Directors' remuneration report

Gill Rider CB
Chairman of the Remuneration Committee

Annual statement from the Chairman of the Remuneration Committee

Dear Shareholder,

On behalf of the Board, I am pleased to present our directors' remuneration report for 2014, which sets out the remuneration policy for the Directors of De La Rue plc and the amounts earned in respect of the year ended 29 March 2014.

The directors' remuneration report complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Corporate Governance Code (the 'Code') and the Financial Conduct Authority Listing Rules.

To reflect the requirements of the revised remuneration reporting regulations which took effect from 1 October 2013 this report is presented in three sections: an annual statement from me as Chairman of the Remuneration Committee (pages 41 to 42), a policy report which sets out the approach to remuneration (pages 43 to 51), and the annual report on remuneration for 2013/14 (pages 52 to 58) containing information relating to the Directors' remuneration for 2014/15 and additional information on Directors' share interests. The remuneration policy must be approved at least every three years if it remains unchanged, or sooner in the event the policy is revised. The policy will be subject to a binding vote at the AGM.

The Remuneration Committee's overriding objective is to ensure that the Group's executive remuneration policy encourages, reinforces and rewards the delivery of sustainable shareholder value. In determining the Group's remuneration policy the Remuneration Committee takes into consideration reward across the whole of the Group, not just the Executive Directors.

Outcomes 2013/14

Annual Bonus Plan (ABP)

The annual bonus is paid as a combination of cash and share based elements deferred for three years calculated as a percentage of salary. The maximum bonus opportunity is 135 per cent of salary for the Chief Executive (being 100 per cent cash and 35 per cent shares) and 115 per cent for the Group Finance Director (being 80 per cent cash and 35 per cent shares). For 2013/14, underlying operating profit was the single performance measure for the ABP, with an entry point at £90m and a maximum payment at £100m. Based on achievement of an underlying operating profit of £90.5m, the cash bonus element under the ABP resulted in a payout of 5 per cent of maximum opportunity. The entry point for a deferred share award was a performance target of £100m and therefore there was no deferred share entitlement in respect of the ABP for the period.

Performance Share Plan (PSP)

Awards under the PSP to Executive Directors in 2010/11 had three year performance criteria based on earnings per share (EPS) and total shareholder return (TSR). Sixty per cent of the award was based on a performance measurement of EPS growth over RPI and the remaining 40 per cent was based on relative TSR. The EPS performance test was achieved in full and the TSR element was not achieved. Consequently 60 per cent of the award vested and the balance lapsed. Executive Directors did not exercise the vested awards during the year.

Proposed changes in executive remuneration for 2014/15

Background

The Remuneration Committee has with the help of independent remuneration consultants conducted a thorough review of the Group's remuneration policy and is proposing some changes to the ABP and PSP. The Committee has done so conscious that, for good reasons, it has made changes to the remuneration structure in De La Rue in each of the last three years. One of the aims now is to have a structure that is effective for a number of years.

De La Rue's strength lies in its relationships with central banks, governments and specialist commercial organisations. Our strategy is to be a professional and innovative leader in the markets in which we operate. In doing so we will ensure that employees are empowered and fairly rewarded as part of generating the performance culture our customers demand. The successful execution of the strategy will provide shareholders with increasing value from each of our businesses and from the Group as a whole.

Directors' remuneration report continued

Rationale

Earlier this year, I consulted with De La Rue's largest UK shareholders, the main investors outside of the UK and the main UK institutional investor bodies as part of an active consultation process prior to the Remuneration Committee finalising the policy.

The proposed changes to the remuneration structure build on the current arrangements and are designed to reflect the distinct commercial needs of De La Rue's business and better align with shareholder interests. They are also aimed at ensuring a consistent and stable reward structure throughout the entire management group that will remain fit for purpose, help attract and retain top talent and continue to be cost effective.

The principles used in the Remuneration Committee's review were as follows:

- Apply a pay for performance philosophy relevant to De La Rue's business environment
- Continue to maximise the alignment between executives and shareholders
- Increase the overall timetable of delivery of pay to four years, while introducing less of an "all or nothing" approach
- Ensure overall cost efficiency and that potential overall cost is sustainable

Changes for 2014/15

The structure of remuneration has not materially changed from 2013/14 and the overall maximum opportunity for Executive Directors remains unchanged.

The maximum opportunity for Executive Directors under the PSP remains at 100 per cent of salary but in order to further align the interests of Executive Directors with that of shareholders the overall timetable for deferred pay has increased to four years. Subject to performance conditions measured over three years, 60 per cent of an award will vest and become exercisable on the third anniversary of grant and 40 per cent will vest and become exercisable on the fourth anniversary of grant.

The maximum opportunity under the ABP continues to be 135 per cent of salary for the Chief Executive and 115 per cent for the Group Finance Director. Changes under the ABP include a realignment of the cash and share elements so that, for awards at or near the maximum, a greater proportion will be made up of shares, payable over a deferred period of two years. Subject to performance conditions, 60 per cent of the annual bonus under the ABP will be payable immediately in cash with the remaining 40 per cent deferred in shares and released in two equal tranches over the two years following. This replaces the previous arrangement whereby up to 35 per cent of salary was awarded in shares over a deferral period of three years.

Further details of the proposed changes and performance conditions are set out in the policy section on pages 44 to 47. Awards under the ABP from 2014/15 are subject to shareholder approval of the revised plan rules at the next AGM.

