

Corporate governance continued

## Directors' remuneration report

### Annual statement from the Chairman of the Remuneration Committee

#### Sabri Challah

Chairman of the  
Remuneration Committee



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

#### Composition of the Committee

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

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

#### Note

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

#### Activities during the period

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

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

#### Principal responsibilities

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

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

## Dear Shareholder

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

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

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

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

## Committee meetings

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

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

## Structure of Directors' remuneration report

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

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

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

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

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

## Changes to the operation of the Performance Share Plan

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

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

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

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

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

Corporate governance continued

## Directors' remuneration report

### Annual statement from the Chairman of the Remuneration Committee

#### Outcomes 2017/18

##### Annual Bonus Plan (ABP)

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

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

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

##### Performance Share Plan (PSP)

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

##### ABP and PSP awards 2017

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

##### 2018 salary review

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

#### Board changes

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

#### Gender pay

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

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

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

#### Sabri Challah

Chairman of the  
Remuneration Committee  
30 May 2018

## Directors' remuneration policy

### Introduction

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

### Remuneration policy

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

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

### Policy table

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

Base salary			
Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
<p>Fixed competitive remuneration set at levels to recruit and retain talent. Determination informed, but not led, by reference to the market place for companies of similar size and complexity.</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"> <li>• Role, experience, responsibilities and performance</li> <li>• Change in broader workforce salary</li> <li>• Group profitability and prevailing market conditions</li> <li>• Salary levels across the Group generally</li> <li>• Eliminating the gender pay gap</li> </ul> <p>Increases are not automatic.</p>	<p>To avoid creating expectations of Executive Directors and other employees, no maximum base salary has been set. Increases will not normally exceed the average of increases awarded within the rest of the Group in the UK.</p> <p>Larger increases may be awarded in certain circumstances including, but not limited to:</p> <ul style="list-style-type: none"> <li>• Increases in scope or responsibility</li> <li>• Where market conditions indicate a lack of competitiveness and risk to attracting or retaining executives</li> </ul> <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>

Corporate governance continued

**Directors' remuneration report****Directors' remuneration policy continued****Benefits**

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

**Pension**

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
To provide market competitive pensions sufficient to recruit and retain executives.	<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, a cash allowance in lieu of pension contribution will be offered.</p>	<p>The contribution rates for the Executive Directors are 30% of base salary for the Chief Executive Officer and 20% of base salary for the Chief Financial Officer.</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 less the Company's national insurance contribution to ensure cost neutrality.</p>	Not applicable.

## Annual Bonus Plan (ABP)

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
<p>To incentivise and reward delivery of financial and personal performance targets that address the distinct commercial and strategic needs of the business, and align with shareholder interests.</p> <p>To ensure 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>Executive Directors are required to hold a level of shareholding of 100% of salary as described on page 81.</p> <p>Compulsory deferral of shares supports alignment with shareholder interests and also provides a retention element.</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>Sixty per cent of annual bonus is payable immediately in cash. Forty per cent of annual bonus is payable in deferred shares and released in tranches, subject to continued employment (with early release in certain circumstances). There are no further performance conditions.</p> <p>Fifty per cent of deferred shares are released one year after cash payout and the 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> <p>The cash and deferred share element are subject to malus and clawback provisions to allow the Company to recoup three years from award in the event of material financial misstatement of results or gross misconduct and other acts or omissions that could bring the business into disrepute and or cause reputational damage.</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 risks to be taken.</p> <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>

