

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 2015, which sets out the amounts earned in respect of the period ended 28 March 2015 under the terms of the remuneration policy for Directors of De La Rue plc approved by shareholders last year.

The directors' remuneration report complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the 2012 UK Corporate Governance Code (the 'Code') and the Financial Conduct Authority Listing Rules.

This report is presented in two sections: the annual report on remuneration (pages 44 to 55) and the directors' remuneration policy (pages 56 to 63). The annual report on remuneration provides details of the amounts earned in respect of the period ended 28 March 2015 and the application of the directors' remuneration policy for the period commencing 29 March 2015. This is subject to an advisory vote at the 2015 AGM. The second section sets out the Group's directors' remuneration policy, which was approved by shareholders at the AGM on 24 July 2014 and had a binding effect from that date. The policy is not subject to a vote at the 2015 AGM.

As reported last year, the Remuneration Committee carried out a thorough review of the remuneration policy in 2014 and made some changes to the Annual Bonus Plan (ABP) and Performance Share Plan (PSP) for 2014/15. One of the aims was to have a stable structure and framework that was effective for a number of years and which supported the strategic direction of the business. The structure of remuneration remains the same. Performance related elements which are transparent, stretching and rigorously applied are designed to promote the long term success of the Group.

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. When considering remuneration for our senior executives, the Remuneration Committee has used the policy framework approved by shareholders in July 2014 and takes into consideration reward across the whole Group, not just for the Executive Directors.

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.

Outcomes 2014/15

Annual Bonus Plan (ABP)

The maximum opportunity for Executive Directors under the ABP continues to be 135 per cent of salary for the Chief Executive Officer and 115 per cent for the Chief Financial Officer. For 2014/15 the bonus opportunity was based on an element of personal objectives and financial measures including:

- Group revenue
- Group underlying operating profit
- Group cash conversion

None of the financial measures were met and therefore no bonus will be paid against these financial measures. Martin Sutherland received a bonus in relation to the achievement of personal objectives. Full details are on page 47.

Performance Share Plan (PSP)

Awards made in 2012 under the PSP are due to vest in July 2015. The maximum opportunity for Executive Directors is 100 per cent of salary. The three year performance criteria was based on earnings per share (EPS) (75 per cent of award) and average cash conversion (25 per cent of award). Group annual growth in EPS and cash conversion were below the base level set by the Remuneration Committee and therefore the award under the PSP in 2012 will lapse in full.

Awards 2014

The Remuneration Committee made awards under the ABP and PSP in 2014 and details of award levels and the performance conditions are on pages 47 to 49.

Interim arrangements in 2014

In line with best practice, the directors' remuneration policy 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 circumstances listed in the binding policy. The exceptions include situations where an Executive Director took on increased responsibility.

In the absence of a Chief Executive Officer interim arrangements were put in place. Philip Rogerson, Chairman, assumed executive responsibilities until Martin Sutherland was appointed Chief Executive Officer on 13 October 2014. He was supported by Colin Child, Chief Financial Officer, who was appointed Chief Operating Officer on a similar temporary basis. The interim remuneration arrangements are outlined more fully on page 46.

The remuneration arrangements for the recruitment of Martin Sutherland during 2014 were within the directors' remuneration policy approved by shareholders and details are contained on page 49.

Proposed changes in executive remuneration for 2015/16

The Remuneration Committee has continued to monitor the executive remuneration policy to take account of evolving market practice, while also seeking to ensure that a stable framework is maintained to avoid unnecessary and frequent changes to the structure of pay.

Accordingly there are no changes proposed to the Annual Bonus Plan or to the Performance Share Plan other than to introduce clawback provisions to cash and share based elements under the ABP in recognition of the changes in the 2014 edition of the UK Corporate Governance Code. These provisions include the addition of a one year clawback period in relation to the cash bonuses and share awards vesting under the ABP.

Past Directors

The Remuneration Committee gave careful consideration to the remuneration matters relating to the departure of James Hussey the former Chief Executive Officer in 2010, in accordance with the remuneration policy agreed by the Board and approved by shareholders at the 2014 AGM. The details of payments are on page 50.

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 2015. They are available on the Company's website. Membership of the Remuneration Committee and the key activities during 2014/15 are summarised on pages 54 and 55.

We continue to believe that our remuneration policy, by aligning executive rewards with shareholders' interests and with our strategy, positions us to deliver the performance and long term success that both the Board and shareholders expect.

Gill Rider CB

Chairman of the Remuneration Committee
27 May 2015

Directors' remuneration report continued

Annual report on remuneration

Remuneration policy framework

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. The overriding objective is to ensure that executive remuneration encourages, reinforces and rewards successful execution of strategy and provides shareholders with increasing value from each of our businesses and from the Group as a whole.

