at threshold and maximum to reflect recent and forecast performance, and our strategic plan (from 30% – 36%, to 34% – 40%)
- Widened the EPS growth target range to better reflect recent and forecast performance, and our strategic plan (from 5% – 10% to 4% – 12%)

No other changes are being made to the award opportunities under our variable pay plans.

The changes proposed are within the scope of the existing remuneration policy.

The changes are set out on page 89. We will continue to keep all aspects of our reward policy under review and be prepared to respond to changing circumstances.

We will not be seeking approval for any changes to the policy this year and are not required to submit a new policy until the 2020 AGM. We will therefore operate in accordance with our existing remuneration policy in 2018. A copy of our current remuneration policy can be found on pages 77 to 85.

Corporate governance continued

Directors' remuneration report

Annual statement from the Chairman of the Remuneration Committee

Outcomes 2017/18

Annual Bonus Plan (ABP)
The maximum opportunity for Executive Directors under the ABP is 135% of salary for the Chief Executive Officer and 115% for the Chief Financial Officer. For 2017/18, the bonus opportunity was based 80% on financial performance and 20% on achievement of strategic personal objectives. The weighting of the financial performance objectives was as follows:

- Group revenue 20%
- Group underlying operating profit 40%
- Group cash conversion 20%

Despite some of the financial and strategic personal targets being achieved the profit underpin was not met and therefore no bonus was payable to the Executive Directors under any element of the plan. Details of the measures and targets are set out on page 88.

Performance Share Plan (PSP)
Awards under the PSP in 2015/16 had three year performance criteria based on EPS and ROCE. Seventy five per cent of the award was based on EPS average compound growth of between 5% and 10% and twenty five per cent of the award was based on average ROCE of between 26% and 32%. The EPS performance criteria were not met, however average ROCE over the three years of 38.9% was above the target range. This achievement delivers a maximum payout against this measure. The 2015/16 PSP therefore pays out at 25% of maximum. The details for Martin Sutherland and Jitesh Sodha are included on page 89.

ABP and PSP awards 2017
The Remuneration Committee made awards under the ABP and PSP in 2017 and details of award levels and the performance conditions are on pages 88 to 89.

2018 salary review

The Committee has reviewed the salary levels of the Executive Directors. The Chief Executive Officer's salary has been increased by 2.4%. Details are provided on page 87. Increases are in line with those made to other employees. All salary increases are deferred until 1 July 2018.

Board changes

Rupert Middleton stepped down from the Board at the conclusion of the AGM in 2017. We announced that Jitesh Sodha resigned from the Board on 19 March 2018. Neither Director was eligible for a cash bonus for 2017/18. Share awards are treated in accordance with the relevant Plan and Scheme Rules. Share awards not eligible for release up until the date of ceasing employment will lapse.

Gender pay

In line with the new UK regulations we published our gender pay gap data and narrative in January 2018. Further information is provided on page 46 within our Responsible business section.

I would like to thank shareholders who contributed to the Committee's discussions during the year.

In accordance with the regulations we will be asking shareholders for an advisory vote on the annual report on remuneration.

Sabri Challah
Chairman of the Remuneration Committee
30 May 2018

Directors' remuneration policy

Introduction

In this section we summarise the key principles that underpin our remuneration policy and how we will apply our policy in 2018.

Remuneration policy

The Group's remuneration policy was approved by shareholders at the AGM on 20 July 2017 and took effect from that date. The policy is reproduced here for information only.

The overriding objective is to ensure that our executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value. The Remuneration Committee believes that performance related pay and incentives should account for a significant proportion of the overall remuneration of Executive Directors so that their reward is aligned with shareholder interests and the Group's performance, without encouraging excessive risk-taking. Performance related elements of remuneration therefore form a significant proportion of the total remuneration packages. The Committee also has discretion to take into account performance on environmental, social and governance matters.

Policy table

The remuneration package for Executive Directors consists of fixed base salary, pension and other benefits and a significant proportion of variable pay including annual bonus and long term share based incentives. The following table summarises each element of the proposed remuneration policy for the Executive Directors and explains how each works and is linked to the corporate strategy.

Base salary

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Fixed competitive remuneration set at levels to recruit and retain talent. Determination informed, but not led, by reference to the market place for companies of similar size and complexity. Reflects individual skills, experience and responsibility necessary to deliver business strategy. Rewards individual performance.	Reviewed annually and fixed for 12 months (but may be reviewed more frequently). Influenced by: • Role, experience, responsibilities and performance • Change in broader workforce salary • Group profitability and prevailing market conditions • Salary levels across the Group generally • Eliminating the gender pay gap Increases are not automatic.	To avoid creating expectations of Executive Directors and other employees, no maximum base salary has been set. Increases will not normally exceed the average of increases awarded within the rest of the Group in the UK. Larger increases may be awarded in certain circumstances including, but not limited to: • Increases in scope or responsibility • Where market conditions indicate a lack of competitiveness and risk to attracting or retaining executives Where the Remuneration Committee exercises its discretion to award increases above the average for other employees, a full explanation will be provided in the next annual report on remuneration.	Individual performance is the primary consideration in setting salary alongside overall Group performance, affordability and market competitiveness.

Corporate governance continued

Directors' remuneration report

Directors' remuneration policy continued

Benefits

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
Market competitive benefits sufficient to recruit and retain the talent necessary to develop and execute the business strategy.	Provision of car allowance, life assurance and private medical scheme. Executive Directors are also provided with permanent health insurance. Executive Directors can also participate in the annual leave flexibility scheme. Other benefits may be provided on an individual basis such as, but not limited to, relocation allowances including transactional and legal costs, disturbance and travel and subsistence costs.	While the Remuneration Committee has not set an absolute maximum, benefits will be market competitive taking into account role and individual circumstances.	Not applicable.

Pension

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
To provide market competitive pensions sufficient to recruit and retain executives.	Executive Directors are offered membership of a defined contribution pension plan. The contribution rates offered are reflective of market practice and based on base salary only. If contributions to the plan would cause an Executive Director to exceed the HM Revenue and Customs (HMRC) annual allowance or lifetime allowance limits, a cash allowance in lieu of pension contribution will be offered.	The contribution rates for the Executive Directors are 30% of base salary for the Chief Executive Officer and 20% of base salary for the Chief Financial Officer. The Executive Directors may choose to receive a cash allowance in lieu of contributions. The allowance is equal to the pension contribution that would otherwise have been paid less the Company's national insurance contribution to ensure cost neutrality.	Not applicable.

Annual Bonus Plan (ABP)

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
To incentivise and reward delivery of financial and personal performance targets that address the distinct commercial and strategic needs of the business, and align with shareholder interests. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To support a pay for performance philosophy. To help attract and retain top talent and be cost-effective. Executive Directors are required to hold a level of shareholding of 100% of salary as described on page 81. Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element.	The Remuneration Committee sets Group financial targets and agrees personal objectives for each Executive Director at the start of each year. Reference is made to the prior year and to budgets and business plans while ensuring the levels set are appropriately challenging but do not encourage excessive risk-taking. Payments are determined by the Remuneration Committee after the year end. The bonus plan is non-contractual and may be offered on a year by year basis. Sixty per cent of annual bonus is payable immediately in cash. Forty per cent of annual bonus is payable in deferred shares and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions. Fifty per cent of deferred shares are released one year after cash payout and the remaining 50% two years after cash payout. The Remuneration Committee may increase the number of shares subject to a deferred share award to reflect dividends that would have been paid over the deferral period on shares that vest. The deferred share element will be disclosed in the annual report on remuneration. The cash and deferred share element are subject to malus and clawback provisions to allow the Company to recoup three years from award in the event of material financial misstatement of results or gross misconduct and other acts or omissions that could bring the business into disrepute and or cause reputational damage.	The current annual maximum bonus opportunity of 135% of salary for the Chief Executive Officer and 115% of salary for the Chief Financial Officer linked to business performance will continue to apply. The Remuneration Committee has the discretion to increase the overall maximum bonus level to 150% of salary, subject to this not being above the competitive market range.	The bonus payout level is determined by achievement of Group financial performance measures with an element based on personal objectives. The metrics, while stretching, do not encourage inappropriate risks to be taken. The Remuneration Committee will maintain discretion to consider the financial underpin in respect of awards under the ABP. Financial targets and weightings will be disclosed in the annual report on remuneration.

Corporate governance continued

Directors' remuneration report

Directors' remuneration policy continued

Performance Share Plan (PSP)

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
A share based long term incentive is aligned closely with business strategy and interests of shareholders through the performance measures chosen. To increase the time over which rewards are earned to four years and support a pay for performance philosophy. To retain key executives over a longer term measurement period. Executive Directors are encouraged to hold a level of shareholding as described on page 81. To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose. To attract and retain top talent and continue to be cost-effective. To ensure overall cost-efficiency. To ensure any payout is supported by sound profitability by link to EPS growth. To support the strategic focus on growth and margins by the link to ROCE.	Annual share award with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk-taking. Sixty per cent of the award vests after three years provided Group performance (two metrics) criteria are met and the balance will vest after a further one year subject to continued employment. The Remuneration Committee may add dividend shares accrued only on vested shares during the performance and extended vesting period. Vesting of awards is subject to continued employment until the vesting date but, as described on page 83, PSP awards may also vest early in 'good leaver' circumstances. Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time. The Remuneration Committee has the right to clawback any PSP awards within three years of an award vesting to the extent there has been material financial misstatement of results, gross misconduct or any act or omission that could bring the business into disrepute and or cause reputational damage. Malus provision also applies.	The maximum number of shares which may be subject to an award granted to eligible employees in any financial year shall be an amount equal to such percentage, not exceeding 100% of salary as at the award date, as may be determined by the Remuneration Committee. The Committee retains discretion in exceptional circumstances to grant awards with a face value of up to 150% of salary.	Awards will vest subject to the achievement of Group performance over a period of three years against key metrics set by the Remuneration Committee which are aligned to commercial business needs and strategy. For proposed awards in 2017/18, the vesting of PSP awards will be subject to EPS and return on capital employed (ROCE) performance conditions. The Remuneration Committee must be satisfied that vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate to the business performance achieved. The Remuneration Committee regularly reviews the performance conditions and targets to ensure they continue to be aligned with the Group's business objectives and strategy and retains the discretion to change the measures and their respective weightings to ensure continuing alignment with such objectives and strategy. The Remuneration Committee maintains the ability to adjust or set different performance measures if events occur or circumstances arise which cause the Committee to determine that the performance conditions have ceased to be appropriate. If varied or replaced, the amended performance conditions must, in the opinion of the Committee, be fair, reasonable and materially no more or less difficult than the original condition when set and these will be disclosed in the annual report on remuneration.

All employee share plans

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
To encourage employees including the Executive Directors to build a shareholding through the operation of all employee share plans such as the HMRC approved De La Rue Sharesave scheme in the UK.	Executive Directors may participate in the Sharesave scheme on the same terms as other employees. Under the UK Sharesave scheme, the option price may be discounted by up to 20%. Accumulated savings through payroll may be used to exercise an option to acquire shares. Under the Employee Share Purchase Plan, employees in the US may be offered the opportunity to purchase the Company's shares at a 15% discount to the market price. Any purchases are funded through accumulated payroll deductions. Shareholders approved the Rules of Sharesave and the ESPP at the 2012 AGM.	The maximum savings amount currently offered is £500 per month over a three or five year period under the Company's Sharesave scheme. The rules of the scheme provide for savings up to the legislative limit of £500 per month.	No performance measures but employment conditions apply.

Shareholding requirement for Executive Directors

The Remuneration Committee believes that it is important that the interests of Executive Directors should be closely aligned with those of shareholders. The Committee has adopted a policy that Executive Directors are required to build up a shareholding equivalent to one times salary. It is intended that this is met by Executive Directors retaining 100% of vested post-tax deferred bonus shares, restricted shares and performance shares until the requirement is met in full.

Pay policy for other employees

When determining the remuneration arrangements for Executive Directors, the Remuneration Committee takes into consideration the pay and conditions of employees throughout the Group. In particular, the Committee is kept informed of:

- Salary increases for the general employee population
- Overall spend on annual bonus
- Participation levels in the ABP

The remuneration policy applied to the Executive Leadership Team and the most senior executives in the Group is similar to the policy for the Executive Directors in that a significant element of remuneration is dependent on Group and individual performance. The key principles of the remuneration are applied consistently across the Group below this level, taking account of seniority and local market practice. The Group aims to offer competitive levels of remuneration, benefits and incentives to attract and retain employees. The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined above. On authority of the Committee, the Chief Executive Officer has discretion to make awards to a limited number of employees not being Executive Directors or Executive Leadership Team members.

All UK employees may join the Company's HMRC approved Sharesave scheme. Options are granted over De La Rue plc shares, at an exercise price, at the discretion of the Remuneration Committee, of a maximum of 80% of the prevailing market share price at the time of grant. Eligible US employees may participate in the ESPP. The purchase price is 85% of the lower of the market value of a De La Rue plc share either at the beginning or end of the offering period. Offerings under the Sharesave and the ESPP are at the discretion of the Remuneration Committee.

The Remuneration Committee considered that it would be impractical to consult with employees when drawing up the remuneration policy.

Corporate governance continued

Directors' remuneration report

Directors' remuneration policy continued

Remuneration Committee discretion

The Remuneration Committee reserves the right to adjust or set different performance measures for both short and long term plans if events occur or circumstances arise in which performance conditions have ceased to be appropriate. These events include substantial changes in business structure or strategy, acquisition or divestment. The Committee may also make discretionary adjustments, up and down, to the formulaic outcome of short and long term plans if there is misalignment with the Group's strategic goals or shareholder interests. This discretion will be applied in exceptional cases only and disclosed.

Shareholder views

The Remuneration Committee engages in regular dialogue with shareholders to discuss and take feedback on its remuneration policy and governance matters. During the last year the Committee has consulted with De La Rue's largest UK shareholders and the main UK institutional investor bodies on the proposals for the new Directors' remuneration policy subject to a binding vote at the AGM on 20 July 2017. The Committee welcomes an open dialogue with shareholders and intends to continue to consult with major shareholders before implementing any significant change to the directors' remuneration policy.