Interim arrangements

In the absence of a Chief Executive interim arrangements have been put in place. Philip Rogerson, Chairman, assumed executive responsibilities until a new Chief Executive joins the Board. He will be supported by Colin Child, Group Finance Director, who was appointed Chief Operating Officer on a similar temporary basis. The arrangements are outlined more fully on page 48.

Governance

The Remuneration Committee's remit is set out in its terms of reference, which are regularly reviewed by the Board and were updated in March 2014. They are available on the Company's website. Membership of the Remuneration Committee and the key activities during 2013/14 are summarised on page 58.

We believe that our remuneration policy, by aligning executive rewards with shareholders' interests, and with our strategy, positions us to deliver the performance that both the Remuneration Committee and shareholders expect.

Gill Rider CB
Chairman of the Remuneration Committee
28 May 2014

Directors' remuneration policy

This part of the report sets out the directors' remuneration policy which, subject to shareholder approval at the 2014 AGM, will take binding effect from the date of that meeting.

Remuneration policy framework

The Group's remuneration policy aims to align the interests of the Executive Directors and other senior executives with those of shareholders. The overriding objective is to ensure that the Company's 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 package of Executive Directors so that their remuneration 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 believes that an effective remuneration strategy plays an essential part in the future success of the Group.

Proposed changes to remuneration policy

The principal changes to remuneration structure from 2013/14 are outlined in the statement from the Chairman of the Remuneration Committee on pages 41 and 42. The modifications are aimed at implementing a reward structure that will remain fit for purpose for a number of years, help attract and retain top talent and be cost effective, while creating greater alignment with the interests of shareholders and avoiding any overall increase in the variable remuneration of Executive Directors.

In order to accommodate the changes, the Remuneration Committee is proposing that the rules of the ABP be amended and details of the changes are set out more fully in the explanatory notes to the notice of AGM. Details of the performance measurements that will apply to the ABP and PSP are outlined on page 54. The Company is committed to continuing to set stretching targets for all performance measures, both under the ABP and PSP, in order to ensure alignment between pay and performance.

Directors' remuneration report continued

Remuneration policy table – Executive Directors

The policy will take effect from 24 July 2014, subject to shareholder approval. The Remuneration Committee may make minor amendments to the policy set out below (for regulatory, exchange control or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Element	Purpose and link to strategy	Operation
Base salary	Fixed competitive remuneration set at levels to recruit and retain talent. Judgement 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 Increases are not automatic
Benefits	To provide 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 Other benefits may be provided based on individual circumstances such as, but not limited to, relocation allowances, including transactional and legal costs, disturbance and travel and subsistence costs or other benefits
Pension	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 they will be offered a cash allowance in lieu of pension contribution
Annual Bonus Plan (ABP) post 2014/15 AGM	Annual cash award: • To incentivise and reward delivery of financial and/or personal performance targets that address the distinct commercial needs of the business, and better alignment with shareholder interests • Aimed at ensuring 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	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 60% of annual bonus payable immediately in cash 40% of the annual bonus deferred in shares Deferred share element is subject to clawback provisions
	Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element. Executive Directors are encouraged to hold a level of shareholding as described on page 55	40% 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 50% of deferred shares released one year after cash payout and 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

	Maximum opportunity	Performance metrics
	To avoid expectations of Executive Directors and other employees no maximum base salary has been set under the remuneration policy although 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 level of under competitiveness and there is a risk in relation to attracting or retaining executives • Other exceptional circumstances 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
	While the Remuneration Committee has not set an absolute maximum, benefits will be market competitive taking into account the role and individual circumstances and the relevant market levels	Not applicable
	The contribution rates for the Executive Directors are 30% of base salary for the Chief Executive and 25% of base salary for the Group Finance Director 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	Not applicable
	The current annual maximum bonus opportunity of 135% of salary for the Chief Executive and 115% of salary for the Group Finance Director 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 business risks to be taken For 2014/15 the bonus opportunity will be based on an element of personal objectives and the following financial measures: • Group revenue • Group underlying operating profit • Group cash conversion 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
	The Remuneration Committee has the right to reduce any deferred bonus awards which have not yet vested to the extent there has been a material misrepresentation in relation to the performance of the Group (ie clawback provision)	Linked to cash award

Directors' remuneration report continued

Element	Purpose and link to strategy	Operation
Annual Bonus Plan (ABP) pre 2014/15 AGM	The purpose of the ABP pre the 2014/15 proposed changes is consistent with the purpose of the ABP described on page 44	The operation of the ABP prior to the 2014/15 proposed changes is as described for the ABP on page 44 except as follows: • Potential maximum cash award: 100% of salary • Potential share award: up to 35% of salary deferred for three years subject to continued employment
Performance Share Plan (PSP) 2014/15 onwards	Share based long term incentive aligned closely with interests of shareholders and business strategy through the performance measures chosen Increase the overall timetable of pay to four years and supports a pay for performance philosophy Retain key executives over a longer term measurement period. Executive Directors are encouraged to hold a level of shareholding as described on page 55 Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose Help attract and retain top talent and continue to be cost effective Ensure overall cost efficiency and that overall cost is sustainable EPS growth ensures any payout is supported by sound profitability ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns	Annual share award with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk taking 60% 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 The Remuneration Committee has the right to clawback any PSP awards within three years of an award vesting to the extent there has been misconduct, or a material misrepresentation in relation to the performance of the Company Vesting of awards is subject to continued employment until the vesting date but, as described on page 50, 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
PSP awards pre 2014/15	Same principle as above	Awards vest after three years provided performance criteria met Clawback provisions apply to awards from 10 July 2012
All employee share plans	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 and the De La Rue US Employee Share Purchase Plan ('ESPP') established in the US under the Internal Revenue Code	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 ESPP, employees in the US may purchase the Company's shares at a 15% discount to the market price. Purchases are funded through accumulated payroll deductions

Note
In addition to the specific provisions of this policy, the Company may also honour any pre-existing arrangements to make remuneration or loss of office payments to current and former Directors which remain at the time that this policy becomes effective (including the satisfaction of any outstanding awards of variable remuneration made to Executive Directors). Details of any such payments will be set out in the annual report on remuneration as they arise.

