



The Role of the Board and Matters to be Decided by or Referred to the Board

Introduction

The 2018 UK Corporate Governance Code states that every company should be led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

1. The Role of the Board

The main functions of the Board are to:

- 1.1 Be collectively responsible for promoting the long-term success of the Company, generating value for shareholders and contributing to wider society;
- 1.2 Establish the Company's purpose, values and strategy and satisfy itself that these and the Company's culture are aligned;
- 1.3 Ensure that the necessary resources are in place for the Company to meet its objectives and measure performance against them;
- 1.4 Establish a framework of prudent and effective controls, which enable risk to be assessed and managed;
- 1.5 Ensure effective engagement with, and encourage participation from, the Company's shareholders and stakeholders;
- 1.6 Ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success;
- 1.7 Assess and monitor culture and, where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the Company's purpose, values and strategy, it should seek assurance that management has taken corrective action;
- 1.8 Understand the views of the Company's stakeholders and describe in the annual report how their interests and the matters set out in section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making and keep engagement mechanisms under review;
- 1.9 Adopt an appropriate method or methods for engaging with the Company's workforce;
- 1.10 Ensure arrangements are in place to allow the workforce to raise concerns in confidence and routinely review such arrangements and the reports arising from their concern. Ensure that arrangements are in place for proportionate and independent investigation of such matters and for ensuring that follow-up action is taken;
- 1.11 Take action to identify and manage conflicts of interest, including those resulting from significant shareholdings and ensure that the influence of third parties does not compromise or override independent judgement;
- 1.12 Ensure, with support from the Company Secretary, that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently;
- 1.13 Approve any additional significant external appointments prior to such appointments being undertaken by a Director;
- 1.14 Establish a Nomination Committee comprising a majority of independent non-executive Directors;
- 1.15 Establish formal and transparent policies and procedures to ensure the independence and effectiveness of the Company's internal and external audit functions and satisfy itself of the integrity of the Company's financial and narrative statements;
- 1.16 Present a fair, balanced and understandable assessment of the Company's position

- and prospects;
- 1.17 Establish procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives;
 - 1.18 Establish an Audit Committee of independent non-executive Directors;
 - 1.19 Undertake a robust assessment of the Company's emerging and principal risks and confirm in the Annual Report that it has completed this assessment;
 - 1.20 Monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the Annual report;
 - 1.21 Establish a remuneration Committee of independent non-executive Directors; and
 - 1.22 Agree with the Chief Executive Officer a clear strategy for the Company and a set of objectives for its implementation, and review management performance.

2. Frequency of Board Meetings

Meet sufficiently regularly to discharge its duties effectively.

3. Matters to be Decided by or Referred to the Board

The Board has delegated to the Chief Executive Officer wide powers for the day-to-day management of the Company. It has also delegated to Committees of the Board the duty to make recommendations to the full Board in specialised areas; these are the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Committee, the Ethics Committee, Disclosure Committee and the General Business Committee.

The Board does however reserve to itself the power of decision, approval or agreement, as the case may be, over certain matters which are summarised below and in the Table of Board Delegated Authorities, as amended from time to time by the Board:

Note: References to financial limits set out in the Matters Reserved for the Board may be superseded by such other limits that the Board may from time to time approve.

3.1 Statutory Obligations

The Board is required by law, by the Company's Articles, by the Financial Conduct Authority ("FCA") Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules, by The UK Corporate Governance Code and the requirements of institutional investors to decide certain matters which include:

- 3.1.1 Alteration of share capital, Articles or name of De La Rue plc;
- 3.1.2 Change in situation of registered office;
- 3.1.3 Approval of dividend policy, interim dividends and recommendation of final dividends;
- 3.1.4 Approval of the Annual Report and Accounts and the information given therein including the Directors' Remuneration Report;
- 3.1.5 Any circulars to shareholders;
- 3.1.6 Recommendation to shareholders on the appointment of auditors and approval of the audit fee and any proportionate limitation of the auditors' liability in respect of the audit;
- 3.1.7 Approval of any statements containing inside information including preliminary announcements of interim and final results and interim management statements for release to a recognised regulatory information service and Group-wide provided that if a meeting of the full Board cannot be convened to enable a prompt announcement to be made as required by the Disclosure Guidance and Transparency Rules, the General Business



Committee shall be authorised to approve such statements and their release.