Service contracts

The Board's policy for current and new Executive Directors is that service contracts are one year rolling contracts with a notice period that should not exceed one year.

The Remuneration Committee recognises that in the case of appointments to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to 12 months after that initial period.

Non-executive Directors

Philip Rogerson, Chairman, was initially appointed as a Non-executive Director and Chairman designate on 1 March 2012.

All Directors offer themselves for annual re-election at each AGM in accordance with the UK Corporate Governance Code. Service contracts for Executive Directors and letters of appointment for Non-executive Directors are available for inspection at the registered office address of the Company.

Payment for loss of office

In determining compensation for early termination of a service contract, the Remuneration Committee carefully considers the specific circumstances, the Company's commitments under the individual's contract and the individual's obligation to mitigate loss. The table below outlines the framework for contracts for Executive Directors. Should additional compensation matters arise, such as a settlement or compromise agreement, the Remuneration Committee will exercise judgement and will take into account the specific commercial circumstances.

Policy	
Notice period on termination by the Company	Twelve calendar months. The Remuneration Committee recognises that in the case of appointment to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to 12 months.
Termination payment at the Company's sole discretion	On termination by either the Company or the relevant Executive Director, the Company retains the discretion to make a payment in lieu of notice not exceeding 12 months' basic salary, excluding bonus but including benefits in kind (including company car or car allowance and private health insurance) and pension contributions (which may include salary supplement). Benefits provided in connection with termination payments may also include, but are not limited to, outplacement and legal fees.
Change of control	Under the ABP, share awards will vest in full on change of control. Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time.
Vesting of incentives for leavers	The Remuneration Committee has the discretion to determine appropriate bonus amounts taking into consideration the circumstances in which an Executive Director leaves. Typically for 'good leavers', bonus amounts (as estimated by the Remuneration Committee) will be pro-rated for time in service to termination and will be subject to performance, paid at the usual time. The vesting of share awards is governed by the rules of the appropriate incentive plan approved by shareholders. Typically for 'good leavers': • Under the ABP, the provisions allow awards to vest in full at the normal vesting date or earlier at the discretion of the Remuneration Committee • Under the PSP, awards pro-rated (unless the Remuneration Committee determines otherwise) to the date of departure, will vest at the normal vesting date if the relevant performance targets have been met. The Remuneration Committee has the discretion to test the performance targets early and accelerate vesting • Good leavers under the Sharesave scheme, which is HMRC approved, are entitled to exercise options, pro-rated to the savings made • If awards are made on recruitment the treatment on leaving would be determined at the time at the Remuneration Committee's discretion in accordance with the relevant plan rules
Pension benefits	These will be paid in accordance with the rules of the pension scheme. Where an early retirement pension is paid from a legacy UK defined benefit arrangement, a reduction will be made to the pension to reflect early receipt using factors determined and set by the Trustees from time to time.

Corporate governance continued

Directors' remuneration report

Directors' remuneration policy continued

Remuneration policy for the Chairman and Non-executive Directors	
Element	Operation by the Company
Chairman fees	The remuneration of the Chairman is set by the Remuneration Committee. Fees are set at a level which reflects the skills, knowledge and experience of the individual, while taking into account market data.
Non-executive Director fees	Non-executive Directors do not have service contracts but are appointed for fixed terms of three years renewable for a further three years. Terms beyond this period are considered on a case by case basis. The Board (excluding Non-executive Directors) is responsible for setting Non-executive Directors' fees. Fees are structured as a basic fee for Board and Committee membership. Committee Chairmen and the Senior Independent Director receive an additional fee. Reasonable expenses for attending Board meetings are reimbursed by the Company and the Group may pay any tax due on such benefits. Total fees paid to Non-executive Directors will remain within the limit set out in the Company's articles of association of £750,000 per annum. Non-executive Directors are not eligible for pension scheme membership and do not participate in any of the Group's annual incentive arrangements, or share option schemes. No compensation is payable to the Chairman or to any Non-executive Director if the appointment is terminated.

Remuneration policy for new appointments

When considering the appointment of Executive Directors, the Committee balances the need to attract candidates of sufficient calibre while remaining mindful of the need to pay no more than necessary. The Committee will typically align the remuneration package with the above remuneration policy. Base salary may be set at a higher or lower level than previous incumbents. Where possible, salary may be set at an initially lower level with the intention of increasing it over the following two years dependent on performance in the role and experience gained. In certain circumstances, to facilitate the recruitment of individuals of the required calibre, incentive arrangements and awards may also be higher. The Remuneration Committee retains the discretion to make payments or awards which are outside the policy to facilitate the recruitment of candidates of the appropriate calibre to implement the Group's strategy. In addition, remuneration forfeited on resignation from a previous employer may be compensated. The form of this compensation would be considered on a case by case basis and may comprise either cash or shares. Generally (though not necessarily in all circumstances) the Committee will favour share awards with appropriately stretching performance targets attached and, at a minimum, expects that:

- If forfeited remuneration was in the form of shares, compensation will be in the form of shares
- If forfeited remuneration was subject to achievement of performance conditions, compensation will be subject to no less challenging performance conditions
- The timing of any compensation will, where practicable, match the vesting schedule of the remuneration forfeited

A newly appointed Executive Director may be provided with reasonable relocation support.

Internal appointments will receive a remuneration package that is consistent with the remuneration policy. Legacy terms and conditions would be honoured, including pension entitlements and any outstanding incentive awards.

Subject to the limit on additional maximum variable remuneration set out below, incentive awards may be granted within the first 12 months of appointment above the maximum award opportunities set out in the policy table above. Excluding payments or awards to compensate for remuneration forfeited on resignation from a previous employer, the maximum level of variable remuneration which may be awarded to a new Executive Director, above the maximum levels set out in the policy table above, is one times base salary.

The Remuneration Committee will ensure that variable remuneration is linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Fees payable to a newly appointed Chairman or Non-executive Director will be in line with the fee policy in place at the time of appointment.

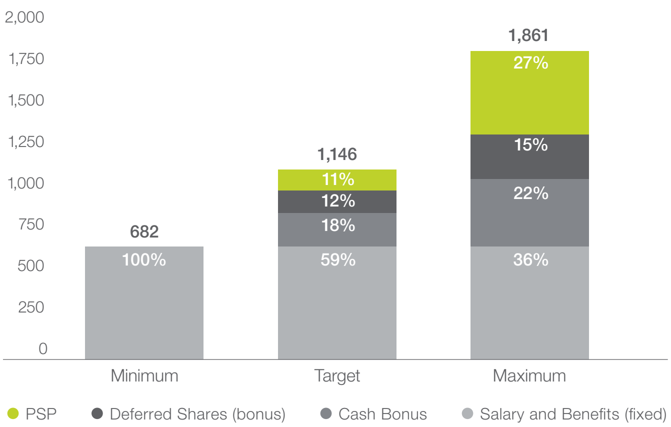
Illustration of the application of remuneration policy

The following charts illustrate the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 1 July 2018.

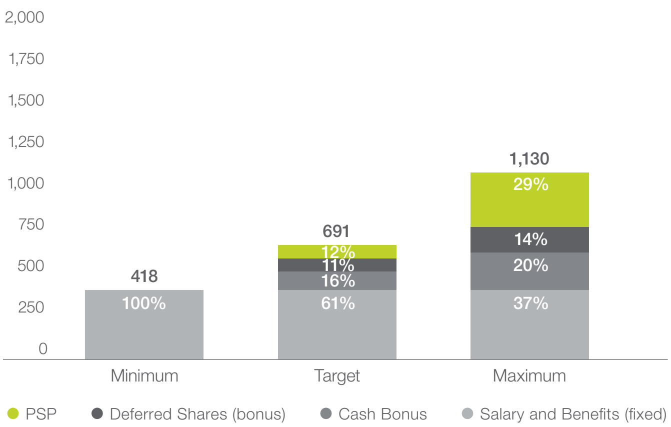
Performance scenarios for the ABP and PSP assume the following:

Minimum	Target	Maximum
There is no cash bonus or deferred share award under the ABP or vesting under the PSP.	Target cash bonus and deferred shares under the ABP, target vesting under PSP.	Maximum cash bonus, maximum deferred shares under the ABP, maximum vesting under the PSP.

CEO
(£'000)



CFO
(£'000)



Assumptions for the scenario charts

Minimum performance	Target performance	Maximum performance
Fixed pay (base salary, benefits and pension)	Fixed pay (base salary, benefits and pension)	Fixed pay (base salary, benefits and pension)
No bonus payout	50% of maximum bonus opportunity (67.5% of salary for CEO, 57.5% of salary for CFO)	100% of maximum bonus opportunity (135% of salary for CEO, 115% of salary for CFO)
No vesting under ABP or PSP	60% will be payable immediately in cash and 40% will be deferred in shares	60% will be payable immediately in cash and 40% will be deferred in shares
	25% of PSP shares vesting (25% of salary for CEO and CFO)	100% of PSP shares vesting (100% of salary for CEO and CFO)

Executive Director remuneration mix 2018/19

Based on the above performance scenarios the table below illustrates that a significant proportion of Executive Directors' remuneration is biased towards variable pay at maximum:

		% of pay at minimum achieved	% of pay at target achieved	% of pay at maximum achieved
CEO	Fixed	100	59	36
	Variable	–	41	64
CFO	Fixed	100	61	37
	Variable	–	39	63

The remuneration mix above is based on the remuneration policy as it was intended to be operated for 2018/19.

Corporate governance continued

Directors' remuneration report

Annual report on remuneration

The Directors' remuneration policy for the period ended 31 March 2018 was consistent with the policy approved by shareholders at the AGM in 2017. This section of the Directors' remuneration report gives information on how the Remuneration Committee implemented the policy on Directors' remuneration and the incentive outturns for 2017/18.

Single figure of remuneration for each Director (audited)

The table below shows how we have applied the current remuneration policy during 2017/18. It discloses all the elements of remuneration received by the Directors during the period.

	Salary and fees[a]		Benefits (excluding pensions)[b]		Bonus[c]		Long term incentive (PSP) (vested)[d]		Pensions[e]		Other Payments[f]		Total	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000	**2018 £'000**	2017 £'000
Executive Directors														
Martin Sutherland	**477**	469	**29**	31	**–**	256	**148**	–	**129**	132	**–**	11	**783**	899
Jitesh Sodha (resigned from the Board 19 March 2018)	**314**	320	**21**	24	**–**	151	**113**	–	**56**	57	**–**	–	**504**	552
Rupert Middleton (stood down from the Board with effect from 20 July 2017)	**99**	324	**5**	16	**–**	–	**–**	–	**17**	61	**–**	–	**121**	401
	890	1,113	**55**	71	**–**	407	**261**	–	**202**	250	**–**	11	**1,408**	1,852
Chairman														
Philip Rogerson	**193**	189	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**193**	189
Non-executive Directors														
Nick Bray	**58**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**58**	40
Sabri Challah	**58**	57	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**58**	57
Maria da Cunha	**50**	49	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**50**	49
Victoria Jarman (stepped down from the Board with effect from 21 July 2016)	**–**	17	**–**	–	–	–	**–**	–	**–**	–	**–**	–	**–**	17
Andrew Stevens	**58**	57	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**58**	57
Aggregate emoluments	**1,307**	1,522	**55**	71	**–**	407	**261**	–	**202**	250	**–**	11	**1,825**	2,261

Notes

The figures in the single figure table above are derived from the following:

[a] Base salary and fees: the actual salary and fees received during the period. The Executive Directors' salaries are normally reviewed, but not necessarily increased, with effect from 1 July each year.

[i] Martin Sutherland has a salary of £490,000 per annum effective 1 July 2017 and the salary shown above is to the period 31 March 2018. Martin Sutherland took advantage of the annual leave flexibility scheme and purchased an additional 5 days' annual leave entitlement during the period at a cost of £9,279 and he also participates in the Company's cycle-to-work scheme at a cost of £1,000 which is reflected in the table above.

[ii] Jitesh Sodha had a salary of £331,000 per annum effective 1 July 2017 and the salary shown above is to the period 19 March 2018. Jitesh Sodha took advantage of the annual leave flexibility scheme and purchased an additional 5 days' annual leave entitlement during the period at a cost of £4,687 which is reflected in the table above.

[iii] Rupert Middleton had a salary of £325,000 per annum effective 1 July 2017 and the salary shown above is to the period 20 July 2017.

[iv] Philip Rogerson's Chairman's fee is £194,000 effective from 1 July 2017 and the fee shown is the fee to the end of the financial period.

[b] Benefits (excluding pensions): the gross value of all taxable benefits received in the period, including for example car or car allowance and private medical and permanent health insurance.

[c] Bonus: No bonus was payable for 2017/18 as the performance underpin was not met. A description of the performance measures that applied for the year 2017/18 is provided on page 88. Jitesh Sodha and Rupert Middleton were not entitled to any bonus payments for 2017/18.

[d] PSP: the estimated value of the shares due to vest in June 2018 (23 September 2018 in the case of Jitesh Sodha) (including dividend shares accrued to date) that was subject to performance over the three year performance period ending 31 March 2018 based on the number of shares that will vest multiplied by the average share price of 610.04p over the quarter ending 31 March 2018 (as the vesting price is not known at the date of the Directors' remuneration report). The performance conditions that applied to the PSP awards vesting are described on page 89

[e] Pension allowance and contributions to defined contribution section. See page 90 for further details of pension arrangements.

[f] Other payments to:

2017: Martin Sutherland: dividend equivalent payments made under the CEO Share Award at the point of vesting. See 2017 annual report.