	Maximum opportunity	Performance metrics
	Same aggregate bonus opportunity as described for the ABP post the 2014/15 AGM on page 45	See page 53
	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 2014/15, the vesting of PSP awards will be subject to EPS (compound average growth rate) and return on capital employed (ROCE) (absolute) performance conditions At least 5% pa growth in EPS must be achieved for threshold vesting of 25% under the EPS performance measure with maximum vesting at 10% pa A return of at least 40% must be achieved for threshold vesting of 25% under the ROCE performance measure with a maximum vesting of 100% at a return of 45% 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
	As above As reported in the Group's 2011 annual report and accounts the Committee exercised discretion, on an exceptional basis, and made share based awards in June 2011 under the PSP with a maximum face value on grant of 150% of salary	The performance measures and outturn for awards made in January 2011 and June 2011 are described on page 53 The award in 2012 under the PSP is dependent on achievement of the following: • Up to 75% of awards will vest subject to annual growth in EPS: – EPS>RPI + 12% pa will achieve 25% of maximum vesting – EPS>RPI + 15% pa will result in 100% of maximum vesting • Up to 25% of award is based on average cash conversion over three years: – Cash conversion of 80% – 25% of maximum vesting – Cash conversion of 100% – 100% of maximum vesting
	The maximum savings amount currently offered is £250 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 Under the ESPP, participants are eligible to save up to a monthly maximum of 10% of salary (US$25,000 per annum) to go towards the purchase of shares at the end of the offering period (currently one year)	No performance measures but employment conditions apply

Directors' remuneration report 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 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.

In the absence of a Chief Executive interim arrangements are in place. Philip Rogerson, Chairman, assumed executive responsibilities until a new Chief Executive joins the Board and he will be supported by Colin Child, Group Finance Director, who was appointed Chief Operating Officer on a similar temporary basis. In order to reflect the additional time commitment Philip Rogerson will be paid an additional fee of £297,500 per annum, to take effect from 1 April 2014, to be pro-rated for so long as he continues in this role.

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 Committee 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 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 has discretion to make awards to a limited number of employees not being Executive Directors or Executive Committee 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 equal to 80 per cent of the prevailing market share price at the time of grant. Eligible US employees may participate in the ESPP. The purchase price is 85 per cent of the lower of the market value of a De La Rue plc share either at the beginning or end of the offering period.

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

Shareholder views

The Remuneration Committee engages in regular dialogue with shareholders to discuss and take feedback on its remuneration policy and governance matters. In particular, the Committee discusses any significant changes to the policy. The Committee consulted De La Rue's largest UK shareholders, the main investors outside the UK and the main UK institutional investor bodies on the proposals for the redesign of the ABP and the PSP. The Committee welcomes an open dialogue with shareholders and intends to continue to consult with major shareholders before implementing any significant change to the Executive Director 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.

Name	Date of contract	Date of appointment	Notice from Company	Notice from Director
Tim Cobbold (resigned with effect from 29 March 2014)	12 December 2010	1 January 2011	12 months	6 months
Colin Child	20 May 2010	1 June 2010	12 months	6 months

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

The Non-executive Directors' current terms of appointment are detailed below:

Non-executive Director	Date of appointment	Current letter of appointment end date
Warren East	9 January 2007	8 January 2016
Victoria Jarman	22 April 2010	21 April 2016
Gill Rider	22 June 2006	21 June 2015
Philip Rogerson	1 March 2012	28 February 2015
Andrew Stevens	2 January 2013	1 January 2016

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.

Directors' remuneration report continued

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.

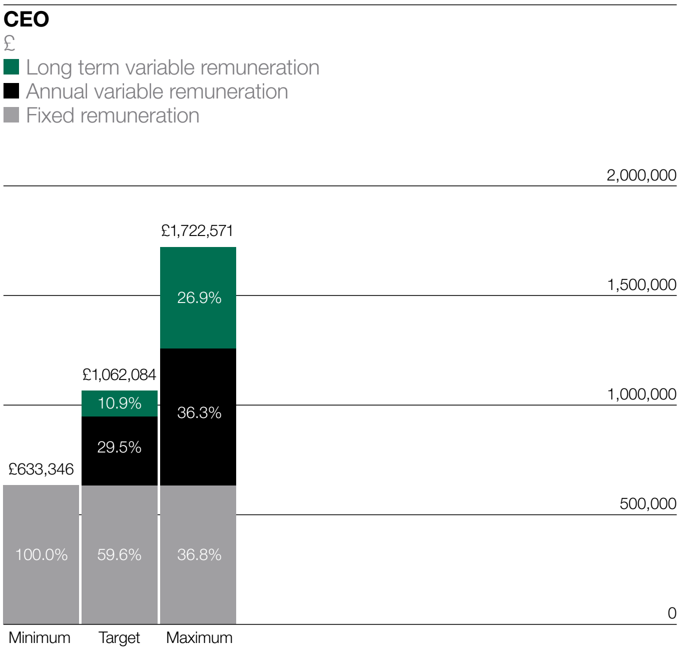
Policy	
Notice period on termination by the Company	12 calendar months. The Remuneration Committee recognises that in the case of appointment to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to 12 months after that initial period
Termination payment at the Company's sole discretion	On termination on notice by either the Company or the relevant Executive, 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 unless the Remuneration Committee decides 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-rata 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	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

