Directors' remuneration report

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

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

Principal responsibilities

A summary of the responsibilities are as follows:

Remuneration

- Setting and reviewing the remuneration of the Chairman, Executive Directors and senior executives who report to the Chief Executive Officer
- Ensuring that all remuneration paid to Directors is in accordance with the Company's previously approved remuneration policy
- Ensuring that all contractual terms on termination, and any payments made, are fair to the individual and the Company
- Monitoring the reward policies and practices throughout the business

Incentive plans

- 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

Governance and compliance

- Ensuring that provisions relating to disclosure of remuneration as set out in the relevant legislation, the UK Listing Rules and the UK Corporate Governance Code are fulfilled

Dear Shareholder

As Chairman of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the period ended 30 March 2019 which has been prepared by the Remuneration Committee and approved by the Board.

Background and business context

Against a backdrop of challenging market conditions, progress has been made over the year in product innovation, driving organic growth, improving efficiency of operations and shaping the culture of the business. Strong performance in order intake growth, with multiple wins in brand protection and government revenue solutions, has helped to offset declining margins in the Currency Print business and longer term will help compensate for the loss of the UK passport contract.

During the year, a comprehensive strategic review took place that reaffirmed the strategy to transform De La Rue into a less capital intensive, more technology led business with a more balanced portfolio that delivers growth, improves the quality of earnings and reduces volatility in the business.

This year, strategic progress has continued with wins in brand protection and Government Revenue Solutions delivering a significant change to product mix, underpinning our confidence in our ability to deliver the strategic goals in these markets.

Our remuneration policy remains a critical catalyst to delivering both the in-year performance and longer term transformation of De La Rue. Incentives are geared towards rewarding achievement against both operational and strategic goals and reinforcing the behaviours and culture that support sustainable growth.

Members and attendance

Member	Directors' attendance 2018/19
Sabri Challah (Chairman)	5 (5)
Philip Rogerson	5 (5)
Nick Bray	5 (5)
Maria da Cunha	5 (5)
Andrew Stevens	4 (5)

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

Committee meetings

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 at the time of his appointment as Chairman. The Committee met five times during the period and details of attendance can be found above. The Chief Executive Officer and the Group Director of Human Resources also attended meetings by invitation. The General Counsel and Company Secretary, who is also secretary to the Committee, advised on governance issues.

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

Sabri Challah
Chairman of the Remuneration Committee

Compliance statement

This report has been prepared on behalf of, and has been approved by, the Board. It complies with the Large and Medium-sized Companies and Groups (Accounts and Reports) (amendment) Regulations 2013 (the 'Regulations'), the UK Corporate Governance Code and the FCA's Listing Rules and takes into account the policies of shareholder representative bodies. The Companies Act 2006 and the Listing Rules require the Company's auditor to report on the audited information in their report on pages 96 to 103 and to state that this section has been properly prepared in accordance with these regulations.

In accordance with the Regulations, at the 2019 AGM the Company will be asking shareholders to vote on an advisory basis on the annual report on Directors' remuneration as set out on pages 81 to 91 which provides details of the remuneration earned by Directors for performance in the period ended 30 March 2019 and describes the planned implementation of the remuneration policy in 2020.

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

Activities during the period

- Approval of the ELT 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 ELT
- Determination of remuneration for the new Chief Financial Officer and Executive Director
- Determination of retention arrangements for key senior executives
- Review and approval of the Directors' remuneration report
- Review of the proposed changes to the remuneration policy statement and consultation with major shareholders and institutional bodies
- Review of market trends and latest developments in governance including the new UK Corporate Governance Code 2018
- Awards under the UK Sharesave employee share scheme
- Review of the report on gender pay gap and action plan

Structure of Directors' remuneration report

This report is presented in two main sections: an annual statement from the Chairman of the Committee and summary of the remuneration policy, and the annual report on remuneration for 2018/19. The Directors' remuneration policy was approved by shareholders at the AGM held on 20 July 2017 and had a binding effect at that date. The policy is not subject to a vote at the 2019 AGM. A copy of the remuneration policy approved in 2017 can be found in the annual report 2017 on the Company's website www.delarue.com

Remuneration policy

Our Directors' remuneration policy was approved by shareholders at the 2017 annual general meeting, and a summary of the policy is detailed on page 78.

As reported last year, we 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 consulted with our largest shareholders and have taken on board their sometimes divergent comments and views.

A summary of the changes implemented in 2018/19 is set out below:

Changes introduced to the operation of the Performance Share Plan 2018

- Re-weighting of the performance measures under the PSP from 75% EPS: 25% ROCE to 50% EPS: 50% ROCE. 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%)

Further details can be found in the annual report on remuneration on page 81.

Context of remuneration

The Group has achieved a reasonable underlying performance and continued its strategic progress in a year of transition. Group turnover and intake orders have been strong and we are making progress in diversifying our revenue, moving from printing banknotes into more digital and service-oriented businesses.