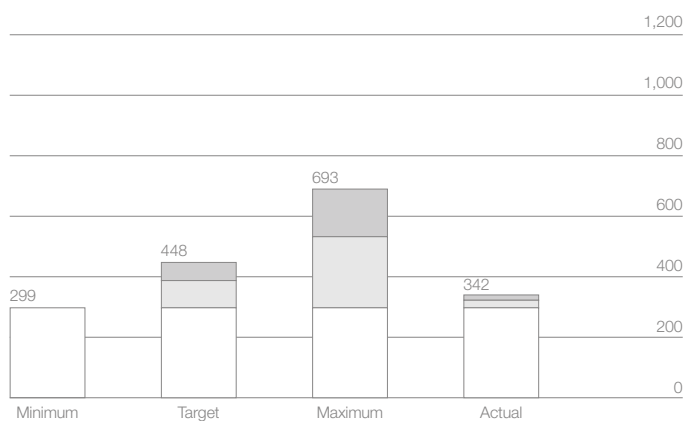
This section of the directors' remuneration report gives information on directors' remuneration and incentive out-turns for 2014/15, and details how the remuneration policy, set out on pages 56 to 63, will be applied in 2015/16.

The bar charts below show the total remuneration received for the Executive Directors against the range of potential remuneration as illustrated in last year's directors' remuneration report (see page 63). The figures for Martin Sutherland include actual and potential total remuneration for the period of his employment, from 13 October 2014 (during which there was no entitlement to PSP).

Martin Sutherland

£'000

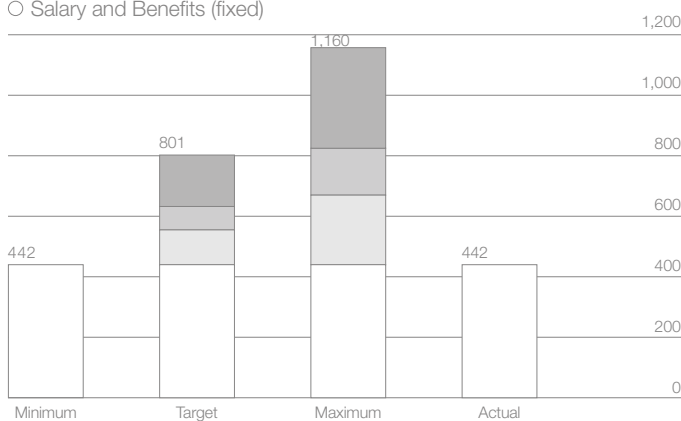
- Deferred Shares (bonus)
- Cash Bonus
- Salary and Benefits (fixed)



Colin Child

£'000

- PSP
- Deferred Shares (bonus)
- Cash Bonus
- Salary and Benefits (fixed)



Performance scenarios for the Annual Bonus Plan (ABP) and Performance Share Plan (PSP) assumed the following:

Minimum

There is no cash bonus or deferred share award under the ABP or vesting under the PSP

Target

Target cash bonus and deferred shares under the ABP, target vesting under PSP

Maximum

Maximum cash bonus, maximum deferred shares under the ABP, maximum vesting under the PSP

Key

Minimum: salary plus pension and benefits

Target: salary, benefits, pension and target annual bonus opportunity and vesting of performance shares

Maximum: salary, pension, benefits and maximum bonus opportunity and vesting of performance shares

Actual: salary, pension, benefits and bonus opportunity received

Single figure of remuneration for each Director (audited)

The remuneration of the Directors of the Company for the period ended 28 March 2015 and the previous period is set out in the table below.

	Salary and fees (a)		Benefits (excluding pensions) (b)		Bonus (c)		Long term incentive (PSP) (vested) (d)		Pension allowance (e)		Other payments (f)		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Executive Directors														
Martin Sutherland (appointed with effect from 13 October 2014)	220	–	14	–	42	–	–	–	66	–	765	–	1,107	–
Colin Child	335	325	23	23	–	13	–	395	84	81	150	51	592	888
Tim Cobbold (resigned with effect from 29 March 2014)	–	464	–	31	–	–	–	351	–	139	–	86	–	1,071
	555	789	37	54	42	13	–	746	150	220	915	137	1,699	1,959
Non-executive Chairman														
Philip Rogerson	183	175	–	–	–	–	–	–	–	–	156	–	339	175
Non-executive Directors														
Warren East	62	57	–	–	–	–	–	–	–	–	–	–	62	57
Sir Jeremy Greenstock (resigned with effect from 25 July 2013)	–	17	–	–	–	–	–	–	–	–	–	–	–	17
Victoria Jarman	47	45	–	–	–	–	–	–	–	–	–	–	47	45
Gill Rider	55	52	–	–	–	–	–	–	–	–	–	–	55	52
Andrew Stevens	47	45	–	–	–	–	–	–	–	–	–	–	47	45
Aggregate emoluments	949	1,180	37	54	42	13	–	746	150	220	1,071	137	2,249	2,350

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

(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: bonus is the cash value of the bonus earned in respect of the period which is 14 per cent of the maximum opportunity including the value of deferred shares which must be held for a minimum period as detailed on page 47. A description of the performance measurements that applied for the year 2014/15 is provided on page 47

(d) PSP: PSP awards in 2012 vesting in 2015. The performance targets for the three year performance period ending 28 March 2015 have been determined for the awards as detailed on page 48. The awards lapsed in full