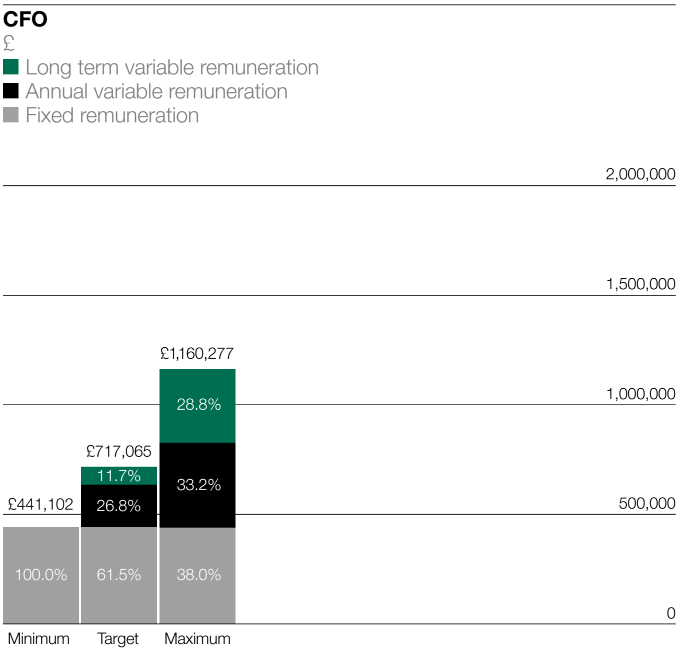
Illustration of remuneration policy application

The following chart illustrates the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 1 April 2014.

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





The role of Chief Executive is currently vacant and the above information is therefore an illustration only, based on the remuneration package which the outgoing Chief Executive would have had, had he remained in employment.

Assumptions for the scenario charts

Minimum performance	• Fixed pay (base salary, benefits and pension) • No bonus payout • No vesting under ABP or PSP
Target performance	• Fixed pay (base salary, benefits and pension) • 50% of maximum bonus opportunity (67.5% of salary for CEO, 57.5% of salary for CFO) 30% will be payable immediately in cash and 20% will be deferred in shares • 25% of PSP shares vesting (25% of salary for CEO and CFO)
Maximum performance	• Fixed pay (base salary, benefits and pension) • 100% of maximum bonus opportunity (135% of salary for CEO, 115% of salary for CFO) 60% will be payable immediately in cash and 40% will be deferred in shares • 100% of PSP shares vesting (100% of salary for CEO and CFO)

Executive Director remuneration mix 2014/15

Based on the above performance scenarios the table below illustrates the proportion of Executive Directors' remuneration that is fixed and variable:

		Minimum %	Target %	Maximum %
CEO	Fixed	100	60	37
	Variable	0	40	63
CFO	Fixed	100	62	38
	Variable	0	38	62

The remuneration mix above is based on the remuneration policy as it is intended to be operated for 2014/15. As indicated above the Company is in the process of recruiting a new Chief Executive. In the absence of a Chief Executive interim arrangements are in place. Philip Rogerson assumed executive responsibilities and the arrangements are disclosed more fully on page 48 and do not include any variable elements.

Directors' remuneration report continued

Annual report on remuneration

Single figure of remuneration for each director (subject to audit)

The remuneration of the Directors of the Company for the year ended 29 March 2014 and the previous year is set out in the table below.

	Salary and fees (a)		Benefits (excluding pensions) (b)		Bonus (c)		Long term incentive (PSP) (vested) (d)		Pensions allowance (e)		Other payments (f)		Total	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Executive Directors														
Tim Cobbold (resigned with effect from 29 March 2014)	**464**	464	**31**	28	**–**	–	**351**	–	**139**	139	**86**	–	**1,071**	631
Colin Child	**325**	325	**23**	21	**13**	–	**387**	–	**81**	81	**51**	–	**880**	427
	789	789	**54**	49	**13**	–	**738**	–	**220**	220	**137**	–	**1,951**	1,058
Non-executive Chairman														
Nicholas Brookes (resigned with effect from 26 July 2012)	**–**	53	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	53
Philip Rogerson (appointed Chairman with effect from 26 July 2012)	**175**	132	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**175**	132
	175	185	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**175**	185
Non-executive Directors														
Warren East	**57**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**57**	50
Sir Jeremy Greenstock (resigned with effect from 25 July 2013)	**17**	47	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17**	47
Sir Julian Horn-Smith (resigned with effect from 31 December 2012)	**–**	32	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	32
Victoria Jarman	**45**	43	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	43
Gill Rider	**52**	50	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**52**	50
Andrew Stevens	**45**	11	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**45**	11
Aggregate emoluments	**1,180**	1,207	**54**	49	**13**	–	**738**	–	**220**	220	**137**	–	**2,342**	1,476

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 year

(b) Benefits: the gross value of all taxable benefits received in the year, including for example car or car allowance and private medical and permanent health insurance

(c) Bonus: bonus is the cash value of the bonus earned in respect of the year including the value of deferred shares which must be held for a minimum three year period. A description of the performance measurements that applied to the year 2013/14 is provided on page 53