In addition to the above the Board must have referred to it:

- 3.1.8 Any issue which would have a material effect on the Company's financial position, liabilities, future strategy, legal standing or reputation ("Material Effect") regardless of financial limits set out in the Table of Board Delegated Authorities from time to time; and
- 3.1.9 Any public announcement, whether through a recognised regulatory information service or otherwise, relating to any matter which has or is likely to have a Material Effect.

3.2 Financial Matters

- 3.2.1 Group Investment Procedures;
- 3.2.2 Annual Budget;
- 3.2.3 Half-year Report;
- 3.2.4 Annual Report;
- 3.2.5 Business Plan;
- 3.2.6 Treasury Authorities and Policies including annual approval of delegated authorities and approval for raising new credit facilities or amendments to terms, including maturity and cancellation, and the creation of bank guarantee facilities and treasury foreign exchange or interest rate hedging facilities in excess of the limits as set out in the Table of Board Delegated Authorities;
- 3.2.7 Accounting policies and any significant change in policies or practices;
- 3.2.8 Proposals for any mergers, acquisitions or disposals either of shares or of business comprising assets and liabilities or joint ventures in excess of such amount as may be determined by the Board as set out in the Table of Board Delegated Authorities;
- 3.2.9 Directors' and Officers' liability insurance;
- 3.2.10 All Group investment proposals requiring Board approval in accordance with the limits of authority from time to time adopted by the Board and set out in the Group Finance Manual together with any other items having a Material Effect including:
 - Capital expenditure including IT and revenue expenditure (but excluding items within cost of sales) related to any one capital item or project in excess of the limits set out in the Table of Board Delegated Authorities;
 - Acquisition or disposal of patents and other intellectual property rights including licences having a Material Effect or as set out in the Table of Board Delegated Authorities;
 - Investment in new products or services which are not derivatives of existing products or services;
 - Creation or liquidation of a subsidiary or a branch;
 - Alteration of share capital of a subsidiary; and
 - Pledging any asset/charging property or company in excess of the limits as set out in the Table of Board Delegated Authorities;
- 3.2.11 Overall insurance strategy and levels of retention and risk exposure under any Group Insurance Policy in excess of such amount as the Board may from time to time approve.

3.3 Risk management and Internal Control

- 3.3.1 Approval of the company's risk appetite;



- 3.3.2 Ensuring that there is appropriate management of the company's principal risks, focusing on those threatening the company's business model, future performance, solvency or liquidity;
 - 3.3.3 Ensuring that there is appropriate horizon scanning for strategic risks;
 - 3.3.4 Ensuring processes operate to enable the Board to satisfy itself that reporting on Going Concern and longer term viability statements give a fair, balanced and understandable overview of the company's position and prospects; and
 - 3.3.5 Satisfying itself on the operation of and findings from the annual review of the effectiveness of the system of risk management and internal control.
- 3.4 Property
- 3.4.1 Purchase/sale or lease (over the period of the lease) of any land or buildings including commercial and domestic leases valued at more than the amount determined by the Board from time to time as set out in the Table of Board Delegated Authorities;
 - 3.4.2 Renewal of leases where the total rent and capital expenditure exceeds the amount determined by the Board from time to time as set out in the Table of Board Delegated Authorities over the period of the lease.
- 3.4 Litigation/Arbitration/Mediation
- 3.4.1 Appointment of Lawyers for main Board or major activity, where costs are likely to exceed the limits as set out in the Table of Board Delegated Authorities; and
 - 3.4.2 The settlement, compromise or initiation of any legal proceedings, including giving any undertaking in damages, the outcome and/or costs of which may have a Material Effect or which exceed the limits set out in the Table of Board Delegated Authorities, provided that in cases of emergency where speed is essential the General Business Committee may authorise such action without prior reference to the Board.
- 3.5 Benefits
- 3.5.1 Setting up of or change in pension or post employment benefits;
 - 3.5.2 Decisions on pension funding rates, contribution holidays, increases in pensions paid or augmentations with Material Effect, in conjunction with the trustees of the relevant scheme, where appropriate;
 - 3.5.3 Setting up of, and any material increase in, the Company's liability for medical expenses, permanent health and similar schemes which would have a Material Effect;
 - 3.5.4 Appointment and removal of pension fund trustees where the Company has the power/responsibility;
 - 3.5.5 Appointment and removal of pension fund managers where the Company has the power/responsibility;
 - 3.5.6 Introduction of and material rule changes to all share option and employee share ownership plans (including phantom plans);
 - 3.5.7 The grant of options or shares under employee share option and ownership plans (including phantom plans); and
 - 3.5.8 Appointment of savings carrier/administrator for sharesave schemes.
- 3.6 Personnel
- 3.6.1 Election and removal of the Chairman of the Board;
 - 3.6.2 Appointment and removal of Directors;