Developments in 2019

As announced in April 2018, Helen Willis (who had joined De La Rue as Interim Chief Financial Officer in April 2018) was appointed as Chief Financial Officer on 19 July 2018 and became an Executive Director and a member of the Board on 26 July 2018, following the conclusion of the AGM.

Directors' remuneration report continued

ANNUAL STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Outcomes 2018/19 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 2018/19, 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%

No payment is made on any element of bonus (including the personal element) if a minimum operating profit threshold is not achieved.

In light of the above structure and ABP measures, I report that the ABP payout against the financial measures outlined above will be 23.8% of a maximum of 80% of entitlement. A payment of 10% against a maximum of 20% was achieved on the personal element.

Full details are on pages 82 and 83. This year, to improve transparency, we have provided further disclosure of the personal strategic objectives and the Committee's assessment of the extent to which they have been achieved (whilst noting that the more granular detail of these targets could be of interest to our competitors).

Performance Share Plan (PSP) Vesting 2019

Awards under the PSP in 2016/17 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 25% of the award was based on average ROCE of between 30% and 36%. The EPS performance criteria were not met, however average ROCE over the three years of 39% was above the target range. This achievement delivers a full payout against this measure. The 2016/17 PSP therefore vests at 25%. The details in respect of Martin Sutherland are included on page 85.

PSP awards in 2018

The Remuneration Committee made awards under the PSP in 2018 and details of award levels and the performance conditions are on pages 85 and 86.

2019 salary review

The Committee has reviewed the salary levels of the Executive Directors and against the backdrop of a challenging year, concluded that no increases will be made for 2019. Salaries will be reviewed again in the normal way in 2020.

Gender pay

In line with the UK regulations we published gender pay gap data and narrative in January 2019. Further information is provided on page 47 within our Responsible business section.

2019 review of implementation of remuneration policy and shareholder consultation

This year the Committee, with support from our independent remuneration consultants, has reviewed the weighting and measures for the short term incentive plan (ABP) and believe that there is a strong rationale for implementing the following changes for the financial year 2019/20:

- Replacing cash conversion with average net debt
- Amending the weighting of the Strategic Personal Objectives to 30% from 20% of the total and placing additional emphasis on longer term strategic goals

The proposed changes follow a comprehensive review of our strategy and reaffirmed the key areas of focus. The current maximum entitlements of Executive Directors under the ABP remains as 135% of salary for the Chief Executive Officer and 115% for the Chief Financial Officer. The bonus is only payable if a threshold level of profit is achieved for 2019/20.

Rationale for change in operation of ABP

The Committee believes that average net debt is a measure which a larger proportion of employees have an ability to impact and is considered a more appropriate measure that will heighten the emphasis on cash management and enable continuous operational focus on this during the year. Reduction of net debt will lead to a stronger balance sheet and increase flexibility for management to allocate capital in line with our business strategy to deliver long term growth and shareholder value.

Current structure and weighting
%

Revenue	20%
Profit	40%
Cash conversion	20%
Personal objectives	20%

Proposed structure and weighting
%

Revenue	20%
Profit	30%
Average net debt	20%
Strategic personal objectives	30%

The proposed changes to the ABP provide an opportunity to place additional emphasis on the achievement of strategic outcomes, accelerate the transformation of the business while retaining a strong emphasis on operational performance.

The strategic personal objectives, tailored for each Executive Director and for other members of the ELT, will comprise a small number of quantifiable goals to deliver significant progress on strategy, including material improvements in operational efficiency. The Committee is committed to assessing the achievement of these objectives on a quantifiable and objective basis and to clear retrospective disclosure in the Directors' remuneration report, compatible with protecting our competitive position.

The Committee believes that this revised combination of financial measures and strategic objectives with adjusted weightings will drive value creation for shareholders and provide a fair reward for Executive Directors and Senior Leaders. To be clear, the largest proportion of the payout (70%) will be related to the financial performance of the business.

The Committee is confident that the proposed changes to the implementation of our remuneration policy demonstrate our continued commitment to alignment between the interests of shareholders and the Executive Directors and the senior management of the business. In line with our established practice, the Committee will continue to rigorously review incentive outturns and will consider the overall performance of the business not just the outcome of each measure. Specifically the Committee will exercise its discretion in determining rewards if circumstances in-year merit a review.

2019/20 Performance Share Plan (PSP)

The PSP will remain at the same target levels, performance will be measured against two Group targets: earnings per share (EPS) (50% weighting) and ROCE (50% weighting). The ROCE performance targets have been adjusted as explained on page 86.

There will be a change to the required holding period. The award will vest fully on the third anniversary of award subject to meeting performance criteria, but all vested shares will be held for a further two years and become exercisable on the fifth anniversary of award.

Changes to the UK Corporate Governance Code

The Committee has been considering the forthcoming changes to the UK Corporate Governance Code and other reporting regulations and has taken steps to prepare for their introduction.