(d) PSP: the value of shares vesting that was subject to performance over the three year performance period ending 31 January 2014 based on a De La Rue plc share price of £7.81 on the date of vesting (but unexercised as at 29 March 2014). In the case of Colin Child the total figure includes an estimated value (£140,849) of the PSP shares (including dividend shares) that are due to vest in June 2014 (2013/14 being the final year of the performance period). It is based on the number of shares that will vest multiplied by the average share price of 810.5p over the quarter ending 31 March 2014 (as the vesting price is not known at the date of the directors' remuneration report). The performance conditions for the PSP awards vesting are described on page 53

(e) Pension allowance: relates to cash in lieu of pension contributions

(f) Other payments relate to:

(i) Contractual benefits and holiday pay to Tim Cobbold

(ii) Dividend shares equivalent to a value of £73,508 in respect of the Recruitment Share Award reported in the Chief Executive pay table on page 57 (9,412 shares based on the De La Rue plc share price of £7.81 on 31 January 2014 vesting date)

(iii) Dividend shares equivalent to a value of £51,444 in respect of the Retention Share Award, further details of which are given on page 56 (6,587 shares based on the De La Rue plc share price of £7.81 on 31 January 2014 vesting date)

In 2010/11 Colin Child was awarded 45,884 shares (to the value of £315,000) under the Retention Share Award, which vested on 31 January 2014. According to the regulation it would be reported in the 2010/11 single figure.

Implementation of remuneration policy

Information on the elements of remuneration and how the Company intends to implement the remuneration policy in 2014/15 are set out below and on pages 54 to 55.

Base salary and fees

Executive Directors decided not to accept a salary increase in 2013/14. The base salaries are shown in the table below. The Remuneration Committee reviewed the salary levels of Executive Directors and agreed an increase in salary of 3 per cent for 2014/15 which is consistent with increases across the UK business. The following is payable from 1 April 2014:

	Base salary 2014/15 £'000	Base salary 2013/14 £'000
Tim Cobbold (resigned 29 March 2014)	–	464
Colin Child	335	325

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board. Fees reflect the responsibilities and duties placed upon 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. Fees to Non-executive Directors were last increased in October 2012 to £45,000. The Chairmen of the Remuneration Committee and Audit Committee and the Senior Independent Director receive an additional fee of £7,200 to reflect their additional duties. The Chairman received a fee of £175,000 in 2013/14. Fees payable to Non-executive Directors were increased by 4 per cent for 2014/15 and are as follows:

Non-executive Director fees	2014/15 £'000	2013/14 £'000
Basic fee	47	45
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	8	7

In 2014/15 Philip Rogerson will receive a fee of £182,500 as Chairman. In order to reflect the additional time commitment for the period he continues to assume executive responsibilities pending appointment of a new Chief Executive, he will be paid an additional fee of £297,500 per annum. This will take effect from 1 April 2014 and will be pro-rated for so long as he continues in this role.

Performance against targets (subject to audit)

Annual Bonus

Under the existing ABP, the annual bonus is paid as a combination of cash and share based elements deferred for three years, calculated as a percentage of salary, and is based on achieving business targets for the year set by the Remuneration Committee. The maximum bonus opportunity is 135 per cent of salary for the Chief Executive (being 100 per cent cash and 35 per cent shares) and 115 per cent of salary for the Group Finance Director (being 80 per cent cash and 35 per cent shares).

ABP 2013/14 performance measures

A cash bonus became payable in respect of the year 2013/14 for Group underlying operating profit in excess of £90m with payments increasing on a straight line basis from £90m to a maximum of £100m. Deferred shares would be awarded on a similar basis for achievement of underlying operating profit between £100m and £105m. Based on achievement of an underlying operating profit of £90.5m for 2013/14, the cash bonus element under the ABP was a payout of 5 per cent of maximum opportunity. There was no deferred share entitlement in respect of the ABP for the period.

Performance Share Plan (PSP)

Executive Directors did not receive awards under the PSP in 2013/14.

Awards under the PSP in January 2011 and June 2011 respectively had the following performance measures over a three year period ending during or at the end of the financial year 2013/14:

Date of award	Performance measures	Performance thresholds	Proportion of award vesting	Vested %	% of salary
January 2011	60% of award based on annual growth in EPS[1]	EPS >RPI +3%	50% of maximum	–	30
		EPS >RPI +5%	100% of maximum	100	60
	40% of award based on relative TSR[2]	TSR at median	50% of maximum	Nil	20
		TSR in upper quartile	100% of maximum	Nil	40
June 2011	2013/14 underlying operating profit[3] target in excess of £100m	Operating profit[3] £85m	Nil	Nil	Nil
		Operating profit[3] £100m	66.67% of award	24.44	36.66
		Operating profit[3] £115m	100% of award	Nil	150

Notes

1 EPS is defined as the fully diluted post tax earnings per share adjusted for exceptional items (although exceptional items which are attributable to management may be taken into account). EPS was chosen because it is a key performance indicator for shareholders. Based on half year results, EPS growth of 14.1 per cent per annum over the three year performance period exceeded the hurdle which was 8.8 per cent per annum (being equivalent to RPI +5 per cent per annum)

2 Total Shareholder Return (TSR) is measured relative to the TSR of the companies in the FTSE 250 index excluding investment trusts. TSR was chosen because it is a widely accepted measure that is recognised by our institutional shareholders. TSR performance was 34.7 per cent below the median of the comparator group and this portion of the award lapsed

3 Threshold target was linked to the three year Improvement Plan underlying operating profit for 2013/14 of £100m. Entry was at £85m and vesting started at zero for threshold performance at the end of the three year performance period. Underlying operating profit for 2013/14 was £90.5m and therefore 24.44 per cent of the award will vest and the balance of the award will lapse

Directors' remuneration report continued

Operation of awards from 2014/15
It is intended that awards under the ABP will be made under the amended ABP to be put to shareholders for approval at the AGM. The Plan rules have been updated as described more fully in the explanatory notes to the notice of the AGM. The overall timetable of pay under the PSP has increased to four years. The performance measures that will apply to awards under the ABP and PSP are described more fully below.