The PSP amounts for 2014 (being the final year of the performance period) relating to the share award to Colin Child that vested in June 2014 have been recalculated using the vesting price of 834.5p per share on the actual number of shares and dividend shares exercised. The original calculation used a share price of 810.5p per share as the actual vesting price and the additional dividend shares exercised were not known at the time

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

(f) Other payments relate to:

2015

Martin Sutherland: Replacement Bonus, Replacement Retention Award and the estimated value (£205,231) of Martin Sutherland's CEO Share Award (38,174 shares) that will vest multiplied by the average share price of 537.62p over the quarter ending 31 March 2015. Further details are on page 49

Colin Child: Cash supplement as reported on page 46. The Sharesave options that reached maturity on 1 March 2015 were underwater at maturity and are therefore not included in 'Other payments' for Colin Child

Philip Rogerson: Additional fee as reported on page 46

2014

Tim Cobbold: Dividend shares equivalent to a value of £73,508 in respect of Tim Cobbold's Recruitment Share Award (9,412 shares based on the De La Rue plc share price of 781p on 31 January 2014 vesting date) and contractual benefits and holiday pay to Tim Cobbold

Colin Child: Dividend shares equivalent to a value of £51,444 in respect of Colin Child's Retention Share Award (6,587 shares based on the De La Rue plc share price of 781p on 31 January 2014 vesting date)

Directors' remuneration report continued

Individual elements of remuneration

Base salary and fees

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. The Remuneration Committee agreed an increase of 2 per cent in salary for Martin Sutherland for 2015/16 which is consistent with increases across the UK business. The following is payable from 1 July 2015:

	Base salary 2015 £'000	Base salary 2014 £'000
Martin Sutherland (appointed with effect from 13 October 2014)	473	220 ⁽¹⁾
Colin Child	335⁽²⁾	335

(1) Prorated for the period in office (£463,500 for full year)

(2) Colin Child will stand down from the Board at the conclusion of the AGM on 23 July 2015 and he did not receive a salary increase for 2015/16

In line with best practice, the directors' remuneration policy, approved by shareholders at the 2014 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 exceptions include where an Executive Director took on an increase in scope of responsibility as in the case of Colin Child who was appointed Chief Operating Officer on a temporary basis in the absence of a Chief Executive Officer from 1 April 2014 to 13 October 2014. He received an additional salary supplement of £150,000 over that period.

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. The Chairmen of the Remuneration Committee and Audit Committee and the Senior Independent Director received an additional fee of £7,500 to reflect their additional duties in 2014/15. Basic fees payable to Non-executive Directors were increased by 2 per cent for 2015/16 and are as follows:

	2015 £'000	2014 £'000
Non-executive Director fees		
Basic fee	48	47
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	8	8

In 2014/15 Philip Rogerson received a fee of £182,500 as Chairman and to reflect the additional time commitment for the period he assumed executive responsibilities pending the appointment of a new Chief Executive Officer on 13 October 2014, he was paid an additional fee of £297,500 per annum pro-rated for the period from 1 April 2014. The Chairman will receive a fee of £186,500 in 2015/16.

Performance against targets (audited)

Annual Bonus

The annual bonus is delivered under the Annual Bonus Plan (ABP) and in 2014 Colin Child was eligible for an award representing 115 per cent of salary. 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.

ABP performance measures 2014/15

The ABP was refined to include a re-weighting of the elements attributable to cash and deferred shares and the bonus opportunity was based on an element of personal objectives (20 per cent) and a number of financial performance metrics apportioned as follows:

- Group revenue (20 per cent)
- Group underlying operating profit (40 per cent)
- Group cash conversion (20 per cent)

The 2014/15 performance resulted in no bonus out-turn against the financial measures:

Group revenue	Group revenue of £472.1m was below the threshold at which any bonus was payable
Group underlying operating profit	Group underlying operating profit of £69.5m was below the threshold at which any bonus was payable
Group cash conversion	Group cash conversion for the period, for the purpose of ABP, was 99% which was below the threshold at which any bonus was payable

Following its review of personal objectives set for Martin Sutherland for the six months in office including delivery of a strategic review and a number of key change initiatives the Remuneration Committee concluded that the performance of Martin Sutherland warranted the award of 14 per cent of maximum opportunity (pro rated from 13 October 2015) as shown in the table below.

Under the rules of the plan Colin Child is not eligible to receive any bonus incentive payment because he resigned and is working his notice at the time of the payment.

The extent of this disclosure reflects the Board's view that the specific profit and revenue targets are commercially sensitive.

Annual bonus payments to Executive Directors also have the following additional restrictions: 60 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 was no change to the maximum bonus opportunities for Executive Directors as described in the Directors' remuneration policy table on page 57.

The 2014/15 cash bonus and deferred share element is detailed in the table below:

Name	Cash payment £'000	Deferred into shares £'000	Total annual bonus shown in column (c) of total remuneration table on page 45 in respect of 2015 £'000
Martin Sutherland	25	17	42

ABP 2015/16

The Remuneration Committee has determined that the bonus in respect of 2015/16 will be operated on similar terms of structure, financial measures and weightings as in 2014/15. 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 Remuneration Committee considers that the annual bonus targets are commercially sensitive as they provide our competitors with insight into our business plans, expectations and our strategic actions and should therefore remain confidential to the Company. However, the Remuneration Committee will continue to disclose how bonuses paid relate to performance against targets on a retrospective basis. A malus provision exists on deferred shares and from 2015/16 post-vesting clawback provisions will apply to the cash and share based elements.