Individual elements of remuneration

Base salary and fees (audited)

Base salaries for Executive Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities, Group performance, affordability and market competitiveness. An annual salary review was carried out by the Remuneration Committee on 26 April 2018. Following that review the Committee agreed an increase in salary for Martin Sutherland for 2018/19 payable from 1 July 2018 as follows:

	Base salary 2018 £'000	Base salary 2017 £'000	**Increase %**
Martin Sutherland	**502**	490	2.4
Rupert Middleton[1]	**–**	325	–
Jitesh Sodha[2]	**–**	331	–

1 Rupert Middleton stepped down from the Board after the AGM on 20 July 2017.

2 Jitesh Sodha resigned from the Board on 19 March 2018.

The Directors' remuneration policy, approved by shareholders at the 2017 AGM, is that increases in salary for Executive Directors will not normally exceed the range of increases awarded to other employees in the Group except in the specific circumstances listed in the binding policy.

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board. Fees reflect the responsibilities and duties of Non-executive Directors while also having regard to the market place. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions. The Chairmen of the Remuneration Committee and Audit Committee and the Senior Independent Director received a further fee of £8,000 to reflect their additional duties in 2017/18. Basic fees payable to Non-executive Directors remain unchanged for 2018/19.

The fees are as follows:

Non-executive Director fees	**2018 £'000**	2017 £'000
Basic fee	**50**	50
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

The Chairman's fee will remain at £194,000 for 2018 and will be reviewed again in the normal way in April 2019.

External directorships of Executive Directors

The Board considers whether it is appropriate for an Executive Director to serve as a non-executive director of another company. Martin Sutherland was appointed a non-executive director of Forterra plc with effect from 23 May 2017 and received a fee in respect of this appointment for the period to 31 March 2018 of £43,313.

Corporate governance continued

Directors' remuneration report

Annual report on remuneration continued

Performance against targets (audited)

Annual bonus

The annual bonus is delivered under the Annual Bonus Plan (ABP).

ABP performance measures 2017/18

The ABP was operated on similar terms with respect to structure, financial measures and weightings as in 2016/17. The bonus opportunity was based on an element of strategic personal objectives (20%) and a number of financial performance metrics apportioned as follows:

- Group revenue (20%)
- Group adjusted operating profit (40%)
- Group cash conversion (20%)

No payments will be made on any element of bonus (including the strategic personal element) if a minimum operating profit threshold is not achieved. In addition, the Remuneration Committee has discretion to consider other factors, such as ethical behaviours, corporate responsibility, environment and health and safety matters as it sees fit when determining awards.

Disclosure of 2017/18 bonus targets

The following table sets out the financial performance targets and achievements for 2017/18.

Measure	Threshold	Target	Max	Actual	% of maximum achieved
Group revenue	£490m	£510m	£530m	£494.1m	2.1
Group adjusted operating profit	£70.5m	£74.5m	£78.5m	£62.8m	0
Group cash conversion	135%	145%	155%	163%	20

Strategic personal objectives are based on Group objectives and comprise both tactical and transformational targets. The objectives focus attention on the achievement of core strategic priorities and encompass improved efficiency, strengthened financial performance, product innovation and culture change. For the year in question, the successful sale of the paper business has secured its long term future. The balance sheet has been strengthened through more effective management of inventory reducing net debt to £49.9m and a change in indexation from RPI to CPI reducing the Company's pension liability. In addition, progress in developing innovative products and services has supported strategic growth in the invest and build portfolio.

The underlying operating profit underpin for 2017/18 was not achieved and, as an operating profit threshold must be achieved in order to qualify for any payment against the ABP, both financial and personal, no bonus is payable to Executive Directors for 2017/18.

Jitesh Sodha and Rupert Middleton were not eligible for a cash payment or deferred share award for 2017/18.

ABP 2018/19

The Remuneration Committee has decided not to introduce any changes to the structure and weightings to the annual bonus for 2018/19 and the Committee has determined that the bonus will be operated on similar terms of structure, financial measures (Group revenue, Group adjusted operating profit, Group cash conversion) and weightings as in 2017/18. However, the Committee will review introducing the strategic personal objectives with a 30% weighting as disclosed in the recent shareholder consultation when the Committee consider it to be appropriate to do so. No payments will be made on any element of bonus (including the personal element) if a minimum operating profit threshold is not achieved. There will be no change to the maximum bonus opportunities for Executive Directors. The specific performance points are not disclosed while still commercially sensitive, but are disclosed the following year.

Long term incentive – Performance Share Plan (PSP)

The PSP is a share based long term incentive aligned closely with business strategy and interests of shareholders through the performance measures chosen. The PSP is designed to provide Executive Directors and selected senior managers with a long term incentive that promotes annual and long term performance and reinforces alignment between participants and shareholders.

Performance measures applying to PSP Awards

The awards made under the PSP were subject to a combination of compound average growth in underlying basic EPS and average ROCE. EPS growth ensures any payout is supported by sound profitability. ROCE supports the strategic focus on growth and margins ensuring cash is reinvested to generate the appropriate returns.

All awards are made as performance shares based on a percentage of salary and the value is divided by the average share price over a period before the date of grant in accordance with the rules of the PSP. In addition, the Remuneration Committee must be satisfied that the vesting reflects the underlying performance of the Group and retains the flexibility to adjust the vesting amount to ensure it remains appropriate. Any adjustments will depend on the nature, timing and materiality of any contributory factors.

A summary of the performance measures and award vesting levels that apply to awards under the PSP is shown in the table below:

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	Growth % required for threshold	Growth % required for maximum
2015	EPS[1]	25	100	5	10
	ROCE	25	100	26	32
2016	EPS[1]	25	100	5	10
	ROCE[2]	25	100	30	36
2017	EPS[1]	25	100	5	10
	ROCE	25	100	30	36
2018	EPS[1]	25	100	4	12
	ROCE	25	100	34	40

Notes

1 Underlying earnings per share. Based on average annual cumulative growth during the performance period.

2 The vesting levels under ROCE have been adjusted to take account of the impact of a discontinued operation held for sale as described in note 2 to the financial statements.
The Remuneration Committee is satisfied that the performance measures which are appropriately weighted support the Group's strategy and business objectives.

EPS and ROCE remain the most appropriate long term incentive measures and provide a strong line of sight between strategy, business performance and executive reward. The Remuneration Committee believes that the performance necessary to achieve awards is sufficiently stretching.

PSP award vesting in 2018

Awards under the PSP had three year performance criteria based on EPS and ROCE. Seventy five per cent of the award was based on underlying EPS average compound growth above 5% and twenty five per cent was based on ROCE of over 26%.

The performance period for the 2015 PSP awards ended on 31 March 2018. Over the period:

- The Group's underlying EPS growth was below the threshold growth of 5% per annum, under this performance measure this element of the PSP will not pay out
- De La Rue's average ROCE for the period was 38.9%. Since this was above the threshold of 26% and exceeded the maximum of 32%, under this performance measure this element of the PSP will pay out at 100%

Sixty per cent of this portion of the award vests in June 2018 in the case of Martin Sutherland and the balance will vest after a further one year subject to continued employment. Sixty per cent of the award to Jitesh Sodha will vest on 23 September 2018 provided he remains in employment as of that date and the balance will lapse.

PSP awards made in June 2017 (audited)

Executive Directors received PSP awards in line with the existing Directors' remuneration policy as follows:

	Number of shares awarded	Date of award	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
Martin Sutherland	70,577	27 June 2017	100	488	25	March 2020
Jitesh Sodha	47,787	27 June 2017	100	330	25	March 2020

All awards are made as performance shares based on a percentage of salary and the value is divided by the average share price over a five day period prior to the date of award, being 680.10p for the award. Face value is the maximum number of shares that would vest multiplied by the share price (692p on 27 June 2017) at the date of grant.

Performance measures applying to PSP awards to be made in 2018

The Remuneration Committee has given detailed consideration, following shareholder consultation during 2016, to the potential reintroduction of a relative TSR performance measure but concluded that the measures of EPS growth and ROCE remain the most appropriate measures for De La Rue.

Having undertaken a thorough analysis to review the target ranges, the Remuneration Committee has decided to significantly increase the stretch of the target range for ROCE to incentivise Executive Director behaviour in delivering the strategy and encouraging investment in products and services that generate returns efficiently and deliver bottom line growth and to reflect recent and forecast performance. The ROCE range for the 2018 PSP is 34% to 40%.

The Committee also concluded that the existing target range for EPS is relatively narrow, and would most likely result in 'all or nothing' payouts and therefore the range should be broadened to reflect recent and forecast performance. The EPS range for the 2018 PSP is 4% to 12%.

In addition, given the importance of managing capital efficiently to deliver bottom line growth, the Remuneration Committee believes that a rebalancing of the weightings between EPS and ROCE is necessary to ensure an appropriate balance of focus between in-year profitability and investment and growth.

For the PSP awards to be made in 2018 the weighting will be 50% EPS and 50% ROCE.

Directors' remuneration report

Annual report on remuneration continued

Executive Directors' service contracts

The table below summarises the notice periods contained in the service contracts for Executive Directors in office as at 31 March 2018.

	Date of contract	Date of appointment	Notice from Company	Notice from Director
Martin Sutherland	28 August 2014	13 October 2014	12 months	6 months

Non-executive Directors' letters of appointment

The Chairman and Non-executive Directors have letters of appointment rather than service contracts.

Non-executive Director	Date of appointment	Current letter of appointment end date
Nick Bray	21 July 2016	20 July 2019
Sabri Challah	23 July 2015	22 July 2018
Maria da Cunha	23 July 2015	22 July 2018
Philip Rogerson	1 March 2012	28 February 2021
Andrew Stevens	2 January 2013	2 January 2019

Total pension entitlements (audited)

The Group's UK pension schemes are funded, HMRC registered and approved schemes. They include both defined contribution and defined benefit pension schemes.

None of the Executive Directors in the period were a member of the legacy defined benefit schemes. All of the Executive Directors have opted out of the defined contribution plan and receive a cash allowance in lieu of a pension contribution.

During the year Martin Sutherland received a cash allowance of 30% of his basic salary in lieu of a pension contribution and Jitesh Sodha and Rupert Middleton each received a cash allowance of 20% of basic salary in lieu of pension contributions. The cash allowances were reduced by the amount of the Company's national insurance contribution to ensure cost neutrality with making the same contribution to the pension plan.

Details of the payments made to the Executive Directors are included on page 86.

Payments for loss of office (audited)

There were no payments for loss of office during the period.

Payments to past Directors (audited)

Rupert Middleton

Rupert Middleton stepped down from the Board at the conclusion of the AGM in July 2017. In order to ensure a smooth changeover he remained an employee of the Group until 1 September 2017 and in line with the terms of his service contract continued to receive a salary, pension and benefits totalling £45,323 until the date of cessation of his employment. Share awards not eligible for release up until the date of ceasing employment lapsed. The treatment of share awards to him under the ABP and PSP can be found in the Directors' interest table on page 92.

Rupert Middleton has a consultancy agreement with the Company from 1 September 2017 until 20 July 2018 for the provision of advisory services relating to operational matters for a period of not more than 20 days during the period for a fee of a daily rate of £1,500 plus expenses incurred and payable in accordance with the consultancy agreement.

Jitesh Sodha

Jitesh Sodha resigned from the Board on 19 March 2018. Under the terms agreed for his departure, De La Rue plc paid £3,500 in respect of Mr Sodha's legal fees. Jitesh Sodha is not eligible for a bonus for 2017/18. Share awards will be treated in accordance with the relevant plan and scheme rules. Share awards under the ABP and PSP not eligible for release up until the date of ceasing employment will lapse. Details of share awards can be found in the Directors' interest table on page 92.

Share retention policy

The Remuneration Committee believes it is important that the interests of Executive Directors should be closely aligned with those of shareholders. The Committee has adopted a policy that Executive Directors are required to build up a shareholding equivalent to one times salary. It is intended that this be met by the Executive Directors retaining 100% of post-tax deferred bonus shares, restricted shares and performance shares until the requirement is met in full.

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 31 March 2018:

			Unvested awards				
			Subject to performance conditions	Not subject to performance conditions		Vested shares	
	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Annual Bonus Plan	SAYE (subject to continued employment)	Vested SAYE shares unexercised during the period	Vested shares exercised during the period
Executive Directors							
Martin Sutherland	49,274	53	247,065	28,100	1,567	2,876	16,006[1]
Non-executive Chairman							
Philip Rogerson	13,000	n/a	–	–	–	–	–
Non-executive Directors							
Nick Bray	–	n/a	–	–	–	–	–
Sabri Challah	3,400	n/a	–	–	–	–	–
Maria da Cunha	4,735	n/a	–	–	–	–	–
Andrew Stevens	2,327	n/a	–	–	–	–	–

There have been no changes in Directors' outright interests in ordinary shares in the period 31 March 2018 to 30 May 2018. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary during the period are calculated using the closing De La Rue plc share price of 509p on 29 March 2018 (31 March 2018 and 30 March 2018 being a Saturday and Bank Holiday respectively).

Note

1 Includes a total of 1,167 dividend shares on vested award under the ABP. All shares on exercise retained by Martin Sutherland after disposal to meet tax liabilities pursuant to the share retention policy.