ABP performance measures from 2014/15
The ABP has been refined to include a re-weighting of the elements attributable to cash and deferred shares and to include a larger number of performance metrics apportioned as follows:

- Group revenue (20%)
- Group underlying operating profit (40%)
- Group cash conversion (20%)
- Individual objectives (20%)

Sixty per cent of the bonus opportunity is payable in cash with the remaining 40 per cent deferred in shares. Half of the deferred shares will vest one year after the cash payout and the remaining half of the deferred shares will vest two years after the cash payout. There will be no change to the maximum bonus opportunities for Executive Directors as described on page 45. The Board considers that the specific profit and revenue targets are commercially sensitive and they are therefore not disclosed here. This will remain under review but the Remuneration Committee will continue to disclose how the bonus payout delivered relates to performance against the targets on a retrospective basis.

PSP performance measures from 2014/15
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. No changes are proposed to the maximum opportunity which will remain (in the absence of exceptional circumstances) 100 per cent of salary. Subject to the performance measurements outlined below, 60 per cent of an award will vest and become exercisable on the third anniversary of grant and 40 per cent will vest and become exercisable on the fourth anniversary of grant.

The Remuneration Committee believes that the most appropriate performance measures for the PSP at the current time are EPS and ROCE, with a weighting of 75 per cent measured against average growth in EPS and 25 per cent subject to ROCE.

For proposed awards in 2014/15, the vesting of PSP awards will be subject to EPS (compound average growth rate) and ROCE (absolute) performance conditions. EPS was chosen because it is a key performance indicator for shareholders. Award vesting levels under the EPS target will apply as follows:

	Vesting % of EPS element of award for Executive Directors	EPS growth
Threshold	25%	5%
Maximum	100%	10%

ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns. ROCE targets are based on average ROCE and vesting levels will be as follows:

	Vesting % of ROCE element of award for Executive Directors	ROCE
Threshold	25%	40%
Maximum	100%	45%

The Remuneration Committee believes that the performance necessary to achieve awards is sufficiently stretching.

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.

Total pension entitlements (subject to audit)

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

Tim Cobbold opted out of membership of the defined contribution plan on 31 March 2012 and received a cash allowance of 30 per cent of his basic salary up until his resignation on 29 March 2014.

The Company made a contribution to Colin Child's self invested personal pension of 25 per cent of his basic salary up until 31 March 2012. Since that date he has received a cash allowance in lieu of a pension contribution of 25 per cent of his basic salary.

Neither of the Executive Directors were members of the legacy defined benefit schemes.

Details of the payments made to the Executive Directors are included on page 52.

Payments to past Directors (subject to audit)

There were no payments to past Directors during the period in respect of services provided to the Company as a Director.

Payments for loss of office (subject to audit)

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

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 and has agreed the appointments below in respect of the year. Tim Cobbold is a non-executive director of Drax Group plc. Colin Child was a non-executive director of Rank Group plc until his resignation on 18 March 2014. In each case the relevant Director was permitted to retain the fees as shown in the table below:

External directorship fees

	Payment received 2013/14 £'000
Tim Cobbold (resigned from De La Rue plc with effect from 29 March 2014)	54
Colin Child	44

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 should be encouraged to build up a shareholding over five years, equivalent to one times salary. This may be achieved either through market share purchases or retention of vested share awards.

Directors' interests in shares (subject to audit)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 29 March 2014:

	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan		Annual Bonus Plan	Recruitment Share Award	Retention Share Award	SAYE	Total as at 29 March 2014
			Vested (unexercised)	Unvested	Unvested	Vested (unexercised)	Vested (unexercised)	Unvested	
Executive Directors									
Tim Cobbold (resigned 29 March 2014)	14,813	26%	44,976[a]	–	–	74,961[b]	–	–	134,750
Colin Child	14,813	36%	31,482[c]	94,928	8,958		52,471[d]	1,245	203,897
Non-executive Chairman									
Philip Rogerson	5,000	n/a	–	–	–	–	–	–	5,000
Non-executive Directors									
Warren East	4,314	n/a	–	–	–	–	–	–	4,314
Victoria Jarman	1,481	n/a	–	–	–	–	–	–	1,481
Gill Rider	454	n/a	–	–	–	–	–	–	454
Andrew Stevens	2,327	n/a	–	–	–	–	–	–	2,327

There have been no changes in Directors' outright interests in ordinary shares in the period 29 March 2014 to 28 May 2014. All interests of the Directors and their families are beneficial. Details of awards to Tim Cobbold that lapsed following his resignation on 29 March 2014 are on page 56.

The current shareholdings as a percentage of salary are calculated using the closing De La Rue plc share price of 799.50p on 28 March 2014 (29 March 2014 being a Saturday).