Directors' remuneration report continued

Long term Incentive – Performance Share Plan (PSP)

The PSP is a share based long term incentive aligned closely with interests of shareholders and business strategy 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.

PSP awards vesting July 2015 (audited)

The following sets out details in respect of the July 2012 PSP award, for which the final year performance was the 2014/15 financial year

Date of award	Performance measures	Performance thresholds	Proportion of award vesting	Vested %	% of salary
July 2012	75% of award based on annual growth in EPS ⁽¹⁾	EPS >RPI +12%	25% of maximum	–	–
		EPS >RPI +15%	100% of maximum	–	–
	25% of award based on average cash conversion over three years ⁽²⁾	Cash conversion of 80%	25% of maximum	–	–
		Cash conversion of 100%	100% of maximum	–	–

Notes

(1) EPS is defined as the undiluted 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 full year results, EPS growth was below this minimum hurdle and this portion of the award lapsed

(2) Cash conversion is defined as the operating cash flow (as per the cash flow statement) excluding exceptional items, special pension contributions and movement in advanced payments, less cash capital expenditure, dividend by operating profit (before exceptional items). To avoid distortion from one year to the next, cash conversion will be measured as an average over a three year performance period and as this was below the threshold this portion of the award lapsed

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

PSP performance measures 2014/15

The targets for awards made under the PSP in June 2014 were based on compound average growth in underlying EPS (75 per cent of award) and average return on capital employed (ROCE) (25 per cent of award) subject to the specific performance measures outlined below. Sixty 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.

EPS was chosen because it is a key performance indicator for shareholders. ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns. Award vesting levels will apply as follows:

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

	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. The Remuneration Committee will disclose how the Group has performed against each of the performance metrics at the end of the performance period.

PSP awards made in 2014 (audited)

On 27 June 2014, Colin Child received a PSP award in line with the directors' remuneration policy as follows:

Number of shares awarded	% of salary	Face value £'000	Vesting at threshold (as a % of maximum)	Performance period end date
40,301	100	327	25	25 March 2017

The award is 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 which was 830p prior to the date of award. Face value is the maximum number of shares that would vest multiplied by the share price (810.5p) at the date of grant. A clawback provision will apply pursuant to the Rules of the PSP. No payment is required at grant, vesting or exercise. The Remuneration Committee may add dividend shares accrued on vested shares during the performance and extended vesting period.

PSP awards to be made in 2015

The Remuneration Committee has decided that the performance measurements in respect of the PSP award in 2015 to Executive Directors will be on similar terms to 2014 save that threshold vesting under the ROCE target will occur for achievement of a return of 26 per cent, target vesting for a return of 32 per cent and maximum vesting for a return of over 32 per cent. There will be no change to the maximum entitlement for Executive Directors.

Executive Directors' contracts

The table below summarises the notice periods contained in the Executive Directors' service contracts.

Name	Date of contract	Date of appointment	Notice from Company	Notice from Director
Martin Sutherland	28 August 2014	13 October 2014	12 months	6 months
Colin Child	20 May 2010	1 June 2010	12 months	6 months

Recruitment of Chief Executive Officer

Martin Sutherland was recruited as Chief Executive Officer on 13 October 2014 on an annual salary of £463,500. To secure the recruitment and to compensate him for remuneration forfeited under his previous employment the Company matched certain elements of such forfeited remuneration with the following:

- A Replacement Bonus of £200,000 payable on 2 March 2015
- A Replacement Retention Award in the sum of £360,000 due and payable on 2 April 2015
- A share award of 38,174 shares with a total value of £181,175 granted on 26 November 2014 based on a formula linked to the De La Rue plc and BAE Systems plc listed share price. The award comprises two equal tranches vesting on 7 March 2016 and 7 March 2017 respectively or, in either case, if earlier, in the event of a change of control. The Company will procure shares comprised in each tranche and transfer the shares to Martin Sutherland on or as soon as possible following the vesting date. An additional number of shares may be procured and transferred to Martin Sutherland equivalent in value to the amount of dividends that would have been received since the date of the CEO Share Award agreement up to the date on which the shares are transferred following vesting

The buy out arrangements are within the parameters of the directors' remuneration policy for recruitment and match forfeited cash with cash and forfeited shares with shares. None of the awards is subject to performance conditions nor is any award pensionable. In respect of the CEO Share Award, the Remuneration Committee may make such adjustments in the event of a variation of the share capital of the Company. The CEO Share Award lapses if Martin Sutherland:

- Ceases to be an employee of the Company prior to the vesting date of either tranche
- Purports to transfer, assign, pledge, charge or otherwise dispose of his interest in the CEO Share Award
- Becomes bankrupt, unless or to the extent otherwise determined by the Remuneration Committee
- Exercises, in full or in part, options awarded by his previous employer

As a condition of Martin Sutherland receiving the cash payments above, he irrevocably undertook to apply an amount equal to £60,000 in acquiring ordinary shares in the Company, which he did on 13 March 2015. The pay arrangements for Martin Sutherland mirror those of the previous Chief Executive Officer and are within the parameters of the directors' remuneration policy approved by shareholders in July 2014.