Corporate governance continued

**Directors' remuneration report****Directors' remuneration policy continued****Performance Share Plan (PSP)**

Purpose and link to strategy	Operation	Maximum potential opportunity	Performance metrics
<p>A share based long term incentive is aligned closely with business strategy and interests of shareholders through the performance measures chosen.</p> <p>To increase the time over which rewards are earned to four years and support a pay for performance philosophy.</p> <p>To retain key executives over a longer term measurement period. Executive Directors are encouraged to hold a level of shareholding as described on page 81.</p> <p>To ensure a consistent and stable reward structure throughout the management group that will remain fit for purpose.</p> <p>To attract and retain top talent and continue to be cost-effective.</p> <p>To ensure overall cost-efficiency.</p> <p>To ensure any payout is supported by sound profitability by link to EPS growth.</p> <p>To support the strategic focus on growth and margins by the link to ROCE.</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>Sixty per cent of the award vests after three years provided Group performance (two metrics) criteria are met and the balance will vest after a further one year subject to continued employment.</p> <p>The Remuneration Committee may add dividend shares accrued only on vested shares during the performance and extended vesting period.</p> <p>Vesting of awards is subject to continued employment until the vesting date but, as described on page 83, PSP awards may also vest early in 'good leaver' circumstances. Awards under the PSP will vest early on a change of control (or other similar event) subject to satisfaction of the performance conditions and, unless the Remuneration Committee determines otherwise, pro-rating for time.</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 material financial misstatement of results, gross misconduct or any act or omission that could bring the business into disrepute and or cause reputational damage. Malus provision also applies.</p>	<p>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>	<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.</p> <p>For proposed awards in 2017/18, the vesting of PSP awards will be subject to EPS and return on capital employed (ROCE) performance conditions.</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>



## All employee share plans

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

### Shareholding requirement for Executive Directors

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

### Pay policy for other employees

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

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

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

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

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



Corporate governance continued

## Directors' remuneration report

### Directors' remuneration policy continued

#### Remuneration Committee discretion

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

#### Shareholder views

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

#### Service contracts

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

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

#### Non-executive Directors

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

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

#### Payment for loss of office

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

Policy	
<b>Notice period on termination by the Company</b>	Twelve calendar months. The Remuneration Committee recognises that in the case of appointment to the Board from outside the Group, it may be necessary to offer a longer initial notice period, which would subsequently reduce to 12 months.
<b>Termination payment at the Company's sole discretion</b>	<p>On termination by either the Company or the relevant Executive Director, the Company retains the discretion to make a payment in lieu of notice not exceeding 12 months' basic salary, excluding bonus but including benefits in kind (including company car or car allowance and private health insurance) and pension contributions (which may include salary supplement).</p> <p>Benefits provided in connection with termination payments may also include, but are not limited to, outplacement and legal fees.</p>
<b>Change of control</b>	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.
<b>Vesting of incentives for leavers</b>	<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"> <li>• 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</li> <li>• Under the PSP, awards pro-rated (unless the Remuneration Committee determines otherwise) to the date of departure, will vest at the normal vesting date if the relevant performance targets have been met. The Remuneration Committee has the discretion to test the performance targets early and accelerate vesting</li> <li>• Good leavers under the Sharesave scheme, which is HMRC approved, are entitled to exercise options, pro-rated to the savings made</li> <li>• 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</li> </ul>
<b>Pension benefits</b>	These will be paid in accordance with the rules of the pension scheme. Where an early retirement pension is paid from a legacy UK defined benefit arrangement, a reduction will be made to the pension to reflect early receipt using factors determined and set by the Trustees from time to time.

Corporate governance continued

**Directors' remuneration report****Directors' remuneration policy continued****Remuneration policy for the Chairman and Non-executive Directors**

Element	Operation by the Company
<b>Chairman fees</b>	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.
<b>Non-executive Director fees</b>	<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>Total fees paid to Non-executive Directors will remain within the limit set out in the Company's articles of association of £750,000 per annum.</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.

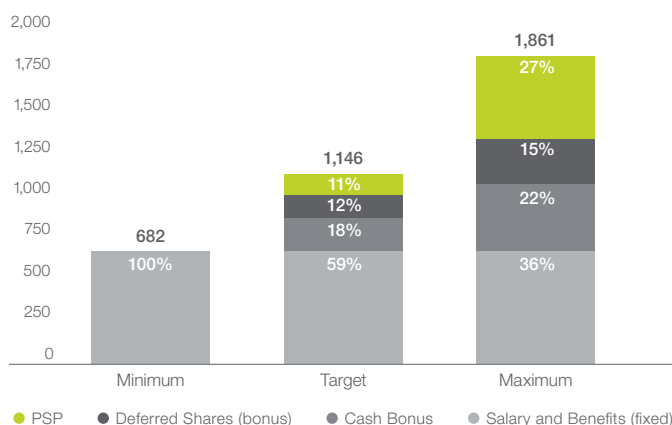
### Illustration of the application of remuneration policy