Notes

(a) Includes a total of 5,647 vested dividend shares

(b) Includes a total of 9,412 vested dividend shares

(c) Includes a total of 3,952 vested dividend shares

(d) Includes a total of 6,587 vested dividend shares

Directors' remuneration report continued

Outstanding Directors' vested and unvested share awards

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

	Date of award	Total award as at 30 March 2013	Awarded during year	Exercised during year	Lapsed during year	**Awards held at 29 March 2014**	Awards vested (unexercised) during year	Mid-market share price immediately preceding date of award (pence)	Market price at exercise date (pence)	Performance target	Date from which exercisable	Expiry date
Tim Cobbold												
Recruitment Share Award	Jan 11	65,549	–	–	–	**65,549**	65,549	686.50	–	(a)	Jan 14	Sept 14
Performance Share Plan	Jan 11	65,549	–	–	(26,220)	**39,329**	39,329	686.50	–	(b)	Jan 14	Sept 14
	Jun 11	88,839	–	–	(88,839)	**–**	–	759.80[1]	–	(b)	–	(c)
	Jul 12	46,766	–	–	(46,766)	**–**	–	991.10[1]	–	(b)	–	(c)
Annual Bonus Plan	May 12	12,798	–	–	(12,798)	**–**	–	984.50	–	(a)	–	(c)
		279,501	–	–	(174,623)	**104,878**	104,878					
Sharesave options	Dec 11	1,245	–	–	(1,245)	**–**	–	722.66[2]	–	(a)		(c)
Colin Child												
Retention Share Award	Jan 11	45,884	–	–	–	**45,884**	45,884	686.50	–	(a)	Jan 14	Jan 21
Performance Share Plan	Jan 11	45,884	–	–	(18,354)	**27,530**	27,530	686.50	–	(b)	Jan 14	Jan 21
	Jun 11	62,187	–	–	–	**62,187**	–	759.80[1]	–	(b)	Jun 14	Jun 21
	Jul 12	32,741	–	–	–	**32,741**	–	991.10[1]	–	(b)	Jul 15	Jul 22
Annual Bonus Plan	May 12	8,958	–	–	–	**8,958**	–	984.50	–	(a)	May 15	May 22
		195,654	–	–	(18,354)	**177,300**	73,414					
Sharesave options	Dec 11	1,245	–	–	–	**1,245**	–	722.66[2]	–	(a)	Mar 15	Aug 15

(1) Mid-market value of an ordinary share averaged over the five dealing days immediately preceding award date

(2) Mid-market value of an ordinary share averaged over the three dealing days immediately preceding award date

Notes

(a) No performance conditions are attached to the awards under the Recruitment Share Award, Retention Share Award, ABP (share element) and the Sharesave scheme

(b) Details of the performance conditions attached to the PSP are set out on page 53

(c) Awards to Tim Cobbold in June 2011 and July 2012 under the PSP, under the ABP in May 2012 (including dividend shares in respect of those awards) and the Sharesave scheme in December 2011 lapsed following his resignation from the Company on 29 March 2014

Recruitment Share Award/Retention Share Award

- Participants will acquire shares at nominal value on exercise
- The awards are not pensionable. Awards may be satisfied with either new or existing shares. No firm commitment has been entered into to issue shares, nor has any decision to do so yet been made. The choice need not be made until the time at which an award is exercised, but the authority to allot any such new shares otherwise than on a pre-emptive basis would be that conferred by shareholders on 25 July 2013

Dividend shares

An additional award of shares may be released on the vesting date in respect of awards under the ABP, PSP, Recruitment Share Award and Retention Share Award equivalent in value to the amount of dividends that would have been received since the award date in respect of the number of shares that the executives acquire. As at 29 March 2014 and based on the prevailing market share price on the respective dividend record date, the dividend shares accrued and assuming full vesting as appropriate pursuant to the relevant plan rules were as follows:

Tim Cobbold (resigned 29 March 2014):15,059 ordinary shares in respect of awards vesting on 31 January 2014

Colin Child: 22,527 ordinary shares (10,539 in respect of awards vesting in the year)

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

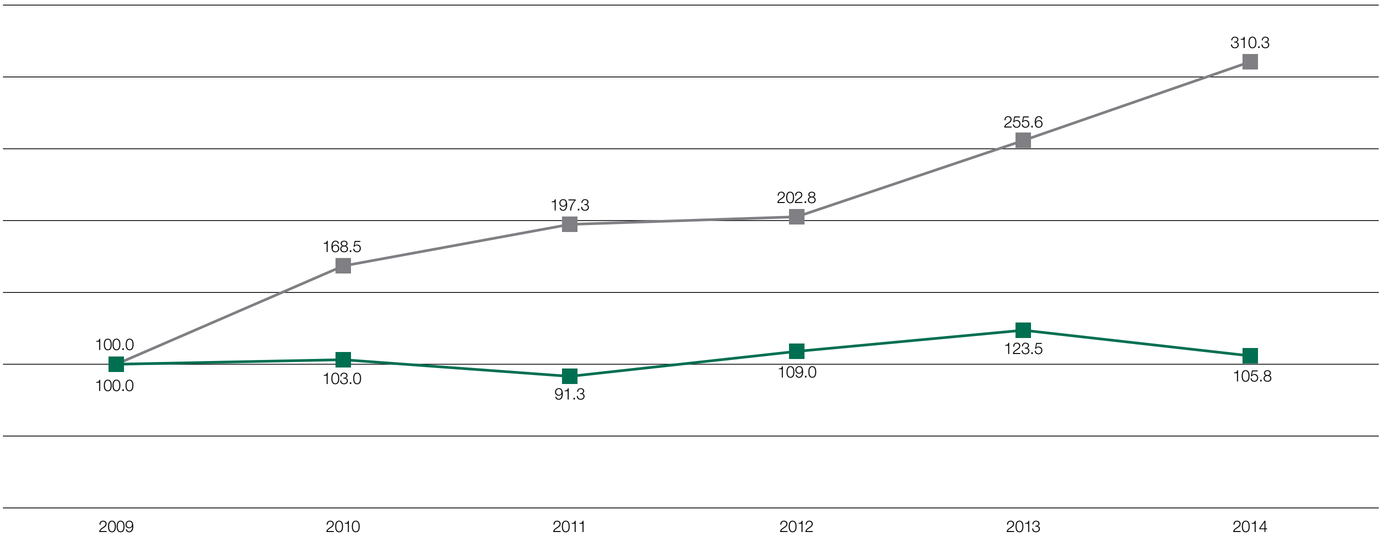
This section of the report enables our remuneration arrangements to be seen in context by providing:

- De La Rue's TSR performance for the five years to 29 March 2014
- A history of De La Rue's Chief Executive's remuneration over the same period
- A comparison of the year on year change in De La Rue's Chief Executive'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

Five year TSR performance

The graph below shows the value, at 29 March 2014, 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 the index as De La Rue is a constituent. (Source: Thomson Reuters)

Total shareholder return
£
De La Rue plc
FTSE 250 index excluding investment trusts



Chief Executive pay

Year ended March	2009/10	2010/11	2010/11	2011/12	2012/13	2013/14
Chief Executive	James Hussey[1]	James Hussey[1]	Tim Cobbold[2,3]	Tim Cobbold[2]	Tim Cobbold[2]	Tim Cobbold[2]
Single figure of total remuneration £000	843	433	604	1,053	634	1,071
Annual bonus payout as a % of maximum opportunity	46	44	Nil	80	Nil	Nil
LTIP vesting against maximum opportunity (%)	100	100	Nil	Nil	Nil	60

Notes

1 Resigned as Chief Executive on 12 August 2010

2 Appointed Chief Executive 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)

Directors' remuneration report continued

Percentage change in Chief Executive remuneration
The table below sets out, in relation to salary, taxable benefits and annual bonus, the increase in pay for Tim Cobbold compared to all UK employees between 2012/13 and 2013/14. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 55 per cent of the total employee population.

	Salary %	Benefits %	Annual bonus %
Chief Executive	0.0	8.7	0.0
UK employees average	1.0	0.0	55.1

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.

	2014 £m	2013 £m	Change %
Dividends (note 7 to the financial statements)	42.2	42.1	0.0
Overall expenditure on pay (note 23 to the financial statements)	151.0	158.7	(4.8)

Statement of shareholder voting 2013

Approval of 2013 remuneration report	For	Against	Votes withheld
Percentage of votes (%)	98.15	1.85	0.05
Number of votes cast	78,610,979	1,481,452	43,644

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 Committee members
The Remuneration Committee comprises: Philip Rogerson, Warren East, Victoria Jarman and Andrew Stevens and I chair 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.

The Remuneration Committee is responsible for making recommendations to the Board on the Group's policy regarding executive remuneration and determines, on the Board's behalf, the specific remuneration packages of the Chairman, the Executive Directors and senior executives who report to the Chief Executive. A copy of the Remuneration Committee's terms of reference is available on the Group's website.

The Remuneration Committee met four times during the period and details of attendance can be found on page 34. The Chief Executive and the Group HR Director 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.

The work of the Remuneration Committee during 2013/14
The Remuneration Committee follows a clear cycle of activities during the year and in 2013/14 this covered among other things the following matters:

- Approved PSP awards vesting in respect of the three year performance period to January 2014
- Reviewed pay awards for Executive Directors and the Executive Committee for 2013/14 (Executive Directors and other Executive Committee members decided not to accept an increase in salary in 2013/14)
- Agreed pay awards for Executive Directors and the Executive Committee for 2014/15
- Consulted with major shareholders on the proposed changes to executive remuneration under the ABP and PSP
- Agreed the redesign and operation of the ABP and PSP
- Carried out an effectiveness review of the Committee
- Reviewed and agreed the remuneration policy statement and directors' remuneration report
- Agreed awards under the Sharesave and US employee share schemes

Remuneration advice
The Remuneration Committee consults with the Chief Executive 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. During 2013/14, the Committee also received advice from Towers Watson UK Limited (Towers Watson). Towers Watson has been formally appointed by the Remuneration Committee and advised on executive remuneration and assisted in the review of the Executive Directors' remuneration policy during the year. The Remuneration Committee requests Towers Watson to attend meetings periodically during the year.

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 Towers Watson were £92,000.

New Bridge Street also assisted the Remuneration Committee and calculated the results of the EPS and TSR performance condition attached to the long term incentive awards but they do not provide advice to the Committee.

Dilution limits
The share incentives operated by the Company comply with the Association of British Insurers share dilution guidelines.

Statutory requirements
The directors' remuneration report has been prepared on behalf of the Board by the Remuneration Committee.

The Remuneration Committee adopts the principles of good governance as set out in the UK Corporate Governance Code and complies with the Listing Rules of the Financial Conduct Authority and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as Amended) and the relevant schedules of the Companies Act 2006.

Gill Rider CB
Chairman of the Remuneration Committee
28 May 2014