Former Executive Directors' share interests

At the time of leaving the Company, the former Executive Directors and their connected persons held the following interest in the ordinary shares of the Company:

Jitesh Sodha: 12,278

Rupert Middleton: 7,781

Corporate governance continued

Directors' remuneration report

Annual report on remuneration continued

Directors' interest in vested and unvested share awards (unaudited)

The awards over De La Rue plc shares held by Executive Directors under the ABP and PSP and Sharesave scheme during the period are detailed below:

	Date of award	Total award as at 25 March 2017	Awarded during year	Exercised during year	Lapsed during year	**Awards held at 31 March 2018**	Awards vested (unexercised) during year	Mid-market share price at date of award (pence)	Market price per share at exercise date (pence)	Date of vesting	Expiry date
Martin Sutherland											
Annual Bonus Plan[1]	Jun 15	1,615	–	1,615[2]	–	**–**	–	514.50[3]	653.9	Jul 17[4]	Jun 25
	Jun 16	13,224	–	13,224[2]	–	**–**	–	546.60[3]	653.9	Jul 17[4]	Jun 26
	Jun 16	13,224	–	–	–	**13,224**	–	546.60[3]	–	Jul 18	Jun 26
	Jun 17	–	7,438	–	–	**7,438**	–	680.10[3]	–	Jul 18	Jun 27
	Jun 17	–	7,438	–	–	**7,438**	–	680.10[3]	–	Jul 19	Jun 27
Performance Share Plan	Jun 15	51,405	–	–	–	**51,405**	–	541.00[3]	–	Jun 18	Jun 25
	Jun 15	34,270	–	–	–	**34,270**	–	541.00[3]	–	Jun 19	Jun 25
	Jun 16	54,488	–	–	–	**54,488**	–	520.85[3]	–	Jun 19	Jun 26
	Jun 16	36,325	–	–	–	**36,325**	–	520.85[3]	–	Jun 20	Jun 26
	Jun 17	–	42,346	–	–	**42,346**	–	680.10[3]	–	Jun 20	Jun 27
	Jun 17	–	28,231	–	–	**28,231**	–	680.10[3]	–	Jun 21	Jun 27
		204,551	85,453	14,839	–	**275,165**					
Sharesave options[1]	Jan 15	2,876	–	–	–	**2,876**	2,876	438.00[5]	–	Mar 18	Aug 18
	Jan 16	1,567	–	–	–	**1,567**	–	344.40[5]	–	Mar 19	Aug 19
Jitesh Sodha[6] (resigned from the Board 19 March 2018)											
Annual Bonus Plan[1]	Jun 16	4,366	–	4,366[7]	–	–	–	546.60[3]	644.5	Jul 17[4]	Jun 26
	Jun 16	4,366	–	–	–	**4,366**	–	546.60[3]	–	Jul 18	Jun 26
	Jun 17	–	4,399	–	–	**4,399**	–	688.20[3]	–	Jul 18	Jun 27
	Jun 17	–	4,399	–	–	**4,399**	–	688.20[3]	–	Jul 19	Jun 27
Performance Share Plan	Sep 15	40,255	–	–	–	**40,255**	–	476.95[3]	–	Sep 18	Sep 25
	Sep 15	26,837	–	–	–	**26,837**	–	476.95[3]	–	Sep 19	Sep 25
	Jun 16	36,863	–	–	–	**36,863**	–	520.85[3]	–	Jun 19	Jun 26
	Jun 16	24,575	–	–	–	**24,575**	–	520.85[3]	–	Jun 20	Jun 26
	Jun 17	–	28,672	–	–	**28,672**	–	680.10[3]	–	Jun 20	Jun 27
	Jun 17	–	19,115	–	–	**19,115**	–	680.10[3]	–	Jun 21	Jun 27
		137,262	56,585	4,366		**189,481**					
Sharesave options[1]	Jan 16	2,613	–	–	–	**2,613**	–	344.40[5]	–	Mar 19	Aug 19
	Jan 17	1,289	–	–	–	**1,289**	–	441.06[5]	–	Mar 20	Aug 20
Rupert Middleton (stood down from the Board with effect from 20 July 2017)											
Annual Bonus Plan[1]	Jun 15	1,589	–	1,589[8]	–	**–**	–	514.50[3]	653.9	Jul 17[4]	Jun 25
	Jun 16	6,627	–	6,627[8]	–	**–**	–	546.60[3]	653.9	Jul 17[4]	Jun 26
	Jun 16	6,627	–	–	6,627	**–**	–	546.60[3]	–	Jul 18	Jun 26
Performance Share Plan	Jun 14	21,108	–	–	21,108	**–**	–	830.00[3]	–	Jun 17	Jun 24
	Jun 14	14,073	–	–	14,073	**–**	–	830.00[3]	–	Jun 18	Jun 24
	Jun 15	32,384	–	–	32,384	**–**	–	541.00[3]	–	Jun 18	Jun 25
	Jun 15	21,590	–	–	21,590	**–**	–	541.00[3]	–	Jun 19	Jun 25
	Jun 16	36,863	–	–	36,863	**–**	–	520.85[3]	–	Jun 19	Jun 26
	Jun 16	24,575	–	–	24,575	**–**	–	520.85[3]	–	Jun 20	Jun 26
		165,436			157,220						

Notes

1 These awards do not have any performance conditions attached.

2 Includes an additional 1,167 dividend shares on vesting (2015:199; 2016:968). Martin Sutherland made an aggregate taxable gain (after dealing costs excluding PAYE/NI) of £98,155. The balance of shares (8,455) following disposal to meet all liabilities were retained by Martin Sutherland.

3 Mid-market share value of an ordinary share averaged over the five dealing days immediately preceding award date.

4 The closing mid-market price of the Company's ordinary share on 10 July 2017 was 650p (the vesting date).

5 For Sharesave options the share price shown is the exercise price which was 80% of mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date.

6 Jitesh Sodha resigned from the Board on 19 March 2018. The awards shown are to the date of his resignation. The awards are preserved to the date of termination of employment in accordance with the Rules of the relevant Plan and Scheme Rules.

7 Includes an additional 318 dividend shares on vesting. Jitesh Sodha made a taxable gain of £30,188. All shares were retained by Jitesh Sodha on payment of the PAYE/NI from private funds.

8 Includes an additional 679 dividend shares on vesting (2015:195; 2016:484). Rupert Middleton made an aggregate taxable gain (after dealing costs excluding PAYE/NI) of £58,055. The balance of shares (4,697) following disposal to meet all liabilities were retained by Rupert Middleton.

Dividend shares on unvested awards

Dividend shares are an additional award of shares that may be released by the Remuneration Committee on the vesting date in respect of awards under the ABP and PSP equivalent in value to the amount of dividends that would have been received pursuant to the relevant Plan Rules or Agreement. As at 31 March 2018 and based on the prevailing market share price on the respective dividend record date, the dividend shares accrued and assuming vesting as appropriate were as follows:

Martin Sutherland: 11,902 ordinary shares

Chief Executive Officer pay, total shareholder return (TSR) and all employee pay

This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the nine years to 31 March 2018
- A history of De La Rue's Chief Executive Officer's remuneration for the current and previous eight years
- A comparison of the year on year change in De La Rue's Chief Executive Officer's remuneration with the change in the average remuneration across the Group
- A year on year comparison of the total amount spent on pay across the Group with profit before tax and dividends paid

Chief Executive Officer pay

Period ended March	2010	2011	2011	2012	2013	2014	2015	2016	2017	**2018**
Chief Executive Officer	James Hussey[1]	James Hussey[1]	Tim Cobbold[2,3]	Tim Cobbold	Tim Cobbold	Tim Cobbold[2]	Martin Sutherland[4]	Martin Sutherland	Martin Sutherland	**Martin Sutherland**
Single figure of total remuneration £'000	843	433	604	1,053	634	1,071	1,107	998	899	**783**
Annual bonus payout as a % of maximum opportunity	46	44	Nil	80	Nil	Nil	14	57	40	**Nil**
LTIP vesting against maximum opportunity (%)	100	100	Nil	Nil	Nil	60	Nil	Nil	Nil	**25**

Notes

1 Role as Chief Executive Officer ended on 12 August 2010.

2 Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014.

3 Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014).

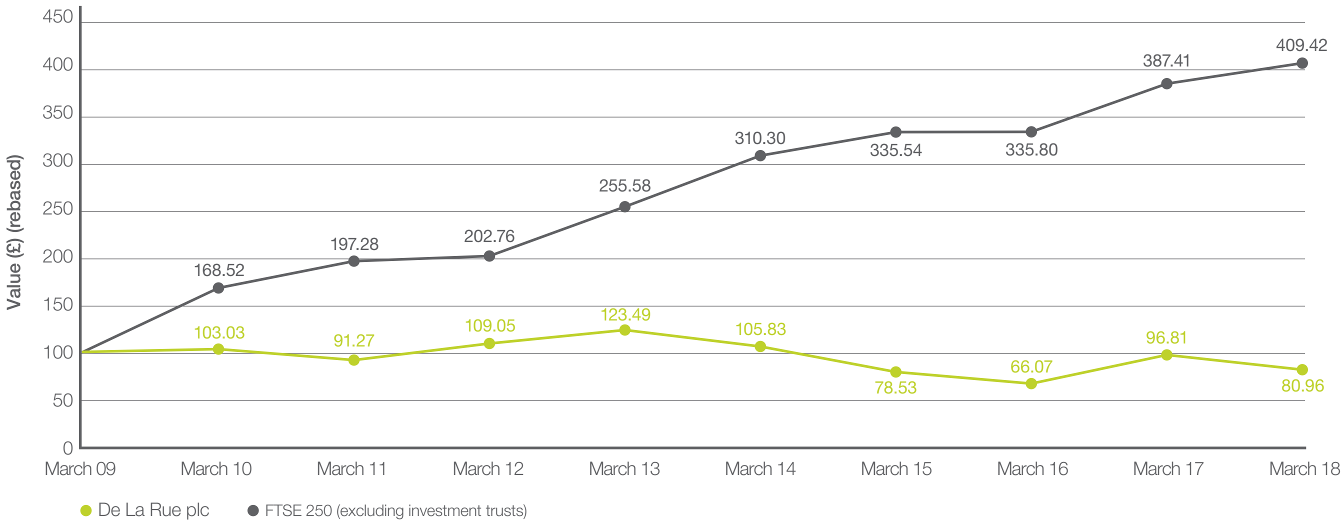
4 Appointed 13 October 2014.

TSR performance

The graph below shows the value, at 31 March 2018, of £100 invested in De La Rue plc on 28 March 2009 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. The FTSE 250 has been chosen as it is the index of which De La Rue was a constituent for a majority of the period reported (source: Thomson Reuters). TSR is not used as a performance measure for any benefits provided to Executive Directors.

Total shareholder return

Source: FactSet



Corporate governance continued

Directors' remuneration report

Annual report on remuneration continued

Percentage change in Chief Executive Officer remuneration

The table below compares the percentage change in the Chief Executive Officer's salary, bonus and benefits to the average change in salary, bonus and benefits for all UK employees between 2016/17 and 2017/18. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 57.17% of the total employee population.

	Salary %	Benefits %	Annual bonus %
Chief Executive Officer	2.08	0	(100)
UK employee average	2.16	0	(0.36)

Relative spend on pay

The following table sets out the percentage change in payments to shareholders and the overall expenditure on pay across the Group.

	2018 £m	2017 £m	Change %
Dividends (note 9) to the financial statements)	**25.4**	25.4	–
Overall expenditure on pay (note 25 to the financial statements)	**151.8**	136.1	11

Statement of shareholder voting 2017

	Total votes cast	For[1]	(%)	Against	(%)	Votes withheld[2]
Approval of 2017 remuneration policy	81,796,628	80,461,069	98.37	1,335,559	1.63	1,544,071
Approval of 2017 remuneration report	81,783,527	80,258,348	98.14	1,525,179	1.86	1,557,172

Notes

1 The votes 'For' include votes given at the Chairman's discretion.

2 A vote 'Withheld' is not a vote in law and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

De La Rue carefully monitors shareholder voting on the remuneration policy and implementation and the Company recognises the importance of ensuring that shareholders continue to support the remuneration arrangements. All voting at the AGM is undertaken by poll.

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During 2017/18, the Committee also received advice from Willis Towers Watson. Willis Towers Watson has been formally appointed by the Remuneration Committee and advised on the structure, measures and target setting for incentive plans, executive remuneration levels and trends and Directors' remuneration report preparation. The Remuneration Committee requests Willis Towers Watson to attend meetings periodically during the year.

Willis Towers Watson is a member of the Remuneration Consultants' Group and has signed up to the code of conduct relating to the provision of executive remuneration advice in the UK. In light of this, and the level and nature of the service received, the Committee remains satisfied that the advice has been objective and independent.

Total fees for advice provided to the Remuneration Committee during the year by Willis Towers Watson were £87,130.

Dilution limits

The share incentives operated by the Company comply with the institutional investors' share dilution guidelines.

The Directors' remuneration report was approved by the Board on 30 May 2018 and signed on its behalf.

Statutory requirements

The Directors' remuneration report has been prepared on behalf of the Board by the Committee.

The Directors' remuneration report has been prepared in accordance with the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on pages 99 to 105 and to state that this section has been properly prepared in accordance with these regulations.

Sabri Challah
Chairman of the Remuneration Committee
30 May 2018

Directors' report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report, for the period ended 31 March 2018. The following also form part of this report:

- Pages 54, 55 and 57, which show the names of all persons who were Directors of the Company, together with their biographical details, at 31 March 2018. In addition, Rupert Middleton served as a Director of the Company until he stepped down from the Board on 20 July 2017 and Jitesh Sodha resigned from the Board on 19 March 2018
- The reports on corporate governance set out on pages 52 to 94
- Information relating to financial instruments, as provided in the notes to the financial statements
- Related party transactions as set out in note 28 to the financial statements
- Greenhouse gas emissions, set out on pages 49 and 50

Details of Committee membership for each Director are set out on page 61. Details of Directors' interests are set out on page 91 of the Directors' remuneration report.

Directors' report and Strategic report

The Directors of the Company are aware of their responsibilities in respect of the Annual Report and Accounts. The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Further information regarding related processes can be found in the Audit Committee report and Risk management sections of this annual report on pages 66 and 36 respectively. The Statement of Directors' Responsibilities appears on page 98.

Under the Companies Act 2006, a safe harbour limits the liability of Directors in respect of statements in and omissions from the Strategic report and the directors' report. Under English law, the Directors would be liable to the Company, but not to any third party, if the Strategic report or the Directors' report contain errors as a result of recklessness or knowing misstatement or dishonest concealment of a material fact, but would not otherwise be liable.

Management report

The Strategic report and this Directors' report together with other sections of this annual report incorporated by reference, when taken as a whole, form the management report as required for the purposes of Disclosure and Transparency Rule 4.1.5R.

Strategic report

The Board has prepared a Strategic report which provides an overview of the development and performance of the Group's business for the period ended 31 March 2018 and which covers likely future developments in the Group. The Chairman's overview, Chief Executive Officer's statement, business overviews, the strategic priorities, key performance indicators, regulation and market place report, functional and performance overviews, corporate responsibility report, financial review and managing our risks sections together provide information which the Directors consider to be of strategic importance to the Group.