- 3.6.3 Appoint a Chief Executive Officer, support him fully while it is satisfied with his performance and remove him if and when it is not;
- 3.6.4 Designation of senior independent non-executive Director;
- 3.6.5 Division of responsibilities between the Chairman, Chief Executive Officer and other executive Directors, which should be in writing;
- 3.6.6 Determination of the independence of Directors;
- 3.6.7 Appointment and removal of senior managers reporting to the Chief Executive Officer and their remuneration, conditions of contract and termination arrangements;
- 3.6.8 Remuneration of and contracts/consultancy arrangements with the Chairman and non-executive Directors of the Board. No Director may vote with respect to his own remuneration;
- 3.6.9 Appointment and removal of the Company Secretary and any Deputy or Assistant Company Secretary;
- 3.6.10 Consideration of and if thought appropriate authorisation of any perceived conflict of interest notified by a Director; and
- 3.6.11 Annual review of the Register of Directors' Conflicts of Interest.

3.7 General Corporate

- 3.7.1 Annual general meetings, extraordinary general meetings – date, location and agenda ensuring that Notice of the AGM and related papers are sent to shareholders at least 20 working days before the meeting;
- 3.7.2 Dates and frequency of Board meetings;
- 3.7.3 Adoption of and amendments to the De La Rue Group-wide Dealing Policy, the De La Rue Dealing Code and Code of Business Principles;
- 3.7.4 Approval of policies including Health and Safety, Environmental and Corporate Social Responsibility;
- 3.7.5 Setting up Committees of the Board and agreeing their composition and terms of reference;
- 3.7.6 Review of the structure, membership and terms of reference of each Committee at least every three years;
- 3.7.7 Appointment of key corporate advisers, e.g. investment bankers, brokers, public relations advisers etc;
- 3.7.8 Appointment of Management Consultants or Advisors with fees (total project cost) in excess of the limits set out in the Table of Board Delegated Authorities (or such other amount as determined by the Board);
- 3.7.9 Approval of all Political Donations (currently prohibited), Charitable Donations and promoting the brand of De La Rue through sponsorship in excess of the limits as set out in the Table of Board Delegated Authorities;
- 3.7.10 Review of the Corporate Governance Framework at least every three years;
- 3.7.11 Ensuring that the Annual Report includes a statement of compliance with The UK Corporate Governance Code and complies with the requirements of the FCA or any other regulatory body as regards the remuneration or any other policy for which a report is required; and
- 3.7.12 Receive reports on the views of the Company's shareholders.

4. **Reports to the Board**

To enable the Board both to take properly informed decisions and to exercise its supervisory role, it expects to receive management reports on the following matters at the intervals stated:

4.1 Financial

- 4.1.1 For each meeting:



Reports from the Chief Executive Officer and Chief Financial Officer so that the Board is aware of:

- Key business issues;
- Cash proposals for major items of capital expenditure;
- Specific reports on new/major/troubled projects;
- Summaries of key financial data and ratios;
- Details of sales, costs, profits, margins, budgeted and actual statements;
- Shareholder activity and major changes; and
- Environmental, Health and Safety Update;

4.1.2 Annually:

- Half-year financial statements;
- Annual financial statements;
- Updated budgets and projections including projections of liquidity;
- Treasury Authorities and Policies;
- Taxation – e.g. key issues, major exposures, planning, etc.;

4.1.3 Ad hoc:

- Information Technology;
- Research & Development;
- Material business development projects;
- Property;
- In respect of major projects costing £1.5 million or more, post-acquisition and capital expenditure reviews within two years of completion establishing whether financial projections have been realised;
- Items within the authority of the executive Directors but which would have a Material Effect (e.g. initiation or receipt of legal proceedings, significant environmental or health and safety incidents); and
- Any subject required by the Board.