Effective from 2019/20, the following structural changes to the implementation of executive remuneration will be made:

- In respect of the operation of share awards under the PSP, the Committee has determined that the total vesting and holding period will be extended to five years in total. Awards will vest in full on the third anniversary of grant, subject to the appropriate performance conditions being met and held for a further two years becoming exercisable on the fifth anniversary
- The Committee has also determined that it is appropriate to change the policy as it relates to pension arrangements for newly appointed Executive Directors. From 2019/20, the Company pension contribution rates or payments in lieu will align with the wider UK workforce at 12%

As part of the triennial remuneration policy review to be presented to shareholders for approval at the 2020 AGM, the Committee will give further consideration to the pension arrangements for existing Executive Directors and post-employment shareholding requirements in relation to Executive Directors' incentive plans.

In addition, the Committee is committed to complying with the new Code's provisions in relation to the extended remit and reporting responsibilities.

The Board has appointed a Non-executive Director responsible for workforce engagement supported by the Group Director of HR. Terms of reference have been drawn up for this role which include participation in existing Employee Forums, engaging with employees at different Company sites, reviewing the results of employee engagement and culture surveys and other workforce related reports.

The Committee believes it is already well-placed to meet many of the Code's other new requirements. This will be a key priority for the Committee during the year.

Priorities for 2019

The work of the Committee in 2019 will focus on the linkage between our culture and reward to ensure that incentives drive behaviours consistent with that culture.

As we review our policy during 2019, we will be giving further consideration to the provisions of the new Code and compliance with the new reporting regulations.

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

Sabri Challah
Chairman of the
Remuneration Committee
30 May 2019

Directors' remuneration report continued

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 2019/20.

Summary of remuneration policy

Remuneration policy statement

The Committee has amended and approved the policy statement to align with the forthcoming changes to the UK Corporate Governance Code 2018 coming into effect at the start of 2019/20.

The Group's remuneration policy aims to align the interests of Executive Directors and other senior executives to join De La Rue's purpose and values and with those of shareholders. The overriding objective is to ensure that the executive remuneration policy incentivises and rewards the delivery of sustainable long term shareholder value.

The Remuneration Committee believes that variable performance related pay and incentives should account for a significant proportion of the overall remuneration package of our executive team, so that their reward is aligned with shareholder interests and the performance of the Group, without encouraging excessive risk taking. Performance related elements of the remuneration therefore form a significant proportion of the total remuneration packages.

In setting the Group's remuneration policy, the Remuneration Committee believes that the Group should provide:

- Competitive rewards which will attract and retain high calibre employees with the skills and commitment to drive performance and which reflect individual responsibilities and experience
- Incentive arrangements which are fair, competitive, simple to understand, transparent, proportionate and aligned to culture. They should also be subject to challenging performance targets reflecting the Group's objectives to motivate executives to focus on both annual and longer term performance

When assessing remuneration in the marketplace, the Remuneration Committee makes prudent use of survey data focusing on companies of similar size and complexity. Performance targets set for the incentive schemes are designed to provide maximum awards for exceptional performance. The Committee tracks the five year history of executive rewards to ensure the awards are in line with and proportionate to De La Rue business performance.

The Committee reviews remuneration and related policies for the broader workforce to assess alignment between incentives and rewards with De La Rue's culture.

Broader workforce pay is taken into account when setting executive pay. In future years, this will be considered alongside feedback from engagement with the workforce on this subject.

The Committee adopts a policy that requires Executive Directors to build up and retain a long term personal shareholding in the Company equivalent to one times salary and intended to be met by retaining 100% of vested post-tax deferred bonus shares, restricted shares and performance shares until the requirement is met in full.

The Group's current remuneration policy, as approved by shareholders at the Company's Annual General Meeting in July 2017, is set out on pages 76 to 83 of the annual report 2017 available at www.delarue.com

Summary of our remuneration policy

Fixed Pay

- Base Salary
- Benefits
- Pension

Variable Pay

Annual Incentive Plan

70% Group Financial Performance + 30% Strategic Personal Objectives

30% Operating profit | 20% Revenue | 20% Average net debt

60% cash
40% deferred shares

Performance Share Plan

50% EPS | 50% ROCE

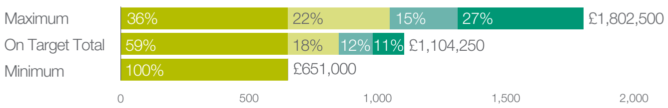
100% vesting year 3
2 year post-vesting holding period

Malus and clawback and shareholding requirements

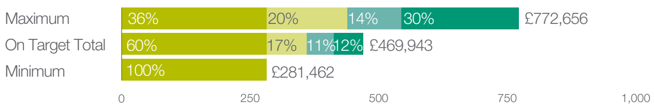
Illustration of the application of remuneration policy

The following charts illustrate the potential value of the Executive Directors' remuneration packages in various scenarios in a typical year. Salary levels are as at 1 July 2018 (or date of appointment).