Dividends

An interim dividend of 8.3p was paid on 3 January 2018 in respect of the half year ended 30 September 2017. The Board is recommending a final dividend of 16.7p per share, making a total for the year of 25p per share (2016/17: 25.00p per share).

Dividend details are given in note 9 of the financial statements. Subject to approval of shareholders at the AGM on 26 July 2018, the final dividend will be paid on 3 August 2018 to those shareholders on the register on 6 July 2018.

Share capital

As at 31 March 2018, there were 102,389,688 ordinary shares of $44^{152/175}$p each and 111,673,300 deferred shares of 1p each in issue.

Deferred shares carry limited economic rights and no voting rights. They are not transferable except in accordance with the articles of association.

The ordinary shares are listed on the London Stock Exchange.

Rights and restrictions on shares and transfers of shares

The rights and obligations attaching to the Company's ordinary and deferred shares, in addition to those conferred on their holders by law, are set out in the Company's articles of association, copies of which can be obtained from Companies House in the UK or the Group's website www.delarue.com. The key points are summarised below.

Voting

On a show of hands at a general meeting of the Company, each holder of ordinary shares present in person and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. Electronic and paper proxy appointments, and voting instructions, must be received by the Company's Registrar no later than 48 hours before a general meeting.

Exercise of rights of shares in employee share schemes

Awards held by relevant participants under the Company's various share plans carry no voting rights until the shares are issued. The Trustee of the De La Rue Employee Share Ownership Trust does not seek to exercise voting rights on existing shares held in the employee trust. No shares are currently held in trust.

Directors' report continued

Dividends and distributions to shareholders on winding up
Holders of ordinary shares may receive interim dividends approved by Directors and dividends declared in general meetings. On a liquidation and subject to a special resolution of the Company the liquidator may divide among members in specie the whole or any part of the assets of the Company and may, for such purpose, value any assets and may determine how such division shall be carried out.

Transfers of shares
The Company's articles of association place no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them except in very limited circumstances (such as a transfer to more than four persons). Certain restrictions, however, may from time to time be imposed by laws and regulations, such as the Financial Conduct Authority's Listing Rules, the City Code on Takeovers and Mergers or any other regulations.

Dealings subject to the Listing Rules and EU Market Abuse Regulation
In accordance with the Listing Rules of the Financial Conduct Authority and EU Market Abuse Regulation, Directors and other persons discharging managerial responsibilities of the Company, and in each case, any persons closely associated with them, are required to seek the prior approval of the Company to deal in the ordinary shares of the Company.

Shareholder agreements and consent requirements
There are no known arrangements under which financial rights carried by any of the shares in the Company are held by a person other than holders of the shares. The Company is not aware of any agreements between shareholders that may result in any restriction on the transfer of shares or exercise of voting rights.

Power to issue and allot

The Directors are generally and unconditionally authorised under authorities granted at the 2017 AGM to allot shares in the Company up to approximately one third of the Company's issued share capital or two thirds in respect of a rights issue. The Directors were also given the power to allot ordinary shares for cash up to a limit representing 10% of the Company's issued share capital as at 23 May 2017, without regard to the pre-emption provisions of the Companies Act 2006 (however, more than 5% can only be used in connection with an acquisition or specified capital investment).

No such shares were issued or allotted under these authorities and at present the Directors have no intention of exercising this authority, other than to satisfy share options under the Company's share option schemes and, if necessary, to satisfy the consideration payable for businesses to be acquired.

These authorities are valid until the conclusion of the forthcoming AGM and the Directors again propose to seek equivalent authorities at such AGM.

Details of shares issued during the year and outstanding options are given in notes 20 and 21 on pages 139 to 142 which form part of this report. Details of the share incentives in place are provided on pages 88 to 89 of the Directors' remuneration report.

Authority to purchase own shares

At the 2017 AGM, shareholders gave the Company authority to purchase up to 10,178,507 of its own ordinary shares representing 10% of its issued ordinary share capital either for cancellation or to be held in treasury (or a combination of these). No purchases have been made pursuant to this authority and a resolution will be put to shareholders at the 2018 AGM to renew the authority for a further period of one year.

Directors

Details of Directors' remuneration are provided in the Directors' remuneration report on pages 74 to 94. The interests of the Directors and their families in the share capital of the Company are shown on page 91 of the Directors' remuneration report which also includes information on the Company contracts of service with its Directors on page 90.

Appointment and removal of Directors
Rules regarding the appointment and removal of Directors are set out in the Company's articles of association.

Substantial shareholdings

As at 30 May 2018, the Company had received formal notification of the following holdings in its shares under the Disclosure and Transparency Rules of the Financial Conduct Authority. It should be noted that these holdings may have changed since the Company was notified, however notification of any change is not required until the next notifiable threshold is crossed.

Persons notifying	Date last TR1 notification made	Nature of interest	% of issued ordinary share capital held at notification date
Brandes Investment Partners, L.P.	19/07/2016	Indirect	9.97
Majedie Asset Management Limited	17/12/2015	Indirect	5.60
Schroders plc	13/11/2017	Indirect	5.15
Aberforth Partners LLP	09/04/2018	Indirect	5.11
Neptune Investment Management Limited	17/05/2017	Direct	5.09
Artemis Investment Management LLP	09/01/2018	Indirect	4.91
Crystal Amber Fund Limited	30/04/2018	Direct	3.11
Norges Bank	12/10/2017	Direct	3.03
Royal London Asset Management Limited	17/01/2017	Direct	3.02

Powers of Directors

Subject to the Company's articles of association, the Companies Act 2006 and any directions given by the Company in general meeting by a special resolution, the business of the Company is managed by the Board who may exercise all the powers of the Company, whether relating to the management of the business of the Company or not. The powers of the Board are described in the corporate governance statement on pages 56 to 60.

Indemnity

At the date of this report, the Company has agreed, to the extent permitted by the law and the Company's articles of association, to indemnify Directors and officers in respect of all costs, charges, losses, damages and expenses arising out of claims made against them in the course of the execution of their duties as a Director or officer of the Company or any associated company. The Company may advance defence costs in civil or regulatory proceedings on such terms as the Board may reasonably determine but any advance must be refunded if the Director or officer is subsequently convicted. The indemnity will not provide cover where the Director or officer has acted fraudulently or dishonestly.

The Group also maintains Directors' and officers' liability insurance cover for its Directors and officers. This cover extends to directors of subsidiary companies.

Amendment of articles of association

The articles of association may be amended by special resolution of the shareholders.

Change of control

Contracts

There are a number of contracts which allow the counterparties to alter or terminate those arrangements in the event of a change of control of the Company. These arrangements are commercially sensitive and confidential and their disclosure could be seriously prejudicial to the Group.

Banking facilities

The credit facility between the Company and its key relationship banks contains a provision such that, in the event of a change of control, any lender may, if it so requires, notify the agent that it wishes to cancel its commitment whereupon the commitment of that lender will be cancelled and all its outstanding loans, together with accrued interest, will become immediately due and payable.

Shareholders at the 2017 AGM approved a proposal to increase the borrowing limit in the articles of association from £250m to £325m.

Employee share plans

In the event of a change of control, automatic vesting would occur in accordance with the relevant scheme or plan rules.

Political donations

The Group's policy is not to make any political donations and none were made during the period. However, it is possible that certain routine activities may unintentionally fall within the broad scope of the Companies Act 2006 provisions relating to political donations and expenditure. As in previous years, the Company will therefore propose to shareholders at the forthcoming AGM that the authority granted at the AGM in July 2017 regarding political donations be renewed.

Essential contracts or other arrangements

The Group has a number of suppliers of key components, the loss of which could disrupt the Group's ability to deliver on time and in full. See more details on page 38.

Branches

De La Rue is a global company and our activities and interests are operated through subsidiaries, branches of subsidiaries and associates which are subject to the laws and regulations of many different jurisdictions. Our subsidiaries and associates are listed on pages 148 to 149.

Acquisitions and disposals

On 29 March 2018, the Company completed the sale of Portals De La Rue Limited, the Group's paper business, to EPIRIS Fund II (see note 5 to the financial statements for more details).

Going concern

As described on page 111, the Directors continue to adopt the going concern basis (in accordance with the guidance 'Going Concern and Liquidity Risk Guidance for Directors of UK Companies 2009' issued by the FRC) in preparing the consolidated financial statements.

Disclosures required under UK Listing Rule 9.8.4

There are no disclosures required to be made under the UK Listing Rule 9.8.4 not already reported by reference within the Annual Report.

Auditor and disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given, and should be interpreted, in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

Ernst & Young LLP have expressed their willingness to be re-appointed as auditor of the Company. A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the forthcoming AGM.

Corporate governance continued

Directors' report continued

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the annual report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

Each of the persons who is a Director at the date of approval of this report confirms that to the best of his or her knowledge:

- The Group financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic report on pages 1 to 51 and the Directors' report on pages 52 to 98 include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's financial position, performance, business model and strategy

The Strategic report and the Directors' report were approved by the Board on 30 May 2018.

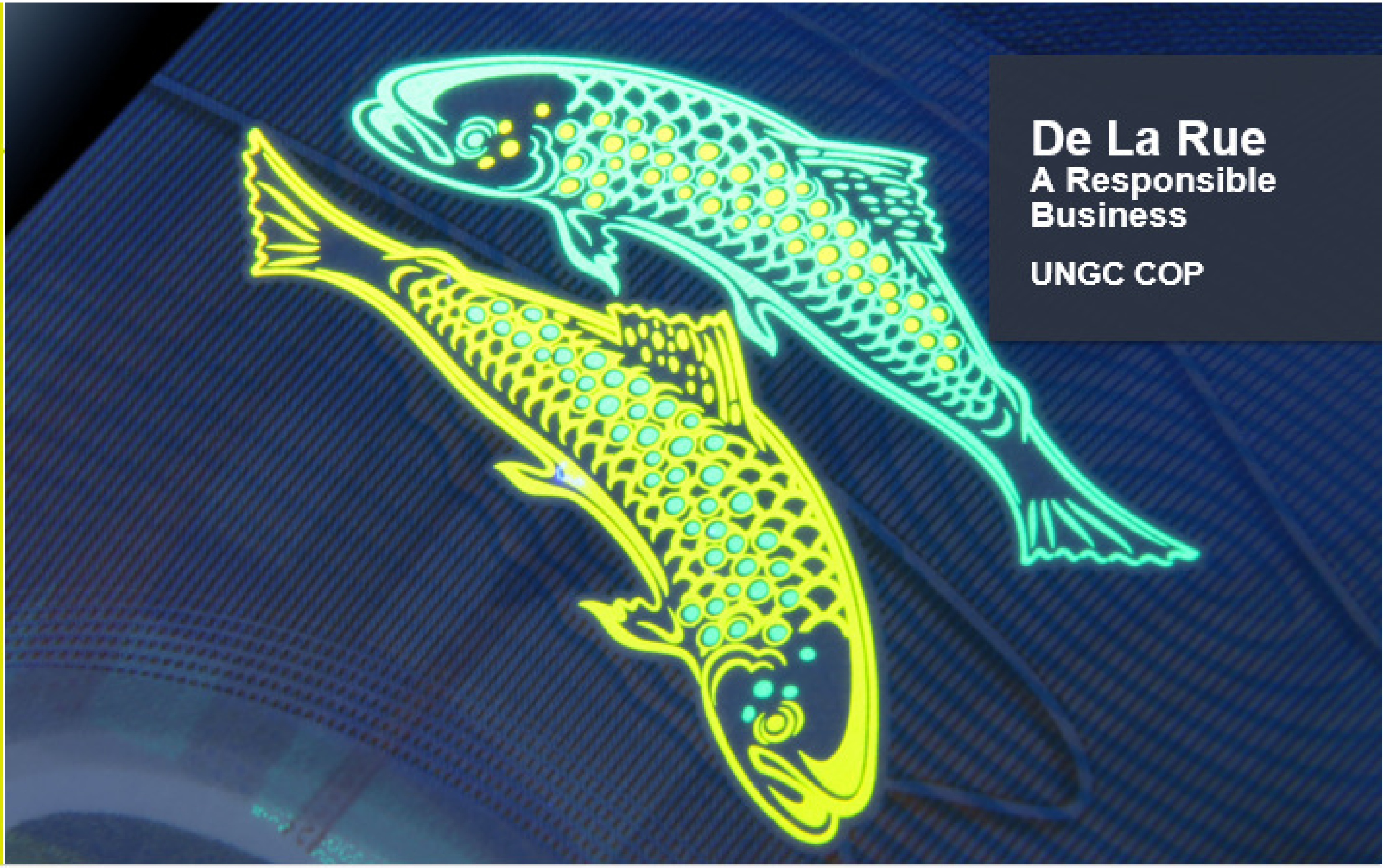
By order of the Board

Edward Peppiatt
Company Secretary
30 May 2018

DeLaRue

De La Rue
A Responsible Business

UNGC COP



De La Rue's Responsible Business Report can be found within our 2017/18 Annual Report