Directors' remuneration report continued

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
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 2018
Andrew Stevens	2 January 2013	1 January 2016

*Warren East and Gill Rider will step down from the Board at the conclusion of the AGM on 23 July 2015

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.

Martin Sutherland received a cash allowance of 30 per cent of his basic salary in lieu of a pension contribution up until 31 March 2015. Since that date the Company has made contributions to the defined contribution plan equal to the HMRC annual allowance and the cash allowance has been reduced by a corresponding amount. 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 was a member of the legacy defined benefit schemes.

Details of the payments made to the Executive Directors are included on page 45.

Payments for loss of office

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

Payments to past Directors (audited)

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

Following the departure in August 2010 of its former Chief Executive Officer, James Hussey, De La Rue plc has entered into a settlement agreement pursuant to which Mr Hussey has agreed to withdraw all claims against De La Rue plc. Under the terms of the settlement agreement, De La Rue plc has paid £126,670 in respect of Mr Hussey's legal fees and £500 to Mr Hussey in connection with other obligations agreed by him. Depending on the satisfaction of certain conditions, the Company may pay up to a further £372,830 to Mr Hussey under the settlement agreement. The settlement in no way implies an acceptance of liability by De La Rue plc.

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 as at the date of this report Executive Directors do not hold any non-executive directorships outside of the Group.

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. Colin Child has complied with the minimum shareholding requirement as detailed in the table below and Martin Sutherland as a recent recruit has started to build up a shareholding in line with the above policy.

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 28 March 2015:

	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Unvested awards				Vested shares Exercised/ unexercised during the period
			Subject to performance conditions		Not subject to performance conditions		
			Performance Share Plan	Annual Bonus Plan	CEO Share Award	SAYE	
Executive Directors							
Martin Sutherland (appointed 13 October 2014)	11,169	29	–	–	38,174	2,876	–
Colin Child	68,366	114	73,042	8,958	–	2,876	105,776 ⁽¹⁾
Non-executive Chairman							
Philip Rogerson	5,000	n/a	–	–	–	–	–
Non-executive Directors							
Warren East	4,314	n/a	–	–	–	–	–
Victoria Jarman	1,481	n/a	–	–	–	–	–
Gill Rider	454	n/a	–	–	–	–	–
Andrew Stevens	2,327	n/a	–	–	–	–	–

There have been no changes in Directors' outright interests in ordinary shares in the period 28 March 2015 to 27 May 2015. All interests of the Directors and their families are beneficial.

The current shareholdings as a percentage of salary are calculated using the closing De La Rue plc share price of 563.50p on 27 March 2015 (28 March 2015 being a Saturday).

Note

(1) Includes a total of 15,919 vested dividend shares exercised and 1,245 unexercised Sharesave options

Directors' remuneration report continued

Directors' interest in vested and unvested share awards

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

	Date of award	Total award as at 29 March 2014	Awarded during year	Exercised during year	Lapsed during year	Awards held at 28 March 2015	Awards vested (unexercised) during year	Mid-market share price immediately preceding date of award (pence)	Market price at vesting date (pence)	Date of vesting	Expiry date
Martin Sutherland											
CEO Share Award ⁽¹⁾	Nov 14	–	19,087	–	–	19,087	–	474.60 ⁽²⁾	–	Mar 16	Mar 16
	Nov 14	–	19,087	–	–	19,087	–	474.60 ⁽²⁾	–	Mar 17	Mar 17
			38,174			38,174					
Sharesave options ⁽¹⁾	Jan 15	–	2,876	–	–	2,876	–	438.00 ⁽³⁾	–	Mar 18	Aug 18
Colin Child											
Retention Share Award ⁽¹⁾	Jan 11	45,884	–	(45,884) ⁽⁴⁾	–	–	–	686.50	781.00	Jan 14	Jan 21
Performance Share Plan	Jan 11	45,884	–	(27,530) ⁽⁴⁾	(18,354)	–	–	686.50	781.00	Jan 14	Jan 21
	Jun 11	62,187	–	(15,198) ⁽⁴⁾	(46,989)	–	–	759.80 ⁽⁶⁾	834.50	Jun 14	Jun 21
	Jul 12	32,741	–	–	–	32,741	–	991.10 ⁽⁶⁾	–	Jul 15	Jul 22
	Jun 14	–	24,180 ⁽⁵⁾	–	–	24,180	–	830.00 ⁽⁶⁾	–	Jun 17	Jun 24
	Jun 14	–	16,121 ⁽⁵⁾	–	–	16,121	–	830.00 ⁽⁶⁾	–	Jun 18	Jun 24
Annual Bonus Plan ⁽¹⁾	May 12	8,958	–	–	–	8,958	–	984.50	–	May 15	May 22
		195,654	40,301	(88,612)	(65,343)	82,000					
Sharesave options ⁽¹⁾	Dec 11	1,245	–	–	–	1,245	1,245	722.66 ⁽³⁾	579.00 ⁽⁷⁾	Mar 15	Aug 15
Sharesave options ⁽¹⁾	Jan 15	–	2,876	–	–	2,876	–	438.00 ⁽³⁾	–	Mar 18	Aug 18