Chief Executive Officer – Martin Sutherland
£'000



Chief Financial Officer – Helen Willis
£'000



Fixed Remuneration | Annual Incentive Plan (Cash) | Annual Incentive Plan (Deferred Shares) | Performance Share Plan

The themes that underpin our policy are:

- Competitive rewards that drive performance
- Simple and transparent
- Aligned to culture

These themes continue to align our strategy and our reward programme through salary, benefits, annual bonus and long term incentives, underpinned by stretching performance measures and proportionate award levels as illustrated above. The full policy can be found in the annual report 2017 which is available at www.delarue.com

Directors' remuneration report continued

DIRECTORS' REMUNERATION POLICY

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.

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 No vesting under ABP or PSP	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)
	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 2019/20

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	60	36
	Variable	–	40	64

The remuneration mix above is based on the remuneration policy as it is intended to be operated for 2019/20.

ANNUAL REPORT ON REMUNERATION

This section of the Directors' remuneration report shows how the Remuneration Committee implemented the policy on Directors' remuneration during 2018/19 including all elements of remuneration received by Executive Directors and the incentive outturns for 2018/19.

Single figure of remuneration for each Director (audited)

The table below shows how we have applied the current remuneration policy during 2018/19. It discloses all the elements of remuneration received by the Directors during the period.

	Salary and fees[a]		Benefits (excluding pensions)[b]		Bonus[c]		Long term incentive (PSP) (vested)[d]		Pensions[e]		Total	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Executive Directors												
Martin Sutherland	**490**	477	**29**	29	**197**	–	**106**	148	**132**	129	**954**	783
Helen Willis (appointed to the Board 26 July 2018)	**225**	–	**14**	–	**77**	–	**–**	–	**39**	–	**355**	–
Jitesh Sodha (resigned from the Board 19 March 2018)	**–**	314	**–**	21	**–**	–	**–**	113	**–**	56	**–**	504
Rupert Middleton (stood down from the Board 20 July 2017)	**–**	99	**–**	5	**–**		**–**	–	**–**	17	**–**	121
	715	890	**43**	55	**274**	–	**106**	261	**171**	202	**1,309**	1,408
Chairman												
Philip Rogerson	**194**	193	**–**	–	**–**	–	**–**	–	**–**	–	**194**	193
Non-executive Directors												
Nick Bray	**58**	58	**–**	–	**–**	–	**–**	–	**–**	–	**58**	58
Sabri Challah	**58**	58	**–**	–	**–**	–	**–**	–	**–**	–	**58**	58
Maria da Cunha	**50**	50	**–**	–	**–**	–	**–**	–	**–**	–	**50**	50
Andrew Stevens	**58**	58	**–**	–	**–**	–	**–**	–	**–**	–	**58**	58
Aggregate emoluments	**1,133**	1,307	**43**	55	**274**	–	**106**	261	**171**	202	**1,727**	1,825

Notes:

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

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

i Martin Sutherland has a salary of £502,000 per annum effective 1 July 2018 and the salary shown above is for the period to 30 March 2019. Martin Sutherland took advantage of the annual leave flexibility scheme and purchased an additional five days' annual leave entitlement during the period at a cost of £9,481 which is reflected in the table above.

ii Helen Willis has a salary of £330,000 per annum effective 18 July 2018 and the salary shown above is for the period when Helen started as an Executive Director to 30 March 2019.

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: A description of the performance measures that applied for the year 2018/19 is provided on pages 82 and 83.

d PSP: the estimated value of the shares due to vest in June 2019 (including dividend shares accrued to date) that were subject to performance over the three year performance period ending 30 March 2019 based on the number of shares that will vest multiplied by the average share price of 421.49p over the quarter ending 30 March 2019 (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 85. The PSP amounts for 2018 (being the final year of the performance period) related to the share award to Martin Sutherland that vested in June 2018 used a share price of 610.04p per share as the actual vesting price and the additional dividend shares exercised were not known at the time. The table showing vested and unvested share awards on page 89 gives details of the share price on the vesting date and exercise date respectively.

e Pension allowance and contributions to defined contribution section. See page 87 for further details of pension arrangements.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

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 25 April 2019. Following that review the Committee concluded that no increase in salary for Martin Sutherland and Helen Willis will be made for 2019. The salary levels (effective 1 July) are as follows:

	Base salary 2019 £'000	Base salary 2018 £'000	Increase %
Martin Sutherland	**502**	502	–
Helen Willis	**330**	225[1]	–

Note:
1 Helen Willis was appointed to the Board on 26 July 2018 and received a notional salary of £330,000. The amount shown is pro-rata for the period in office.

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 marketplace. 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 each received a further fee of £8,000 to reflect their additional duties in 2018/19. Basic fees payable to Non-executive Directors remain unchanged for 2018/19 and no fee increase is proposed for 2019.

The fees for 2019 are as follows:

Non-executive Director fees	**2019 £'000**	2018 £'000
Basic fee	**50**	50
Additional fee for chairmanship of Audit and Remuneration Committees and Senior Independent Director	**8**	8

The Chairman's fee will remain at £194,000 for 2019 and will be reviewed again in the normal way in April 2020.