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

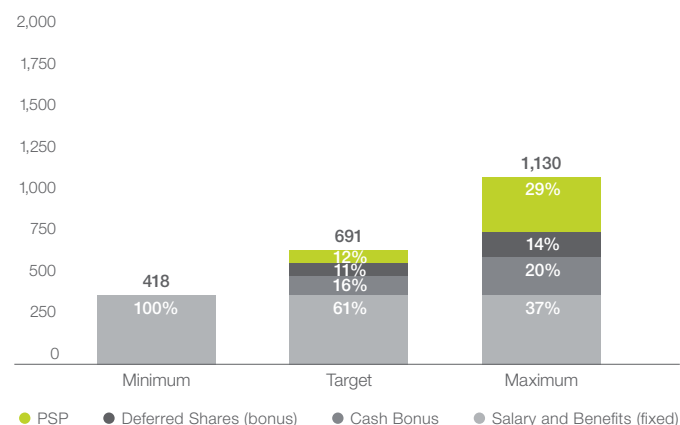
Performance scenarios for the ABP and PSP assume the following:

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

#### CEO (£'000)



#### CFO (£'000)



### Assumptions for the scenario charts

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

### Executive Director remuneration mix 2018/19

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

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

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

Corporate governance continued

## Directors' remuneration report

### Annual report on remuneration

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

#### Single figure of remuneration for each Director (audited)

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

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

#### Notes

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

- <sup>a</sup> Base salary and fees: the actual salary and fees received during the period. The Executive Directors' salaries are normally reviewed, but not necessarily increased, with effect from 1 July each year.
- <sup>i</sup> Martin Sutherland has a salary of £490,000 per annum effective 1 July 2017 and the salary shown above is to the period 31 March 2018. Martin Sutherland took advantage of the annual leave flexibility scheme and purchased an additional 5 days' annual leave entitlement during the period at a cost of £9,279 and he also participates in the Company's cycle-to-work scheme at a cost of £1,000 which is reflected in the table above.
- <sup>ii</sup> Jitesh Sodha had a salary of £331,000 per annum effective 1 July 2017 and the salary shown above is to the period 19 March 2018. Jitesh Sodha took advantage of the annual leave flexibility scheme and purchased an additional 5 days' annual leave entitlement during the period at a cost of £4,687 which is reflected in the table above.
- <sup>iii</sup> Rupert Middleton had a salary of £325,000 per annum effective 1 July 2017 and the salary shown above is to the period 20 July 2017.
- <sup>iv</sup> Philip Rogerson's Chairman's fee is £194,000 effective from 1 July 2017 and the fee shown is the fee to the end of the financial period.
- <sup>b</sup> 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.
- <sup>c</sup> Bonus: No bonus was payable for 2017/18 as the performance underpin was not met. A description of the performance measures that applied for the year 2017/18 is provided on page 88. Jitesh Sodha and Rupert Middleton were not entitled to any bonus payments for 2017/18.
- <sup>d</sup> PSP: the estimated value of the shares due to vest in June 2018 (23 September 2018 in the case of Jitesh Sodha) (including dividend shares accrued to date) that was subject to performance over the three year performance period ending 31 March 2018 based on the number of shares that will vest multiplied by the average share price of 610.04p over the quarter ending 31 March 2018 (as the vesting price is not known at the date of the Directors' remuneration report). The performance conditions that applied to the PSP awards vesting are described on page 89.
- <sup>e</sup> Pension allowance and contributions to defined contribution section. See page 90 for further details of pension arrangements.
- <sup>f</sup> Other payments to:
- 2017: Martin Sutherland: dividend equivalent payments made under the CEO Share Award at the point of vesting. See 2017 annual report.

## Individual elements of remuneration

### Base salary and fees (audited)

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

	Base salary 2018 £'000	Base salary 2017 £'000	Increase %
Martin Sutherland	502	490	2.4
Rupert Middleton <sup>1</sup>	–	325	–
Jitesh Sodha <sup>2</sup>	–	331	–

<sup>1</sup> Rupert Middleton stepped down from the Board after the AGM on 20 July 2017.

<sup>2</sup> Jitesh Sodha resigned from the Board on 19 March 2018.