Global Compact Scope or Principle	Criteria for Global Compact Advanced Level	The De La Rue approach	Where to find out more (hyperlinks)
Implementing the 10 Business Principles into Strategies and Operations	Criterion 1: The COP describes mainstreaming into corporate functions and business units	At De La Rue, **we recognise the importance of Responsible business activity becoming integrated into business as usual**. Sustainable development outcomes are embedded within our brand purpose, to enable everyone to participate securely in the global economy. Our mission, our method of realising this, is to provide governments and commercial organisations with the products and services that enable countries to trade, companies to sell, economies to grow and people to move securely around an ever-more connected world. Whilst De La Rue is proud of its charitable giving and the fundraising efforts of staff around the world, we increasingly hear from our customers that **the biggest impact we can have as a business is to engage in the sustainable development efforts of our customers and amplify them through our direct business dealings, all the while with the highest standards of governance and ethics.** As part of our continued commitment to the UN Global Compact and its principles, we have assessed our materiality against the SDGs with some of our key partners and stakeholders and understood where we have most impact, both positive and negative. Our latest work to amplify and mitigate these respectively are detailed in this annual report. Our supplement sustainability report further details	**Annual Report 2018** **Our Strategy** **Our Vision** **Annual Report 2018 videos** **Code of Business principles** **Our Governance procedures** **Our Policies and Procedures** **Code of Business Principles** **Code Line** **Ethics Committee** **Ethics Champions** **UK Recruitment Policy** **Anti-Harassment Policy**

		our ongoing policies and procedures across our commitments to Human Rights, Labour Rights, Anti-corruption and the Environment and combined, these two documents make up our Communication of Progress to the UN Global Compact.	**Anti-slavery and Human trafficking policy**
	Criterion 2: The COP describes value chain implementation	At De La Rue, we recognise the importance of integrating Responsible Business activities into business as usual. This is the only way to achieve the UN's Sustainable Development Goals (SDGs**). Over the last year, we engaged our employees, customers, investors and suppliers in order to help understand our impacts, our responsibilities, our associated risks and our opportunities. We have begun incorporating our sustainability thinking into our different functional teams and are working to consistently measure and report our impact and actions to meet both statutory and non-statutory requirements**. In 2017, we worked with PWC to analyse 65 key suppliers in order to identify the level of their understanding of their social, economic and environmental impacts. We also evaluated their approach to ethics so that we could fully understand and drive responsible business activity in our supply chain. Suppliers were included in the project according to the following criteria: high De La Rue spend; perceived modern slavery risk; and maturity of CSR understanding. A series of questions helped determine the suppliers' understanding of CSR, the KPIs or metrics they used to assess their impact, and how they control their supply chain - as well as their policies and procedures on slavery and human trafficking. *The survey found that most, but not all, suppliers have a CSR or sustainability policy at a corporate level but some do not necessary publish them publically. Three suppliers requested De La Rue input into drafting policies. The majority of suppliers have policies and standards related to Human Trafficking and Slavery. We noted that*	**Annual Report** **SDG alignment in 17/18 Annual Report** **Inclusion and Diversity interview with Richard and Jo** **BNEI Board Membership** **SIA membership** **Bank of England Joint Charter case studies**

		9 suppliers did not have specific policies, however domestic country-specific laws essentially covered this topic. Anti-bribery and corruption policies are well established across all the suppliers we assessed. Most suppliers provided comprehensive responses accompanied by internal and external documentation illustrating their policies on anti-corruption. Based on our findings, we are creating a specific **De La Rue supplier CSR and sustainability policy**, and will embed this into business-as-usual procurement governance processes. We have supported this robust approach by reviewing the awareness of sustainability issues in the procurement team. Through a partnership with Optimor we are **streamlining our talent acquisition process while ensuring fair recruitment processes**. For example, we have introduced blind CVs. We have also updated our careers page and have highlighted our commitments to ethics and wider sustainability to ensure we only attract socially minded employees. All HR and hiring managers in the UK have been trained on the new system. We are now **three years into a five-year programme to change the way our sales partners are remunerated**. Our aim is to reduce risk to the business while recognising all the work carried out by our partners, which may not always result in an order. A rolling Agent Transition Plan is being used to change partner remuneration as agreements become due for renewal. The majority of partners are now engaged under the new scheme, which is based on Banknote Ethics Initiative commitments - and we believe that we are one of the Initiative's leading members in this respect. We are **members of the ICC Anti-corruption Committee and the Business Ethics Initiative**. We regularly participate in high-level round table discussions with HMG to discuss how they can work more effectively and collaboratively with UK businesses to tackle corruption	

		associated with exports to countries with high ratings on the corruption index. (SDG 16 and 17) We work to ensure that **we drive best practice in our industry through our Board memberships of the Banknote Ethics Initiative and the Secure Identity Alliance**. Both have strong codes of conduct and we will continue to use our influence to push for further transparency and accountability in our sector.	

DeLaRue

Human Rights Management Policies and Procedures

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights. **Principle 2: Businesses should make sure that they are not complicit in human rights abuses**	Criterion 3: The COP describes robust commitments, strategies or policies in the area of human rights Criterion 4: The COP describes effective management systems to integrate the human rights principles Criterion 5: The COP describes effective monitoring and evaluation mechanisms of human rights integration	**Our brand purpose is to enable everyone to participate in the Global Economy** through our core products and services that underpin the integrity of trade, personal identity and the movement of goods. **We work with international partners to lend our experience and expertise in developing processes and systems to support human rights.** One example of this is our participation at the UN Global Compact for Safe, orderly and regular migration as a specially accredited organisation. Our **Code of Business Principles** (CBP) ensures that all employees uphold our values and principles. 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. **Our policy is to treat all employees fairly and equally in recruitment, training, development, promotion and in their terms and conditions of employment. This is irrespective of their gender, transgender status, sexual orientation, religion or belief, marital status, civil partnership status, age, colour, nationality, national origin, disability or trade union affiliation**. Our focus this year has been on deepening our understanding of what inclusion and diversity means in practice and how it is advantageous to	**Annual Report** **Our Mission** **Our Purpose** **Our Values** **Gender Pay Gap Disclosure** **Ethics Committee** **Remuneration Committee** **Centre for Learning** **Risk Committee** **UN Global Compact for Migration Participation** **Policies and procedures** **UK Recruitment Policy** **Anti-Harassment Policy**

		our business. We have also concentrated on identifying why getting this right is so critical to wider society as well as our business, and on providing our managers with further tools and training to recognise and be ready to respond to any issues. As detailed last year, our mission is to have an inclusive and diverse workforce. We aim to: • **Employ a diverse workforce which reflects our communities and customers** Through a partnership with Optimor we are streamlining our talent acquisition process while ensuring fair recruitment processes. For example, we have introduced blind CVs. We have also updated our careers page and have highlighted our commitments to ethics and wider sustainability to ensure we only attract socially minded employees. All HR and hiring managers in the UK have been trained on the new system. • **Benefit from advantages of a diverse workforce, where inclusion becomes the normal way of working** We have commenced the roll-out of unconscious bias training sessions across our UK sites. The sessions encourage functional teams to celebrate diversity, to understand biases and how they work, and to identify how we can ensure that we encourage diversity and inclusion in our everyday working. • **Celebrate diversity by recognising that everyone is an individual and has a contribution to make** During the year, we delivered Insights personality training sessions to functional teams. In addition, we established a Women's Network in our Viables site and hosted three networking events to encourage women's equal participation in the workplace.	**Anti-slavery and Human trafficking policy** **Code of Business Principles** **Escalation Procedure** **Code Line** **UK Grievance Procedure** **UK Disciplinary Appeals Procedure** **UK Grievance Procedure** **Employee Assistance Programme** **Mental Health First Aiders** **Trade Unions engagement statement**

• Eliminate the gender pay gap
As at 5 April 2017, we had a gender pay gap of 10.04% (mean) or 9.74% (median). This is less than the UK figure of 17.4% (ONS provisional mean) or 18.4% (ONS provisional median, October 2017). As part of our Inclusion and Diversity Strategy we have a long-term commitment to eliminate this gap. See our supplement report for full details as reported on 12 January 2018. We can confirm that the data published in our report satisfied the requirements of the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

Furthermore, our ambition is to improve female representation at senior and executive management levels of the business to 25% by 2020.

Gender diversity as at 31 March 2018

Gender diversity as at 31 March 2018	Female	Male	Female	Male
Employees	845	1874	31%	69%
Senior Management	7	30	19%	81%
Executive Management	1	6	14%	86%

We fully support the principles set out in the UN Declaration of Human Rights, in particular with regard to equal opportunity and freedom from discrimination. We have effective management systems in place to protect human rights. **Our Code of Business Principles (see governance section) covers human rights issues including employment principles, health and safety, anti-bribery and corruption and the protection of personal information.**

The Code also embraces whistleblowing– we seek to provide an environment where employees can raise concerns via a variety of mechanisms, including a Code Line which is managed by an external third party, an internal Ethics Committee to which issues can be flagged

		and a network of Ethics Champions across the group where issues can be raised in confidence. Every manager and employee has responsibility for the implementation of our **equal opportunity policy and training** is provided to employees and newly appointed line managers in equal opportunities and associated policies and procedures such as stress management, grievance and anti-harassment. The business has in place remedial processes should there be any human rights infringements including claims procedures and trade union engagement procedures. The business has an HR team at each site which is sensitive to local issues. All employees sign the Code of Business Principles as part of their contract with De La Rue. Inclusion and Diversity activities are ongoing in the business, from unconscious bias training for all managers, insights personality sessions for all teams around the company, and a new recruitment process which will use blind CVs to limit possibilities for discrimination. Our **Ethics Champions** at each site are passionate volunteers who provide channels of communication to all employees and can support escalation and grievance procedures. Our Ethics Champions ensures that each site has local support and representation for Code of Business Principles matters and continues to play an integral part in ensuring that strong De La Rue values are embedded across the business. Our **Communications Champions** too are volunteers who take on a role to enable colleagues to raise concerns and be supported.	

		We have also introduced **Mental Health First Aiders** in our Head Office Site this year. These volunteers are trained to offer support and to steer their colleagues to the appropriate support procedures in the company and externally as requested. In the event of an escalation and infringement on human rights, we have discrimination claims procedures which includes tribunals, Trade Unions engagement procedures. Risks of this nature are actively managed in our Risk Management process. **De La Rue takes its responsibilities for supporting Human Rights very seriously and has robust measuring mechanisms in place to ensure that they are upheld**. This ranges from monitoring the signature of the Code of Business Principles forms completed at joining the company, to receiving statistics about employee welfare from the Employee Assistance Programme. We also monitor reports from Code Line and ensure that we gather feedback and concerns from our networks of Communications Champions and Ethics Champions at all of our sites.	

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Labour Management Policies and Procedures

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. **Principle 4: The elimination of all forms of forced and compulsory labour.** **Principle 5: The effective abolition of child labour.** **Principle 6: The elimination of discrimination in**	Criterion 6: The COP describes robust commitments, strategies or policies in the area of labour	**Zero tolerance of modern slavery and human trafficking** Recognising that our responsibilities extend beyond our own organisation, we work closely with main suppliers and contractors to ensure that their health and safety processes are robust. We take a firm approach to slavery and human trafficking. We are absolutely committed to preventing slavery and human trafficking in our corporate activities, and in our supply chains. Our **Modern Slavery Transparency statement** sets outs our stance in compliance with the Modern Slavery Act 2015. Suppliers are obliged to abide by the United Nations Convention on the Rights of the Child and International Labour Organisation Conventions 138 and 182. As part of our ongoing procurement programme, we monitor our key cotton comber and linter suppliers. During the year, we experienced zero prosecutions for infringing health and safety laws or regulations. All our main manufacturing sites have maintained **OHSAS18001 certification for their health and safety management systems**, following external audits by accredited providers. **Right to collective bargaining and freedom of association** During the year, we successfully concluded an agreement with the local trade union in Malta regarding our employees. This agreement ensures a further three years of good working conditions and higher than local average wages for our people, as well as a positive outcome for our organisation. We have set new objectives for Health and Safety and Labour rights for 2018/19. These are: • To maintain a world class Lost Time Injury Frequency Rate per 200,000 worked hours of less than 0.6 (LTIFR)	**Annual Report** **Implementing standards** **Malta collective bargaining case study** **Ethics Committee** **Policies and Procedures** **Ethics champions** **Code of Business Principles** **UK Employee Forum – The transnational Information and Consultation of employee Regulations- UK** **European Employee Forum - European works council directive** **Modern Slavery act statement** **UK Migrant worker policy**

respect of employment and occupation		- To maintain our strong HSE training delivery performance of over 2,000 man-days per year - To achieve >92% of conformance to our Zone ‘SAFE’ EHS inspections programmes - To cascade more certified (e.g. NEBOSH, IOSH) H&S training and deliver four ‘SAFE’ training modules	**UK Policy for the appointment of contractors** **UK Recruitment Policy** **UK Security Screening Policy** **DLR Redundancy Policy** **UK Retirement Policy** **UK Disciplinary** **UK Grievance Procedure** **UK Flexible working policy** **UK migrant worker policy** **Global Stress management Policy** **Sri Lanka – Employment of women, young person and children Act** **Sri Lanka – Termination of employment Policy** **Sri Lanka – Trade unions**

			Sri Lanka – Collective agreement Kenya – The Constitution of Kenya Labour Relations Kenya – Employment Act Kenya – Labour institutions Act Kenya – Labour Relations Act Kenya Occupational Health and safety Act Kenya – Work injuries benefit Act Kenya – national Hospital Insurance Fund Act Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87)

			Right to Organise and Collective Bargaining Convention, 1949 (No. 98) Forced Labour Convention, 1930 (No. 29) Abolition of Forced Labour Convention, 1957 (No. 105) Minimum Age Convention, 1973 (No. 138) Worst Forms of Child Labour Convention, 1999 (No. 182) Equal Remuneration Convention, 1951 (No. 100) Discrimination (Employment and Occupation) Convention, 1958 (No. 111)

	Criterion 7: The COP describes effective management systems to integrate the labour principles Criterion 8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration	At De La Rue, **we monitor labour rights through certain KPIs** which include – internal training uptake such as training for staff e.g. Making Good Safety Decisions, unconscious bias training. Health and Safety indicators include – Lost time accidents, Sickness, Near Miss Reporting, training days, Employee Assistance Programme usage, UK payment policy We conduct both **internal and external audits** for Health and Safety, Environment, OHSAS 18001, Machine safety and compliance audit, Labour rights governance structures amongst others. The business has in place remedial processes should there be any labour rights infringements including claims procedures and trade union engagement procedures. The business has an HR team at each site which is sensitive to local issues All employees sign the **Code of Business Principles** as part of their contract with De La Rue Our **Ethics Champions** at each site are passionate volunteers who provide channels of communication to all employees and can support escalation and grievance procedures. Our Ethics Champions ensures that each site has local support and representation for Code of Business Principles matters and continues to play an integral part in ensuring that strong De La Rue values are embedded across the business. Our **Communications Champions** too are volunteers who take on a role to enable colleagues to raise concerns and be supported.	**Annual Report** **Code of business principles** **Gender pay gap reporting** **Policies and Procedures** **Modern Slavery Statement** **Inclusion and Diversity** **Learning and Development** **Women's Network** **Employee Survey** **Employee Forum – UK and European** **Trade union consultations** **Communications champions** **Ethics Champions**

		De La Rue takes its responsibilities for supporting Labour Rights very seriously and has robust measuring mechanisms in place to ensure that they are upheld. This ranges from monitoring the signature of the Code of Business Principles forms completed at joining the company, to receiving statistics about **employee welfare** from the **Employee Assistance Programme**. We also monitor reports from Code Line and ensure that we gather feedback and concerns from our networks of Communications Champions and Ethics Champions at all of our sites. In the event of an escalation and infringement on labour rights, we have discrimination claims procedures which includes tribunals, Trade Unions engagement procedures. Risks of this nature are actively managed in our Risk Management process. To ensure fair and equal labour rights in the organisation, **De La Rue has a robust management process around Personal Performance Reviews, Talent and performance Capability Reviews, Personal Enhancement Plans, Personal Development plans**. These are accompanied by rigorous and transparent talent calibration reviews and regular reviews of sales commissions and bonus structures.	