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 is a non-executive director of Forterra plc and received a fee in respect of this appointment for the period to 30 March 2019 of £51,520.

Performance against targets (audited)

Annual bonus

The annual bonus is delivered under the ABP.

ABP performance measures 2018/19

The Remuneration Committee decided not to introduce any changes to the structure and weightings to the annual bonus for 2018/19 (Group revenue, Group adjusted operating profit, Group cash conversion) and weightings. 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 2018/19 bonus targets

The following table sets out the financial performance targets and achievements for 2018/19.

Measure	Threshold	Target	Max	Actual	% of maximum achieved
Group revenue	£490m	£510m	£530m	£516.6m	13.3
Group adjusted operating profit	£58m	£62m	£66m	£60.1m	10.5
Group cash conversion	135%	145%	155%	53%	0

Strategic personal objectives

Strategic personal objectives are based on Group objectives. The objectives reward achievement of core strategic priorities and transformation goals. Targets relate to growth, product innovation, efficiency, and culture.

Category	Commentary	Outcome
Growth	Group revenue grew by 12%. Market share grew in polymer with an increased volume of 23%. Multiple wins in brand protection and Government Revenue Solutions.	Met
Product Innovation	Expansion of the product portfolio has been delivered through R&D and partnerships with a key focus on exploiting existing technology platforms. Three new security features were launched during the year. PureImage™, the new holographic thread, PhotocolourUV™ and MyImage™, the polycarbonate feature jointly developed with strategic partner Opalux.	Partially Met
Efficiency	Steps to improve organisational efficiency and modernise infrastructure and systems progressed well. Corporate overheads reduced by 4% from headcount and general savings and factory fixed costs by 11% from savings related to the footprint rationalisation programme. Systems improvements in Finance have led to enhanced management and financial information and forecasting.	Partially Met
Culture	Strong, visible leadership of SAFE initiative to drive an outcome of zero harm contributed to a reduction in the long term injury frequency rate (LTIFR) to 0.25. Active engagement took place with leaders and employees globally including multiple site visits, town hall meetings, global briefings and biannual strategic leadership group meetings. Improvements were made to gender diversity in senior management with a change to the male:female ratio from 80:20 to 75:25, closer to the 2020 target of 70:30.	Met

Following a review of achievements against the personal strategic objectives for the Executive Directors, the Remuneration Committee concluded that:

- Martin Sutherland should receive a payment of 10% of maximum opportunity of 20%
- Helen Willis should receive a payment of 10% of maximum opportunity of 20%

The 2018/19 cash bonus and deferred share element is detailed in the table below:

	Cash payment £'000	**Deferred into shares £'000**	**Total annual bonus shown in column (c) of total remuneration table on page 81 in respect of 2019 £'000**
Martin Sutherland	**118**	**79**	**197**
Helen Willis	**46**	**31**	**77***

* Full eligibility 115% but pro-rata 80% for 2018/19 due to start date.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

ABP 2019/20

The Remuneration Committee decided not to introduce any changes to the structure and weightings to the annual bonus for 2018/19, but as indicated in last year's annual report the Committee would review introducing the strategic personal objectives with a 30% weighting when the Committee consider it to be appropriate to do so. As indicated in the Chairman of the Remuneration Committee report on page 76, changes to the operation of the ABP will be introduced for the financial year 2019/20.

The bonus structure will be adjusted for the 2019/20 financial year to reflect a 70% weighting on financial targets and 30% on strategic personal objectives. We have also made the decision to transition our Cash Conversion measure to one of Averaged Net Debt. The current maximum entitlements of Executive Directors under the ABP remains as 135% of salary for the Chief Executive Officer and 115% for the Chief Financial Officer. The structure and weightings will be as follows:

Proposed structure & weighting	
Revenue	20%
Adjusted operating profit	30%
Average net debt[1]	20%
Group strategic personal objectives	30%

Note:
1 Average of the 12 month end net debt positions over the course of the year.

No payment will be made on any element of bonus (including the personal element) if a minimum operating profit is not achieved.

The proposed changes to the ABP provide an opportunity to place additional emphasis on the achievement of strategic outcomes, accelerate the transformation of the business while retaining a strong emphasis on operational performance.

The Group strategic personal objectives, tailored for each Executive Director and other members of the ELT, will comprise a small number of goals to deliver significant progress on strategy, including material improvements in operational efficiency. The Committee is committed to assessing the achievement of these objectives on a quantifiable and objective basis and to clear retrospective disclosure in the Directors' remuneration report.

The Committee has decided to change the current cash conversion measure with average net debt as this is a measure which a larger proportion of employees have an ability to impact and is considered a more appropriate measure that will focus continuous attention on reducing debt and proactively managing cash in-flow.

A key deliverable of the strategy is to generate a better balance of profit throughout the year and maximise cash flow. Placing a greater emphasis on the management and reduction of net debt alongside delivering revenue and profit targets represents a strong set of measures to drive improved financial performance.