Notes

(1) These awards do not have any performance conditions attached

(2) Based on price formula linked to De La Rue plc and BAE Systems plc listed share price. The shares were awarded as part of a recruitment award and were intended to mirror the fair value and vesting profile of incentives Martin Sutherland forfeited on leaving his previous employer

(3) 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

(4) A total of 15,919 dividend shares were allotted

(5) Details of the performance conditions attached to the PSP are set out on page 48

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

(7) The mid-market value of an ordinary share on 27 February 2015 (as 1 March was a Saturday) and the options remain unexercised

CEO Share Award

The Company will procure shares and transfer the shares to Martin Sutherland at vesting of each tranche.

Retention Share Award

Colin Child subscribed for the shares (including dividend shares) at nominal value on exercise and the award was satisfied by newly issued shares.

Dividend shares on unvested awards

An additional award of shares may be released on the vesting date in respect of awards under the ABP, PSP and CEO Share Award equivalent in value to the amount of dividends that would have been received pursuant to the relevant Plan Rules or Agreement. As at 28 March 2015 and based on the prevailing market share price on the respective dividend record date, the dividend shares accrued and assuming full vesting as appropriate were as follows:

Martin Sutherland (appointed with effect from 13 October 2014): 615 ordinary shares

Colin Child: 7,066 ordinary shares

Gain on exercise

Colin Child made an aggregate taxable gain (after subscription and dealing costs excluding PAYE/NI) of £757,902 on exercise of awards (at a market price of 748.284p) under the PSP and Retention Share Award during the period. The balance of shares after disposals to meet all liabilities were retained.

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 six years to 28 March 2015
- A history of De La Rue's Chief Executive Officer's remuneration over the same period
- 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

TSR performance

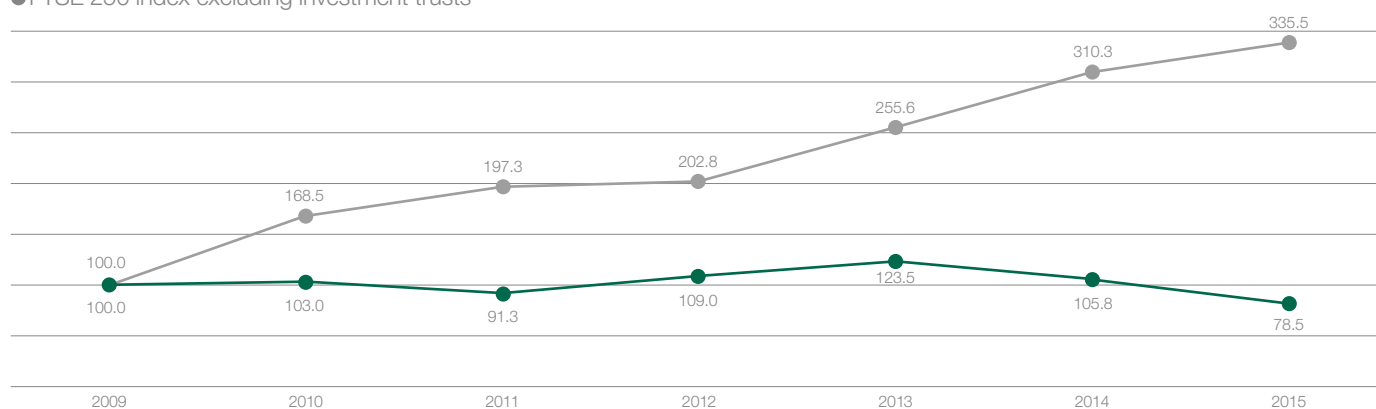
The graph below shows the value, at 28 March 2015, of £100 invested in De La Rue plc on 28 March 2009 compared with the value of £100 invested in the FTSE 250 index excluding investment trusts, assuming in each case the reinvestment of dividends. The other points plotted are the values at intervening financial year ends. The FTSE 250 has been chosen as it is the index of which De La Rue was a constituent. (Source: Thomson Reuters)

Total shareholder return

£

● De La Rue plc

● FTSE 250 index excluding investment trusts



Chief Executive Officer pay

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

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

Directors' remuneration report 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 2013/14 and 2014/15. UK employees were chosen as a comparator group to avoid the impact of exchange rate movements over the year. UK employees make up approximately 53 per cent of the total employee population.

	Salary %	Benefits %	Annual bonus %
Chief Executive Officer	–	–	–
UK employees average	2.9	–	(47.4)

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.