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

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

The fees are as follows:

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

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

### External directorships of Executive Directors

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

Corporate governance continued

## Directors' remuneration report

### Annual report on remuneration continued

#### Performance against targets (audited)

##### Annual bonus

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

##### ABP performance measures 2017/18

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

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

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

##### Disclosure of 2017/18 bonus targets

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

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

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

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

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

##### ABP 2018/19

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

#### Long term incentive – Performance Share Plan (PSP)

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

##### Performance measures applying to PSP Awards

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

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



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

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

#### Notes

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

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

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

#### PSP award vesting in 2018

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

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

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

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

#### PSP awards made in June 2017 (audited)

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

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

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

#### Performance measures applying to PSP awards to be made in 2018

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

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

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

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

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

Corporate governance continued

## Directors' remuneration report

### Annual report on remuneration continued

#### Executive Directors' service contracts

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

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

#### Non-executive Directors' letters of appointment

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

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

#### Total pension entitlements (audited)

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

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

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

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

#### Payments for loss of office (audited)

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

## Payments to past Directors (audited)

### Rupert Middleton

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

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

### Jitesh Sodha

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

## Share retention policy

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

## Directors' interests in shares (audited)

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

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

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

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

#### Note

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

## Former Executive Directors' share interests

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

**Jitesh Sodha:** 12,278

**Rupert Middleton:** 7,781

Corporate governance continued

## Directors' remuneration report

## Annual report on remuneration continued

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

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

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

## Notes

<sup>1</sup> These awards do not have any performance conditions attached.

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

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

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

<sup>5</sup> 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.

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

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

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

## Dividend shares on unvested awards

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

**Martin Sutherland:** 11,902 ordinary shares

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

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

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

### Chief Executive Officer pay

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

#### Notes

<sup>1</sup> Role as Chief Executive Officer ended on 12 August 2010.

<sup>2</sup> Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014.

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

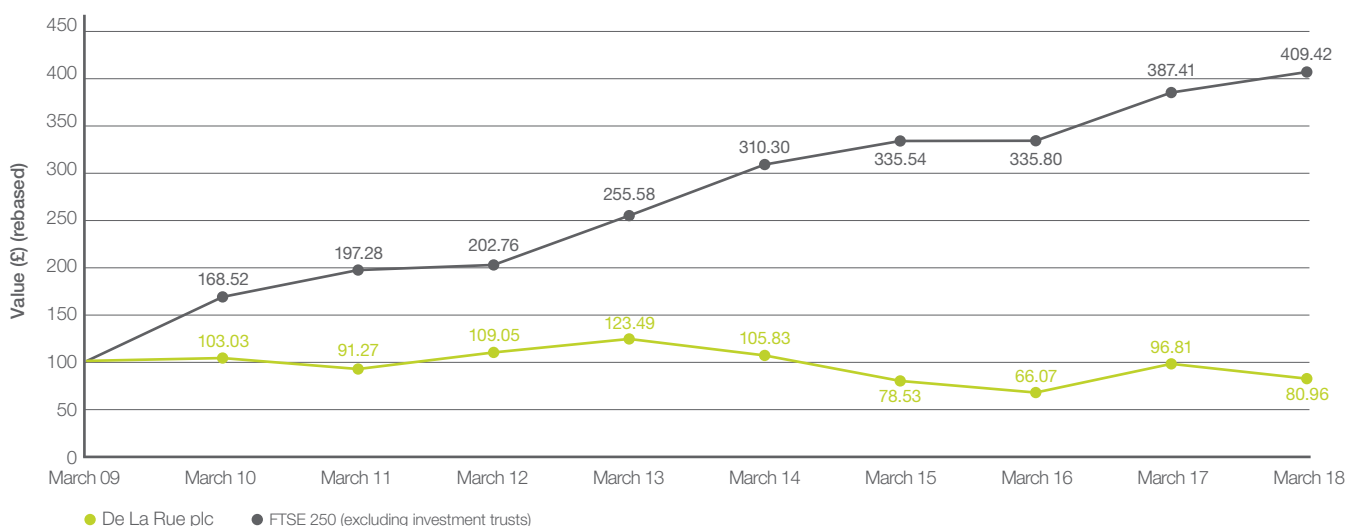
<sup>4</sup> Appointed 13 October 2014.

### TSR performance

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

### Total shareholder return

Source: FactSet



Corporate governance continued

## Directors' remuneration report

### Annual report on remuneration continued

#### Percentage change in Chief Executive Officer remuneration

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

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

#### Relative spend on pay

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

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

#### Statement of shareholder voting 2017

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

#### Notes

<sup>1</sup> The votes 'For' include votes given at the Chairman's discretion.

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

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

#### Remuneration advice

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

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

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

#### Dilution limits

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

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

#### Statutory requirements

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

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

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

#### Sabri Challah

Chairman of the Remuneration Committee  
30 May 2018