The Committee believes that this revised combination of financial measures and strategic objectives with adjusted weightings will drive value creation for shareholders and provide a fair reward for Executive Directors and senior leaders. The largest proportion of the payout (70%) will be related to the financial performance of the business.

In line with our established practice, the Committee will continue to rigorously review incentive outturns and will consider the overall performance of the business, not just the outcome of each measure.

The specific performance points are not disclosed while still commercially sensitive, but will be 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 the interests of shareholders through the performance measures chosen. The PSP is designed to provide Executive Directors and selected senior managers with a long term incentive that promotes annual and long term performance and reinforces alignment between participants and shareholders.

Performance measures applying to PSP awards

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

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

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

Year of award	Measure	Vesting % of element at threshold	Vesting % of element at maximum	Growth % required for threshold	Growth % required for maximum
2015	EPS[1]	25	100	5	10
	ROCE	25	100	26	32
2016	EPS[1]	25	100	5	10
	ROCE[2]	25	100	30	36
2017	EPS[1]	25	100	5	10
	ROCE	25	100	30	36
2018	EPS[1]	25	100	4	12
	ROCE	25	100	34	40
2019	EPS[1]	25	100	4	12
	ROCE	25	100	32	38

Notes:
1 Underlying earnings per share. Based on average annual cumulative growth during the performance period.
2 The vesting levels under ROCE was adjusted to take account of the impact of a discontinued operation held for sale as described in note 2 to the financial statements (as reported in 2018).
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 2019

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 25% was based on ROCE of over 30%.

The performance period for the 2016 PSP awards ended on 30 March 2019. 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 vest
- De La Rue's average ROCE for the period was 39%. Since this was above the threshold of 30% and above the maximum of 36%, under this performance measure this element of the PSP will vest in full. Sixty per cent of this portion of the share award vests in June 2019 and the balance will vest after a further one year subject to continued employment

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

PSP awards made in June 2018 (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	88,929	26 June 2018	100	485	25	March 2021
Helen Willis	62,265	28 August 2018	100	304	25	March 2021

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 551.00p for the award on 26 June 2018 and 498.00p for the award on 28 August 2018. Face value is the maximum number of shares that would vest multiplied by the share price (545.00p on 26 June 2018 and 488.50p on 28 August 2018) at the date of grant. The Remuneration Committee may add dividend shares accrued only on vested shares during the performance period and extended vesting period.

The Remuneration Committee gave detailed consideration 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 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% over three years.

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

In addition, given the importance of managing capital efficiently to deliver bottom line growth, the Remuneration Committee decided that a rebalancing of the weightings between EPS and ROCE was necessary to ensure an appropriate balance of focus between in-year profitability and investment and growth. For the PSP awards made in 2018 the weighting will be 50% EPS and 50% ROCE.

Performance measures applying to PSP awards made in 2019

The Remuneration Committee has concluded that the measures of EPS growth and ROCE remain the most appropriate measures for De La Rue.

The PSP will remain at the same target levels, performance will be measured against two Group targets: EPS (50% weighting) and ROCE (50% weighting). In determining the appropriate target ranges, the Committee concluded that the range for EPS of 4% to 12% remains appropriate and that the target range for ROCE performance at threshold and maximum should change from 34%–40% to 32%–38%, to reflect sensitivities in our strategic plan and to ensure that management actions to drive performance continue to be aligned with the interests of shareholders.

There will be a change to the required holding period. The award will vest fully on the third anniversary of award subject to meeting performance criteria, but shares will be held for a further two years and become exercisable on the fifth anniversary of award.

Executive Directors' service contracts

The table below summarises the notice periods contained in the service contracts for Executive Directors in office as at 30 March 2019.

	Date of contract	Date of appointment	Notice from Company	Notice from Director
Martin Sutherland	28 August 2014	13 October 2014	12 months	6 months
Helen Willis	18 July 2018	26 July 2018	6 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 2021
Maria da Cunha	23 July 2015	22 July 2021
Philip Rogerson	1 March 2012	28 February 2021
Andrew Stevens	2 January 2019	2 January 2022

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 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 Helen Willis 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 81.

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. Rupert Middleton had 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

The former Chief Financial Officer, Jitesh Sodha, was paid his notional salary for six months after he stepped down from the Board on 19 March 2018 whilst working his notice period.

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. As at March 2019, Martin Sutherland had built up a shareholding of 70% of salary.

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

Directors' interests in shares (audited)

The Directors and their connected persons had the following interests in the ordinary shares of the Company at 30 March 2019:

			Unvested awards					
			Subject to performance conditions	Not subject to performance conditions			Vested shares	
	Current shareholding ordinary shares (held outright)	Current shareholding as % of salary	Performance Share Plan	Performance Share Plan	Annual Bonus Plan	SAYE	Vested SAYE shares unexercised during the period	Vested shares exercised during the period
Executive Directors								
Martin Sutherland	90,148	70	250,319	8,567	7,438	3,363	1,567	36,389[1]
Helen Willis	–	–	66,265	–	–	1,796	–	–
Non-executive Chairman								
Philip Rogerson	13,000	n/a	–	–	–	–	–	–
Non-executive Directors								
Nick Bray	18,348	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 30 March 2019 to 30 May 2019. 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 385.50p on 29 March 2019 (30 March 2019 being a Saturday).