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Environmental Management Policies and Procedures

Principle 7: Businesses should support a precautionary approach to environmental challenges. **Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.** **Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies**	Criterion 9: The COP describes robust commitments, strategies or policies in the area of environmental stewardship	**At De La Rue we provide training across all areas of occupational health, safety, environment and fire safety and we deliver some 2000 man days of recorded training each year across these disciplines.** Our **Group HSE Sustainability policy** lays out our environmental aims and our overall sustainability aims which include compliance to all applicable environmental legislation and other requirements and any applicable environmental permits. Overall we ensure that adequate resources are made available to ensure our environmental management system is supported to identify significant impacts and risks to our business. We aim to reduce the HSE impacts of our operations products and services by using HSE good practice solutions. We publicly report on our HSE performance via our annual report and website. All of our main sites are certified to **ISO14001:2015** and most of these sites are now under the Group ISO Certification for this standard and the final two sites are being incorporated under the Group in 2019/20. We **track key environmental KPIs on a monthly basis** (waste, energy, water usage) and this data is also confirmed at each financial year-end where sites complete an environmental questionnaire to create an overall environmental summary using DEFRA conversion factors to provide annual reporting on our environmental performance (GHG/Carbon) for our stakeholders. We also subscribe to the Carbon Disclosure Project and FTSE4Good. As well as having environmental qualifications and capability at Group level, **all of our Site HSE Advisers also have formal environmental qualifications** and we continue to develop these roles along with general environmental education at each of the sites. Our three year HSE strategy plan includes an environmental sustainability row which includes the overall aims over the next three years. This is supported by a tactical implementation plan covering environmental sustainability.	**Annual Report** **Bank of England Carbon Trust accreditation** **ISO 14001 certification** **GHG table** **SAFE Campaign** **Gateshead energy saving case study** **Policies and Procedures** **Group HSE Sustainability Policy**

		Our **Code of Business Principles** training and booklet covers HSE subject area as a priority reinforcing our ethical values in this area. By planning ahead and striving towards environmentally friendly approaches to doing business, we are able to minimise risk and our negative impact on our local environment, while ensuring the sustainability of the products we offer and securing the future of our manufacturing sites. We undertake a competence review on an annual basis for key HSSE leaders in the business and through the HSSE structure to ensure we maintain continuing professional development and strong skills on environmental aspects. The cascade process to ensure employees are correctly informed about environmental measures, business values, behaviours and performance requirements are included in induction training and followed up with local departmental training as appropriate for the aspects and impacts concerned. Employee HSE Information Booklets are also provided to support induction training sessions. **We were pleased to have met the following 2017/18 environmental objectives**: • To continue with our ISO14001 certification alignment for all manufacturing sites to ensure all sites are covered by the central certificate and one external audit process. Apart from Sri Lanka & Kenya which are scheduled for end of 2019, all sites have the central certificate. We will be meeting the new ISO14001:2015 standard as recommended for transition • To reduce our greenhouse gas emissions in tCO2e related to output by 2% per annum over a three year period ending 2017/18 • To reduce solid waste sent to landfill by 2% related to output per annum over a three year period ending 2017/18	

		• To develop a wider sustainability programme covering HSE, tracked by KPIs. We are now tracking several environmental KPIs and working to set new science-based targets at end of 2018/19 **Our goals/objectives for 18/19 are:** • To measure key environmental KPIs in the changed business during the year to enable the business to set science-based targets that are realistic for the next two to three years • To review all products and main processes, identifying all significant carbon impacts in order to drive an investment and change programme • To review our supply chain in order to improve our sustainable procurement and reduce carbon impact • To include Sri Lanka and Kenya in our ISO14001:2015 Group Certification by the end of 2019	
	Criterion 10: The COP describes effective management systems to integrate the environmental principles	By planning ahead, we are able to minimise risk and our impact on our local environment, while ensuring the sustainability of the products we offer and securing the future of our manufacturing sites. **Businesses should support a precautionary approach to environmental challenges;** • We are aiming towards zero to landfill with a marked reduction year on year. • We set ourselves ambitious goals – last year we aimed and achieved 2% reduction strategies/goals.	**Annual Report** **Bank of England Carbon Trust accreditation with Thinkstep case study** **GHG emissions table** **Yes Recycling partnership**

		• We have a combined Group HSE Sustainability Policy and certification to 14001 to promote sharing of best practices across our global footprint. • We have created a partnership with Yes Recycling which enables recycling of polymer banknotes **Undertake initiatives to promote greater environmental responsibility;** • We continue to install LED lighting across many sites as we refurbish areas • We helped the Bank of England to obtain Carbon Trust certification for the new polymer £5 and £10 – mapping out the lifecycle of our products • We have started a review of supply chain ethics and will continue to work with our key suppliers towards improved environmental stewardship • Technical manual within our R&D function reviews and assesses Environment impacts of new products/security features being developed – examples exist but due to commercial sensitivities are not available for disclosure	**Policies and Procedures** **Group HSE Sustainability Policy**
	Criterion 11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship	At De La Rue we take our environmental responsibilities very seriously. **Each manufacturing site has at least one Health, Safety and Environment advisor. We are proud to have all of our sites under a group ISO 14001 certification which provides our management system and documentation to manage environmental stewardship.** Our efforts are supported from the Executive Leadership team and is supported on a daily basis by the Group HSE manager and the Group HSE Committee.	**Annual Report** **Ethics Committee** **Governance procedures** **Policies and Procedures** **Group HSE Sustainability Policy**

		We have **environmental incident reporting mechanism** across all sites as well as alternative channels through Ethics Champions and Communications Champions networks. These are in place to ensure employees are empowered to raise any environmental concerns. Procedures to deal with any concerns are in accordance with group policies and processes including access to the whistleblowing hotline Code Line as well as internal grievance and escalation procedures. Our Leadership conducts an internal environmental audit every 2 years at every site. These reviews are against the group environmental standards. Senior Management reviews the Group's 14001 Management each year. Site level management reviews these every 6 months and feeds the relevant information into the Group Review. Incidents are raised at the local level as a non-conformance under 14001 and investigated with corrective actions according to the EMP006 document. Concerns are handled by raising a corrective action report after the investigation. There is always a full audit trail.	**Ethics Committee** **Code of Business Principles** **14001 Guidelines** **Communication Champions** **Ethics Champions** **Code Line** **EMP006 Documentation**

Anti-Corruption Management Policies and Procedures

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	Criterion 12: The COP describes robust commitments, strategies or policies in the area of anti-corruption	**We help to build strong institutions, creating trust and encouraging inclusive and fair societies. It's what we do and have done for over 200 years.** We continue to **support Global anticorruption efforts** through the provision of our core products and services. In order to function, central government cash, identity and authentication services require integrity, robustness and trust to be built-in. This not only determines how we act as a supplier, but also means that we strive to design solutions that can be implemented by the customer. Whether digital services or physical documents, our solutions have anti- corruption and anti-counterfeit features built into their core. **Our membership of the UNGC helps us to amplify our efforts with our customers as well as our ethical behaviour in our business, our industry and our supplier base.** Membership helps to ensure that governance and ethics remain at the heart of the products and services we provide to customers. **Our Code of Business Principles** (CBP) outlines De La Rue's core commitments, what they mean and how they should be implemented at all levels within the company. **It applies to employees as well as contractors, suppliers, joint venture partners and representatives of De La Rue worldwide.** A booklet outlining De La Rue's CBP is issued to all new joiners who are **required to read the details then sign and return a declaration form to confirm that (1) they have received, read and understood the CBP, (2) they understand their responsibilities and obligations under this code, (3) if they are uncertain they will seek advice and (4) if they are aware of any breaches of the Code which are**	**Annual Report** **Ethics Committee** **Ethics Champions** **Code of Business Principles** **Ethics Video** **Third Party partners case study** **Policies and Procedures** **Code Line** **Bribery and corruption group policy – summaries on our website audited by Good Corporation** **Third party partner policy**

		ongoing, they will raise this through the appropriate channels. Guidance is given on the routes individuals can take to raise concerns, including the confidential option of using the De La Rue Code Line, which is managed by a third party on behalf of De La Rue. The principles we uphold are: **Health, safety and the environment** *we are committed to keeping our employees safe in the workplace and behaving in an environmentally responsible manner* **Fairness and respect** *we work hard to create an environment where everyone is treated fairly* **Records and reports** *we will ensure our records and reports are accurate and true* **Conflicts of interest** *we will not allow personal or family interests to influence our professional judgement or activities* **Protecting personal information** *we will protect personal information and use it only in accordance with data protection law* **Competition and anti-trust laws** *we are committed to competing in an open and fair manner* **Bribery and corruption** *we will ensure that neither we nor our representatives offer, pay, seek, accept or encourage bribes* **Gifts and hospitality** *we can offer and accept only modest and appropriate gifts and hospitality* **Insider trading and confidential information** *we will not use confidential or inside information for our own or others' personal gain*	

		The De La Rue Code of Business Principles is **endorsed by our CEO and supported by our Executive Leadership Team and Board through the Ethics Committee** established in 2013. They meet twice per year. Our Code of Business Principles provides the structure of our policies and procedures in terms of ethics and Anti-corruption. We have a strong Third Party Partners due diligence processes which is mirrored in our procurement function. All of our Commercial teams are trained and monitored for Anti-Bribery and Corruption training and conduct. **Ethics is critical to De La Rue and we ensure that all employees and partners realise the importance as soon as they engage with De La Rue**. HR conducts security Screening for all new applicants and every new starter signs the Ethics form and the code of business principles. We ensure that our **Corporate Ethics Video is shown at induction**. Further examples of anti-corruption and ethics: • We are members of the International Chamber of Commerce Anti-corruption Committee and the Banknote Ethics Initiative (BnEI). We regularly participate in high level round table discussions with the UK Government to discuss how they can work more effectively and collaboratively with UK businesses to tackle corruption associated with exports to countries with high ratings on the corruption index (SDG 16 and 17) • We work to ensure that we drive best practice in our industry through our board memberships of the BnEI and the Secure Identity Alliance. Both have strong codes of conduct and we will continue to use our influence to push for further transparency and accountability in our sector	

		• We are working in collaboration with the Bank of England to align and improve the implementation of our approaches to embed sustainability principles in our supply chains, as part of our Joint Charter (SDG 12) **Goals and objectives for the BnEI, and for our own ethics management:** • Continue to advocate for better collaboration between UK Government and businesses to tackle corruption and to export British integrity standards • Advocate for countries to include weighted ethical requirements and support of relevant SDGs in their central government tender processes • Help central banks implement De La Rue Analytics™ to enable accurate data-driven forecasting and procurement • Implement an Anti-Bribery and Corruption annual affirmation to be conducted by the Senior Leadership Group and customer facing personnel. The aim is to remind people of their obligations and confirm that they comply with legislation and our Code of Business Principles • Create and roll-out a Supplier Code of Conduct **Goals and objectives for Banknote Ethics Initiative, and for our own ethics management:** • Continue to advocate for better collaboration between HMG and UK businesses to tackle corruption and to export British integrity standards.	

		• Advocate for countries to include weighted ethical requirements and support of relevant Sustainable Development Goals in their central government tender processes. • Help central banks implement De La Rue Analytics to enable accurate data-driven forecasting and procurement. • Implement an Anti-Bribery and Corruption annual affirmation to be conducted by the Senior Leadership Group and customer facing personnel. The aim is to remind people of their obligations and confirm that they comply with legislation and our Code of Business Principles • Create and roll-out a Supplier Code of Conduct	
	Criterion 13: The COP describes effective management systems to integrate the anti - corruption principle	We are now **three years into a five-year programme to change the way our sales partners are remunerated**. Our aim is to reduce risk to the business while recognising all the work carried out by our partners, which may not always result in an order. A rolling Agent Transition Plan is being used to change partner remuneration as agreements become due for renewal. **The majority of partners are now engaged under the new scheme, which is based on Banknote Ethics Initiative commitments - and we believe that we are one of the Initiative's leading members in this respect**. We are **members of the ICC Anti-corruption Committee and the Business Ethics Initiative**. We regularly participate in high-level round table discussions with HMG to discuss how they can work more effectively and collaboratively with UK businesses to tackle	**Annual Report** **Ethics Committee** **Risk Committee** **Code of Business principles** **Third Party Partners case study** **Memberships of ICC, BEI, BNEI, SIA**

		corruption associated with exports to countries with high ratings on the corruption index. (SDG 16 and 17) We work to ensure that we drive best practice in our industry through our Board memberships of the Banknote Ethics Initiative and the Secure Identity Alliance. Both have strong codes of conduct and we will continue to use our influence to push for further transparency and accountability in our sector. We have carried out a study with our key suppliers on ethics.	**Ethics in Supply chain case study** **Policies and Procedures** **Ethics Champions** **Code Line**
	Criterion 14: The COP describes effective monitoring and evaluation mechanisms for the integration of anticorruption	Our policy is to ensure that Human Resources security screen new job applicants prior to offer. Every new starter signs the Ethics form and the code of business principles and our Corporate Ethics Video is shown at Induction. **To ensure that employees continue to act in a responsible way, we monitor anti-corruption practices and engagement in several ways including an employee survey which asks whether 'De La Rue encourages you to act in an honest and ethical way'.** **We provide refresher training on the Code of Business Principles and pre-conference training for our commercial teams to avoid anti-competitive behaviour.** We have Ethics Champions in all sites who are trained and who come together for a conference every 18 months where we can share experiences and best practice approaches to embed responsible behaviour. We also have a **central Gift Register** which all employees must keep up to date.	**Annual Report** **Ethics Committee** **Policies and Procedures** **Ethics Champions** **Code of Business Principles** **Security Screening Policy** **Central Gift Register** **Code Line** **BNEI** **Good Corporation Audit**

		Our leadership team reviews reports from our monitoring systems and processes on a six-monthly basis. **Review mechanisms** include Ethics Committee meetings, Agent Transition Plan steering committee meetings, Code Line reports and Gift register reports Audits of our policies and procedures are carried out by the Good Corporation as part of our board membership of the Banknote Ethics Initiative.	