4.2 Group Risk Committee

4.2.1 Minutes and papers relating to meetings of the Risk Committee;

4.2.2 Significant matters having a Material Effect and not covered by regular scheduled meetings; and

4.2.3 Any subject required by the Board.

4.3 Company Secretarial

4.3.1 For each meeting:

- Directors' Dealings in the Company's shares;
- Dealing in the Company's shares by Persons Discharging Managerial Responsibilities ("PDMRs"); and
- Legal Update;

4.3.2 Ad hoc:

- Change of name of subsidiaries;
- Significant changes to subsidiaries/divisions;
- Changes or proposed changes in the law or regulations affecting the Group including the Listing Rules, the Prospectus Regulation Rules and the Disclosure Guidance and Transparency Rules of the FCA, NAPF/ABI requirements or good practice having a Material Effect; and
- Summary of Shares purchased in the market.

4.4 Personnel

- 4.4.1 Annually:
- Management Succession and Development Review;
 - Human Resources Strategy; and
 - General levels of salary increases.

4.5 Charities

- 4.5.1 Annually:
- A review of policy and a report from the Chairman of the Trustees of any Charitable Trust set up by the Company.

5. Access to the Company Secretary

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

6. Board Review

The Board shall conduct a formal and rigorous annual review of:

- 6.1 The outcome of the Board's activities and that of its Committees comprising a report on the achievement of objectives and compliance with procedures;
- 6.2 The effectiveness of the Board's procedures; and
- 6.3 Performance of individual Directors, the division of responsibilities and whether each Director continues to contribute effectively and to demonstrate commitment to the role.

By means of the following processes:

- 6.4 The Chairman shall be responsible for conducting the annual review in conjunction with the Senior Independent Director, non-executive Directors and such external advisers as the Board may from time to time consider appropriate;
- 6.5 The Chairman shall lead the evaluation of the performance of individual Directors, other than himself;
- 6.6 The non-executive Directors, led by the Senior Independent Director, shall evaluate the performance of the Chairman, taking into account the views of executive Directors;
- 6.7 The Nomination Committee shall review annually the independence of non-executive Directors, time required of a non-executive Director and the performance evaluation of each Director shall be used to assess whether each non-executive Director is spending enough time to fulfil his duties;
- 6.8 The Chairman shall produce a report to the Board on the results of the review and shall consult with the Chairmen of Committees of the Board and individual Directors, including the Chief Executive Officer, and any other executive he considers relevant;
- 6.9 The Board shall conclude its review by no later than the meeting at which the Annual Report is approved and shall state in the Annual Report whether such performance evaluation has taken place and how it was conducted; and
- 6.10 The Chairman shall act on the results of the evaluation and, where appropriate, shall ensure that the Nomination Committee makes recommendations to the Board for the appointment of suitable new Board members or seeks the resignation of Directors.

7. Reporting Procedures

- 7.1 The Annual Report shall include a statement of how the Board operates, including a statement of which types of decisions are to be taken by the Board and which are to be delegated to management. The Committees shall also report on their responsibilities and activities.



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- 7.2 The Annual Report shall identify the Chairman, the Chief Executive Officer, and the chairmen and members of the Nomination, Audit, Remuneration, Ethics and Disclosure Committees. It shall also set out the number of meetings of the Board and those Committees and individual attendance by Directors.
- 7.3 The terms of reference of the Board and its Nomination, Audit, Remuneration, Risk, Ethics and Disclosure Committees shall be made available.
- 7.4 The Board shall ensure that the provisions regarding disclosure of its activities and responsibilities as set out in the relevant legislation, the UK Listing Rules and the UK Corporate Governance Code are fulfilled.

Approved by the Board of Directors of De La Rue plc in June 2020