Note:

1 Includes a total of 2,094 and 1,756 dividend shares on vested award under the ABP and PSP respectively during the period. All shares on exercise retained by Martin Sutherland after disposal to meet tax liabilities pursuant to the share retention policy.

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 31 March 2018	Awarded during year	Exercised during year	Lapsed during year	**Awards held at 30 March 2019**	Awards vested (unexercised) during year	Mid-market share price at date of award (pence)	Market price per share at exercise date (pence)	Date of vesting	Expiry date
Martin Sutherland											
Annual Bonus Plan[1]	Jun 16	13,224	–	13,224[2]	–	**–**	–	546.60[3]	511.15	Jul 18[4]	Jun 26
	Jun 17	7,438	–	7,438[2]	–	**–**	–	680.10[3]	511.15	Jul 18[4]	Jun 27
	Jun 17	7,438	–	–	–	**7,438**	–	680.10[3]	–	Jul 19	Jul 27
Performance Share Plan	Jun 15	51,405	–	12,851[5]	38,554	**–**	–	541.00[3]	549.02	Jun 18[6]	Jun 25
	Jun 15	34,270	–	–	25,703	**8,567**	–	541.00[3]	–	Jun 19	Jun 25
	Jun 16	54,488	–	–	–	**54,488**	–	520.85[3]	–	Jun 19	Jun 26
	Jun 16	36,325	–	–	–	**36,325**	–	520.85[3]	–	Jun 20	Jun 26
	Jun 17	42,346	–	–	–	**42,346**	–	680.10[3]	–	Jun 20	Jun 27
	Jun 17	28,231	–	–	–	**28,231**	–	680.10[3]	–	Jun 21	Jun 27
	Jun 18	–	53,357	–	–	**53,357**	–	551.00[3]	–	Jun 21	Jun 28
	Jun 18	–	35,572	–	–	**35,572**	–	551.00[3]	–	Jun 22	Jun 28
		275,165	88,929	33,513	64,257	**266,324**					
Sharesave options[1]	Jan 15	2,876	–	2,876	–	**–**	–	438.00[7]	555.00	Mar 18[8]	Aug 18
	Jan 16	1,567	–	–	–	**1,567**	1,567	344.40[7]	–	Mar 19	Aug 19
	Jan 19	–	1,796	–	–	**1,796**	–	372.67[7]	–	Mar 22	Aug 22
Helen Willis (appointed 26 July 2018)											
Performance Share Plan	Aug 18	–	39,759	–	–	**39,759**	–	498.00[3]	–	Aug 21	Aug 28
	Aug 18	–	26,506	–	–	**26,506**	–	498.00[3]	–	Aug 22	Aug 28
			66,265			**66,265**					
Sharesave options[1]	Jan 19	–	1,796	–	–	**1,796**	–	372.67[7]	–	Mar 22	Aug 22

Notes:

1. These awards do not have any performance conditions attached.
2. Includes an additional 2,094 dividend shares on vesting (2016: 1,574; 2017: 520). Martin Sutherland made an aggregate taxable gain (after dealing costs excluding PAYE/NI) of £196,187. The balance of shares (12,022) following disposal to meet all liabilities was retained by Martin Sutherland.
3. Mid-market share value of a De La Rue plc ordinary share averaged over the five dealing days immediately preceding award date.
4. The closing mid-market price of the Company’s ordinary share on 10 July 2018 was 519p (the vesting date).
5. Includes an additional 1,756 dividend shares on vesting. Martin Sutherland made an aggregate taxable gain (after dealing costs excluding PAYE/NI) of £80,195. The balance of shares (7,717) following disposal to meet all liabilities was retained by Martin Sutherland.
6. The closing mid-market price of the Company’s ordinary share on 29 June 2018 was 548p (the vesting date).
7. 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.
8. On exercise of the options on 13 June 2018 the 2,876 shares were retained by Martin Sutherland.