Taking Action in Support of Broader UN Goals and Issues

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<tr>
<td>Scope: Taking Action in Support of Broader UN Goals and Issues</td>
<td>
Criterion 15: The COP describes core business contributions to UN goals and issues

Criterion 16: The COP describes strategic social investments and philanthropy

Criterion 17: The COP describes advocacy and public policy engagement

Criterion 18: The COP describes partnerships and collective action
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To understand **our alignment to the Sustainable Development Goals**, an internal team conducted an audit. This is available in our Annual report. Case studies and evidence for this can be found in our 17/18 Annual Report.

Sustainable development lies at the heart of our business – to enable everyone to participate securely in the global economy. **We provide governments and commercial organisations with the products and services that enable countries to trade, companies to sell, economies to grow and people to move securely around an ever-more connected world.**

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<u>Annual Report</u>
Responsible Business Section
Strategic Report case studies with SDG Icons

<u>Policies and Procedures</u>
Physical Security
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Business Continuity Management
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		While we are proud of our charitable giving and the fundraising efforts of staff around the world, we increasingly hear from our customers that we can achieve the greatest impact by active collaboration on sustainable development efforts. By working together, we can amplify the impact of our sustainability initiatives while supporting the highest standards of governance and ethics. As part of our continued commitment to the UN Global Compact and its principles, we have assessed our materiality against the UN Global Compact Sustainable Development Goals (SDGs) with some of our key partners and stakeholders and gained a detailed understanding of where we have most impact, both positive and negative. **ENABLING PARTICIPATION** Financial and social inclusion are two of the biggest challenges today. According to the World Bank, 37% of the world's population do not have a bank account. 85% of worldwide payments are still made with cash. 1 in 6 women say that a lack of identity documents is the reason why they can't open a bank account. In 2017, there were an estimated 258m international migrants globally. 66.5m people were forcibly displaced, of which 22.5m were refugees. International cooperation and trust in legal identities has never been more important to ensure that people's human rights are protected wherever they are. Now more than ever, it is critical for governments to be able to support their populations with robust and efficient cash cycle	

		logistics and legal identity management systems. These systems enable participation in society and protection from fraud and mistreatment. Accessibility of cash and the provision of secure and trusted legal identities underpin the integrity of society and enable it to function efficiently. **At De La Rue, we** **• work to ensure banknotes are secure, trusted and available for use in 140 countries around the world** **• have provided 22m people with identity documents this year, enabling secure, safe and orderly migration as well as access to services** **• provide the largest food agency in the world with secure food vouchers which enable humanitarian rations to be delivered** **• work with ICAO, UNHCR and IOM on international standards and approaches to migration and documentation.** Over the last year, we have created new tools and products which equip governments to understand the needs of their populations and to make decisions based on data. You can read more in our case studies on DLR Analytics™ and new civil registration system for Antigua and Barbuda. **ENABLING PROTECTION** Illicit trade is a hindrance to economic growth. 1 in 10 cigarettes consumed globally are thought to be illicit and cost governments billions in lost tax revenue. Counterfeit goods are on the rise. The estimated value of the global counterfeit market is expected to reach	

		$2.8tr in 2022. The consequences of illicit trade are far reaching and damaging for society. They include the stunting of socio-economic growth, increased risk to citizens' health, the fuelling of criminal activity and damage to brand reputations. To combat illicit trade, the authenticity of products needs to be guaranteed from source to consumption. Differing tobacco and alcohol taxation levels across regions and borders leads to tax evasion and avoidance. Worldwide tax non-compliance has been estimated to cause 164,000 premature deaths a year. The World Bank states that new consensus seems to be emerging to globally enforce corrective tax instruments, on goods whose consumption creates social negative externalities, such as tobacco. **De La Rue has a long established history of combating illicit trade and tax evasion:** **• We secure $30bn of commercial supply chain goods each year with some of the world's biggest brands** **• We produce 1.6bn uniquely traceable identifiers each year enabling** **governments and organisations to trace goods around the world** **• We work with governments to implement Product Authentication and Traceability solutions to reduce the volume of illicit dangerous cigarettes and alcohol available to buy in the country** **• A tax stamp scheme on tobacco in Kosovo recouped $12m in tax and reduced smuggling by 61% in the first year of implementation** At De La Rue we recognise our responsibility to protect the privacy of its stakeholders and of the data that we work with. Our data protection and data security policies and procedures reflect this.	

		Equally important is our commitment to protect the physical security of our business as well as to protect the security of our personnel. Our security policies provide details of this. **IMPLEMENTING STANDARDS** As the largest commercial security printer in the world, we take our responsibility seriously. We recognise that our influence can help ensure that international standards and best practice around ethics and governance become the norm. Our annual report features details of how we implement and support our stakeholders to implement standards around human rights, labour rights, protecting the environment and anti-corruption and wider ethics standards. Security standards, whether physical or digital, are inherent to our business and are embedded across our organisation. Whether it is to protect the data and privacy of our customers and their valued stakeholders, to protect our manufacturing sites and our personnel, our security policies and procedures provide the highest standards of security. In addition to this, our Business Continuity Management policies and procedures enable De La Rue to prepare for, respond to and recover from any major incident or interruption that causes or is likely to cause disruption to the business and our customers. We are also able to offer our Business Continuity Management experience to our customers for their solutions.	

		DE LA RUE'S COMMITMENT TO THE COMMUNITY To celebrate the release of *Star Wars: The Last Jedi*, we teamed up with the UK Government's GREAT campaign and the Walt Disney Company to raise funds for a worthwhile cause – Together for Short Lives. **We produced 1,000 limited edition and 50 premium exquisitely designed Star Wars™ commemorative banknotes, which were sold and auctioned for £186,000. All proceeds were donated to the UK based charity, which supports children's hospices** and the 49,000 children with life-threatening and life-limiting conditions in the UK, and their families. **De La Rue Charitable Trust, in the past 2 years alone, has supported 85 different charities with £98,000.** 30 were UK based charities with UK benefit; and 55 were for overseas benefit through UK charities. In the same period, the Trust also matched employee fundraising efforts for their chosen charities totalling £37,000. **De La Rue's Advanced Partner Programme** has helped to **fund the building of classrooms and a village for street children** in Rwanda. We also sponsor the African Innovation Prize charity which works alongside the Kigali Institute of Science and Technology to **inspire entrepreneurship and introduce students to the fundamentals of running and leading their own business**. **De La Rue 4 Good in Basingstoke.** Our empowered and purpose driven employees drive a very active De La Rue 4 Good initiative which runs several successful local community events each year. **De La Rue was a runner-up in the local Inspire Business Awards in 2015 in the Business and the Community category**	

		De La Rue 4 Good activities fall across three areas, fundraising, education and 'doing and donating'. **Our employees vote annually for a local charity to benefit from fundraising activities in the year.** Activities over the last 5 years have raised over £30,000 for five deserving local charities; • Sebastian's Action Trust • St Michael's Hospice • Hampshire and Isle of Wight Air Ambulance • Basingstoke Young Carers • Saxon Wood School **Educational** activities, mostly through the Basingstoke Consortium, **include employability skills training; offering year 9 pupils advice on interviewing skills, on the use of social media and perceptions of good and bad behaviour.** We also engage with *Step into Industry* – a shadowing programme where local school children can come and experience office culture. On an on-going basis, our employees donate everything from kitchen equipment to baby clothes, to tents and sleeping bags for local charities such as Inspero Community Project, Camrose Centre for the Homeless, The YOU Trust, Women's Wisdom and Step by Step. **Our people** A new women's network launched in 2017 also enables networking and proactive discussions about enabling women in the workplace. This is open to all our employees in the local area and include	

		speakers and networking opportunities. This year we have also held an external event to which employees were encouraged to attend. **Our environment** Our Viables employees have recently celebrated World Environment Day with a **week of awareness campaigns to change wasteful behaviours, handing out free re-useable cups and educating fellow employees about recycling, local conservation and environmental impacts of our products**. **As an international business operating in around 140 countries, De La Rue regularly takes part in many events around the world, which involves huge amounts of travel. In order to reduce the impact of this on the environment, De La Rue has agreed to offset all travel and accommodation cost for all De La Rue delegates and exhibitors** at these events. Working with Carbon Footprint Ltd, De La Rue has estimated it will save 268 tonnes of CO_2 – which is the equivalent of around 29 homes' energy use in a year or the CO_2 emissions of 30,156 gallons of gasoline*.	

DeLaRue

Corporate Sustainability Governance and Leadership

Scope: Corporate Sustainability Governance and Leadership	Criterion 19: The COP describes CEO commitment and leadership	**Sustainability impacts every aspect of our business. We help governments protect their revenue, citizens to participate securely in the global economy and brands to safeguard their intellectual property. Our commitment to sustainability is expressed through our support for the UN Global Compact** In December 2017, we were proud to renew our participation in the UNGC in recognition of the key role that the UNGC plays in promoting the highest ethical standards. Joining the UNGC is a clear demonstration of the progress we are making in our five year transformation programme, which addresses a number of initiatives, including sustainability. The UNGC is a voluntary initiative whereby companies align strategies and operations with universal principles on human rights, environment and anti-corruption, and take actions that advance societal goals. It is based on commitments of chief executives to implement universal sustainability principles and to take steps to support the UN Sustainability Development Goals (SDGs). These goals aim to encourage individuals, organisations, governments and the international community to communicate and collaborate more effectively and to ensure that everyone has the right to prosper in the future. We recognise the role that businesses can play in the achievement of the SDGs. As our Chief Executive Officer Martin Sutherland commented at the time of De La Rue's original signing, **"Our business fights against counterfeiting every day and we aim to enable legal identity and social inclusion for our customers**	**Integrated Annual Report 2018/19** **Ed Responsible Business video**

		across **the world. As a result, many of the SDGs are at the heart of what we do. We are proud to demonstrate that we are a responsible business – in the services we provide, the way we work and the contributions we make to the communities in which we operate.”**	
	Criterion 20: The COP describes Board adoption and oversight	Ed Peppiatt, our Company Secretary and Legal Counsel is our Executive Leadership Team Sponsor for our membership of the UNGC and sits on the Board alongside the CEO. Each member of our ELT is also responsible for the UN Business Principles. Our CCO, Richard Hird is our ELT sponsor for our diversity and inclusion strategy, alongside our HR Director Jo Easton. Our COO, Bryan Gray takes his responsibilities of Labour Rights, health and Safety and environmental strategy very seriously, with a large proportion of his team working in the manufacturing environment. Our CTO, Selva Selvaratham, is passionate about embedded trust and ethics into all of our products and services. His commitment is to support Ed Peppiatt as General Counsel, to embed it into our business, but also to promote anti-corruption and integrity through our projects with our customers.	**Annual Report** **CEO Responsible Business and UNGC commitment** **Ed Peppiatt Responsible business video** **Implementing standards section of the annual report**
	Criterion 21: The COP	**At De La Rue, we recognise the importance of integrating Responsible Business activities into business as usual. This is the only way to**	**Annual Report**

	describes stakeholder engagement.	**achieve the UN's Sustainable Development Goals (SDGs).** Over the last year, we engaged our employees, customers, investors and suppliers in order to help understand our impacts, our responsibilities, our associated risks and our opportunities. We have begun **incorporating our sustainability thinking into our different functional teams** and are working to consistently measure and report our impact and actions to meet both statutory and non-statutory requirements. Our annual report highlights some of our activities and our statutory reporting in areas including Human Rights, Labour Rights, the environment and anti-corruption. Further details, case studies, our ongoing activities and our policies and procedures can be found on our website. Our **engagement in Industry Associations and Initiatives**, such as the Banknote Ethics initiative and the Secure Identity Alliance, enable us to discuss sustainability issues with customers, suppliers and employees. Through our **Joint Charter with the Bank of England**, we have identified opportunities for collaboration at our Debden manufacturing facility over the coming 12 months. These include medium-term plans to share knowledge about sustainability, to work together to engage our people in wellbeing initiatives, and to protect the environment by introducing joint energy reduction plans and waste management strategies. As a specially accredited organisation, De La Rue participates in the preparatory process for the **Global Compact for Safe, Orderly and Regular Migration**. In July, we took part in a panel discussion on International Cooperation and Governance of Migration in the	**-Industry: Banknote Ethics** **Initiative Secure Identity Alliance** **-Customers: Bank of England Joint Charter** **-Supply Chain: Ethics survey case study** **-UN agencies: Specially Accredited Organisation for the Global Compact for Migration**

		Trusteeship Council Chamber at UNHQ in New York. We continue to help identify best practice approaches to create secure and accessible identities across borders.	