	2015 £m	2014 £m	Change %
Dividends (note 7 to the financial statements)	36.8	42.2	(12.8)
Overall expenditure on pay (note 23 to the financial statements)	153.1	151.0	1.4

Statement of shareholder voting 2014

	Total votes cast	For ⁽¹⁾	(%)	Against	(%)	Votes withheld ⁽²⁾
Approval of directors' remuneration policy	81,458,347	80,512,460	98.84	945,887	1.16	68,796
Approval of 2014 remuneration report	81,483,228	81,329,696	99.81	153,532	0.19	43,917

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 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. The Chairman of the Board, who was regarded as independent on his appointment as Chairman, assumed executive responsibilities from 1 April 2014 until the new Chief Executive Officer was appointed on 13 October 2014.

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

The Remuneration Committee met five times during the period and details of attendance can be found on page 33. The Chief Executive Officer 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 2014/15

The Remuneration Committee follows a clear cycle of activities during the year and in 2014/15 this covered among other things the following matters:

- Approval of PSP awards vesting in respect of the three year performance period to March 2014
- Review of pay awards for Executive Directors and the Executive Leadership Team for 2014/15
- Approval of remuneration arrangements for the new Chief Executive Officer
- Review of performance against short and long term incentive plans
- Redesign and operation of the ABP presented to shareholders in 2014 and the PSP
- Undertaking an effectiveness review of the Committee
- Reviewing and agreeing the remuneration policy statement and directors' remuneration report
- Awards under the Sharesave and US employee share schemes

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 2014/15, 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 trends, Chief Executive Officer recruitment, directors' remuneration report preparation and target setting for incentive plans. 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 £58,000.

Dilution limits

The share incentives operated by the Company comply with the institutional investors' 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 2012 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.

The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on page 69 and to state that this section has been properly prepared in accordance with these regulations. The directors' remuneration report is subject to shareholder approval at the AGM on 23 July 2015.

The directors' remuneration report was approved by the Board on 27 May 2015 and signed on its behalf.

Gill Rider CB

Chairman of the Remuneration Committee

27 May 2015

Directors' remuneration report continued

Directors' remuneration policy

This part of the report sets out the Group's current Directors' remuneration policy. The Group's policy was approved by shareholders at the AGM on 24 July 2014, and took effect from that date. The policy is reproduced here for information only and cross referencing to page numbering refers to the 2015 Annual Report. New designations and Executive Directors' service contract notice periods and the Non-executive Directors current term of appointments have also been updated and appear in the annual report on remuneration. The approved Directors' remuneration policy can be found on the Company's website www.delarue.com

Element	Purpose and link to strategy	Operation
Base salary	<p>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</p> <p>Reflects individual skills, experience and responsibility necessary to deliver business strategy</p> <p>Rewards individual performance</p>	<p>Reviewed annually and fixed for 12 months (but may be reviewed more frequently)</p> <p>Influenced by:</p> <ul style="list-style-type: none"> • Role, experience, responsibilities and performance • Change in broader workforce salary • Group profitability and prevailing market conditions • Salary levels across the Group generally <p>Increases are not automatic</p>
Benefits	<p>To provide market competitive benefits sufficient to recruit and retain the talent necessary to develop and execute the business strategy</p>	<p>Provision of car allowance, life assurance and private medical scheme. Executive Directors are also provided with permanent health insurance</p> <p>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</p>
Pension	<p>To provide market competitive pensions sufficient to recruit and retain executives</p>	<p>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</p> <p>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</p>
Annual Bonus Plan (ABP) post 2014/15 AGM	<p>Annual cash award:</p> <p>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</p> <p>Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose</p> <p>To support a pay for performance philosophy</p> <p>To help attract and retain top talent and be cost effective</p>	<p>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</p> <p>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</p> <p>60% of annual bonus payable immediately in cash</p> <p>40% of the annual bonus deferred in shares</p> <p>Deferred share element is subject to clawback provisions</p>
	<p>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 51</p>	<p>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</p> <p>50% of deferred shares released one year after cash payout and remaining 50% two years after cash payout</p> <p>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</p> <p>The deferred share element will be disclosed in the annual report on remuneration</p>

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.

Maximum opportunity	Performance metrics
<p>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</p> <p>Larger increases may be awarded in certain circumstances including, but not limited to:</p> <ul style="list-style-type: none"> 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 <p>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</p>	<p>Individual performance is the primary consideration in setting salary alongside overall Group performance, affordability and market competitiveness</p>
<p>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</p>	<p>Not applicable</p>
<p>The contribution rates for the Executive Directors are 30% of base salary for the Chief Executive Officer and 25% of base salary for the Chief Financial Officer</p> <p>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</p>	<p>Not applicable</p>
<p>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</p> <p>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</p>	<p>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</p> <p>For 2014/15 the bonus opportunity will be based on an element of personal objectives and the following financial measures:</p> <ul style="list-style-type: none"> Group revenue Group underlying operating profit Group cash conversion <p>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</p>
<p>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)</p>	<p>Linked to cash award</p>