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. As at 30 March 2019 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: 22,548 ordinary shares

Helen Willis: 1,248 ordinary shares

Directors' remuneration report continued

ANNUAL REPORT ON REMUNERATION

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 30 March 2019
- 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

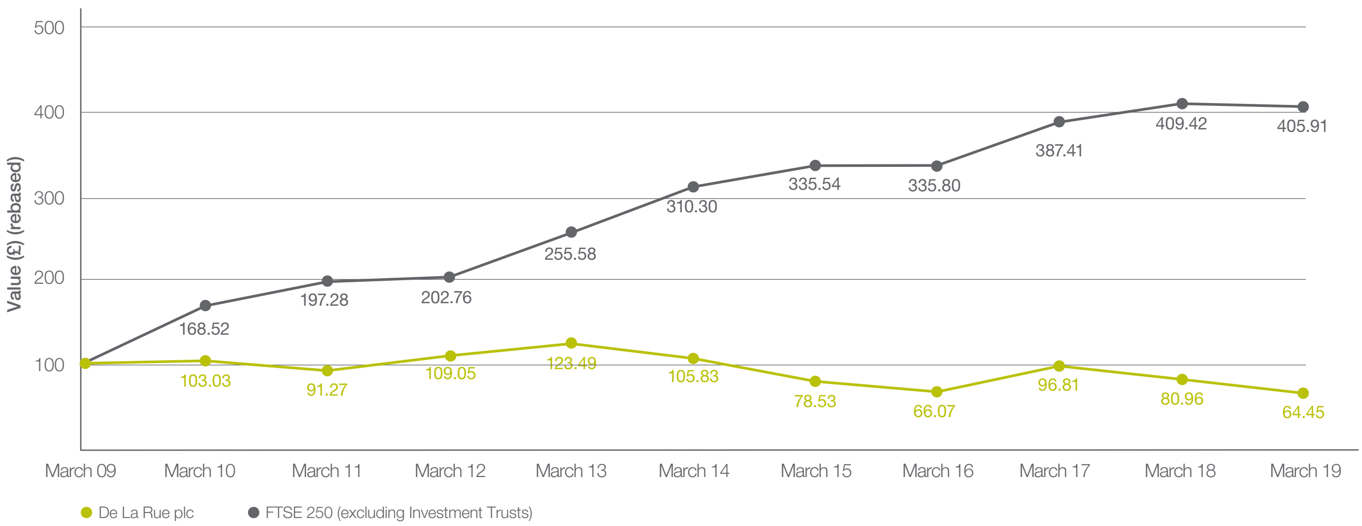
Period ended March	2010	2011	2011	2012	2013	2014	2015	2016	2017	2018	**2019**
Chief Executive Officer	James Hussey[1]	James Hussey[1]	Tim Cobbold[2,3]	Tim Cobbold	Tim Cobbold	Tim Cobbold[2]	Martin Sutherland[4]	Martin Sutherland	Martin Sutherland	Martin Sutherland	**Martin Sutherland**
Single figure of total remuneration £'000	843	433	604	1,053	634	1,071	1,107	998	899	783	**954**
Annual bonus payout as a % of maximum opportunity	46	44	Nil	80	Nil	Nil	14	57	40	Nil	**29**
LTIP vesting against maximum opportunity (%)	100	100	Nil	Nil	Nil	60	Nil	Nil	Nil	25	**25**

Notes:
1 Role as Chief Executive Officer ended on 12 August 2010.
2 Appointed Chief Executive Officer on 1 January 2011 and resigned on 29 March 2014.
3 Includes award to the value of £450,000 at the date of award under the Recruitment Share Award (which vested on 31 January 2014).
4 Appointed 13 October 2014.

TSR performance

This graph shows the value, by 30 March 2019, of £100 invested in De La Rue plc on 28 March 2009, compared with the value of £100 invested in the FTSE 250 Index (excl. Investment Trusts) on the same date. The other points plotted are the values at intervening financial year ends. De La Rue has been a constituent of the FTSE 250 Index for the majority of the period under review. TSR is not used as a performance measure for any benefits provided to Executive Directors.

Total shareholder return
Source: FactSet



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 2017/18 and 2018/19. 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	2.36	0	29
UK employee average	1.3	0	63

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.

	2019 £m	2018 £m	Change %
Dividends (note 9 to the financial statements)	**25.7**	25.4	1
Overall expenditure on pay (note 25 to the financial statements)	**126.4**	151.8	(20.1)

Statement of shareholder voting

The remuneration policy was last approved by shareholders at our AGM on 20 July 2017. The remuneration report was last approved by shareholders at our AGM on 26 July 2018. Details are shown below.

	Total votes cast	For[1]	(%)	Against	(%)	Votes withheld[2]
Approval of remuneration policy (2017 AGM)	81,796,628	80,461,069	98.37	1,335,559	1.63	1,544,071
Approval of remuneration report (2018 AGM)	78,836,431	77,391,287	98.17	1,445,144	1.83	1,361,038

Notes:
1 The votes 'For' include votes given at the Chairman's discretion.
2 A vote 'Withheld' is not a vote in law and, as such, is not counted in the calculation of the proportion of votes 'For' and 'Against'.

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

Remuneration advice

The Remuneration Committee consults with the Chief Executive Officer on the remuneration of executives directly reporting to him and other senior executives and seeks to ensure a consistent approach across the Group taking account of seniority and market practice and the key remuneration policies outlined in this report. During 2018/19, 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, corporate governance developments 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 £77,991.

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 2019 and signed on its behalf.

Sabri Challah
Chairman of the Remuneration Committee
30 May 2019