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 56	The operation of the ABP prior to the 2014/15 proposed changes is as described for the ABP on page 56 except as follows: <ul style="list-style-type: none"> • 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	<p>Share based long term incentive aligned closely with interests of shareholders and business strategy through the performance measures chosen</p> <p>Increase the overall timetable of pay to four years and supports a pay for performance philosophy</p> <p>Retain key executives over a longer term measurement period. Executive Directors are encouraged to hold a level of shareholding as described on page 51</p> <p>Aimed at ensuring a consistent and stable reward structure throughout the management group that will remain fit for purpose</p> <p>Help attract and retain top talent and continue to be cost effective</p> <p>Ensure overall cost efficiency and that overall cost is sustainable</p> <p>EPS growth ensures any payout is supported by sound profitability</p> <p>ROCE supports the strategic focus on growth and margins through ensuring that cash is reinvested to generate appropriate returns</p>	<p>Annual share award with a three year performance period and performance metrics which, while challenging, will not encourage excessive risk taking</p> <p>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</p> <p>The Remuneration Committee may add dividend shares accrued only on vested shares during the performance and extended vesting period</p> <p>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</p> <p>Vesting of awards is subject to continued employment until the vesting date but, as described on page 62, PSP awards may also vest early in 'good leaver' circumstances</p> <p>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</p>
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	<p>Executive Directors may participate in the Sharesave scheme on the same terms as other employees</p> <p>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</p> <p>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</p>

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 57	See page 53 (2014 Annual Report)
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	<p>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</p> <p>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</p> <p>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%</p> <p>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</p> <p>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</p> <p>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</p>
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	<p>The performance measures and outturn for awards made in January 2011 and June 2011 are described on page 53 (2014 Annual Report)</p> <p>The award in 2012 under the PSP is dependent on achievement of the following:</p> <ul style="list-style-type: none"> • Up to 75% of awards will vest subject to annual growth in EPS: <ul style="list-style-type: none"> – 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: <ul style="list-style-type: none"> – Cash conversion of 80% – 25% of maximum vesting – Cash conversion of 100% – 100% of maximum vesting
<p>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</p> <p>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)</p>	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	<p>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</p> <p>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</p> <p>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</p> <p>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</p>

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 Officer interim arrangements were put in place. Philip Rogerson, Chairman, assumed executive responsibilities until a new Chief Executive Officer joined the Board and he was supported by Colin Child, Chief Financial Officer, who was appointed Chief Operating Officer on a similar temporary basis. In order to reflect the additional time commitment Philip Rogerson was 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 continued 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 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 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.

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.

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	<p>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)</p> <p>Benefits provided in connection with termination payments may also include, but are not limited to, outplacement and legal fees</p>
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	<p>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</p> <p>The vesting of share awards is governed by the rules of the appropriate incentive plan approved by shareholders. Typically for 'good leavers':</p> <ul style="list-style-type: none"> • 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 illustrated the potential value of the Executive Directors' remuneration package in various scenarios in a typical year. Salary levels are as at 1 April 2014.

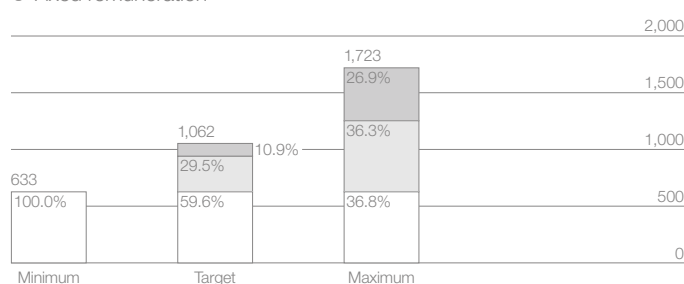
Performance scenarios for the ABP and PSP assume the following:

Minimum	Target	Maximum
There is no cash bonus or deferred shares 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

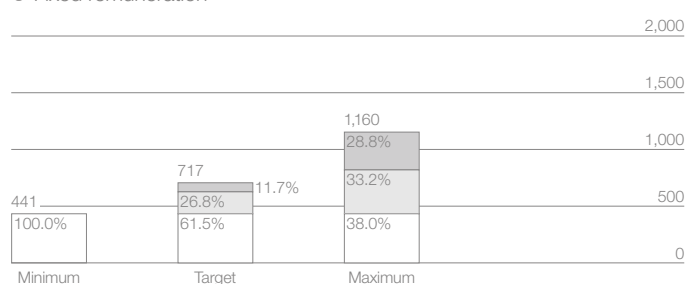
- Long term variable remuneration
- Annual variable remuneration
- Fixed remuneration



CFO

£'000

- Long term variable remuneration
- Annual variable remuneration
- Fixed remuneration



The role of Chief Executive Officer was vacant and the above information was therefore an illustration only, based on the remuneration package which the outgoing Chief Executive Officer 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	–	40	63
CFO	Fixed	100	62	38
	Variable	–	38	62

The remuneration mix above is based on the remuneration policy as it was intended to be operated for 2014/15. As indicated above the Company was in the process of recruiting a new Chief Executive Officer. In the absence of a Chief Executive Officer interim arrangements were put in place. Philip Rogerson assumed executive responsibilities and the arrangements are disclosed more fully on page 60 and do not include any variable elements.