

## THE RANK GROUP PLC REMUNERATION POLICY REPORT FOR APPROVAL BY SHAREHOLDERS IN GENERAL MEETING ON 25 APRIL 2018

### Directors' Remuneration Policy

This sets out the remuneration policy for The Rank Group Plc ("**Rank**" or the "**Group**") and has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The remuneration policy set out below (the "**Policy**") is subject to a binding shareholder vote at a general meeting to be held on 25 April 2018. If it is approved, the Policy will take effect from the date of approval.

### Remuneration and components

The remuneration committee of the board of Rank (the "**Committee**") reviews the Group's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Group's strategic objectives and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to motivate and attract employees of the highest calibre.

The performance of Rank is dependent upon the quality of its directors, senior executives and employees and therefore the Group seeks to attract, retain and motivate skilled directors and senior executives of the highest calibre, without paying more than is necessary. In order to attract such individuals, the Committee needs to ensure that the remuneration packages properly reflect an individual's duties and responsibilities, are appropriate and competitive, sensitive to pay elsewhere within the Group and directly linked to performance.

### Committee's approach to setting pay

The Committee intends that the base salary and total remuneration of executive directors should be competitive against other similar gaming peers and companies of a broadly similar size. Remuneration is benchmarked against rewards available for equivalent roles in suitable comparator companies, with the aim of paying neither significantly above nor below market levels for each element of remuneration at par target performance levels.

The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market and economic conditions and to governance trends when assessing the level of salaries and remuneration packages of executive directors and other members of the executive committee.

The total remuneration package links corporate and individual performance with an appropriate balance between short- and long-term elements, and fixed and variable components. The Policy is designed to incentivise executives to meet the Group's key objectives, and so a significant proportion of total remuneration is performance related.

The Committee will set targets for the different components of performance-related remuneration so that they are both appropriate and sufficiently demanding in the context of the business environment and the challenges facing the Group.

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### Key changes to the previous Directors' remuneration policy

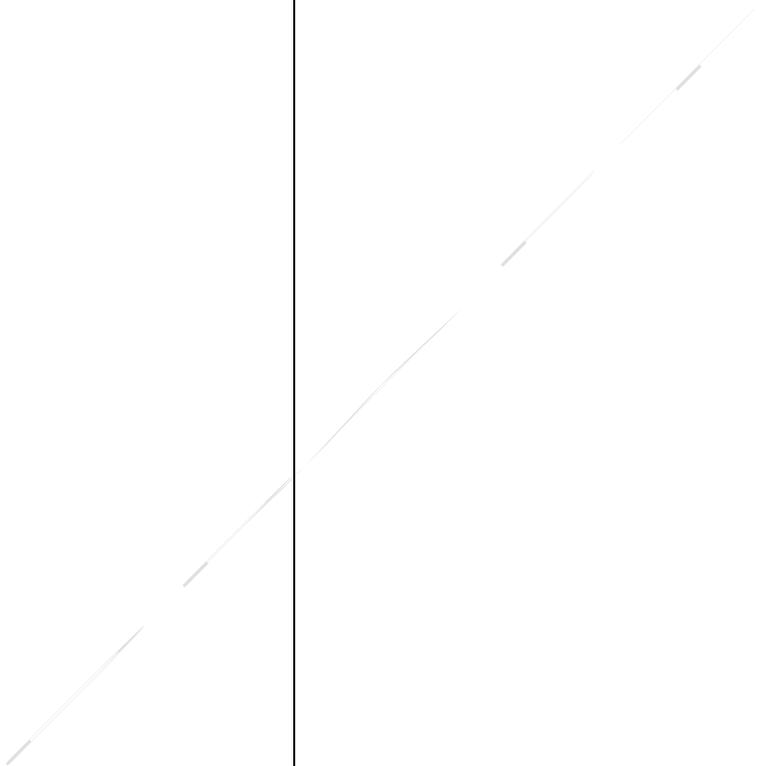
- Benefits - Provide flexibility to offer relocation assistance in the form of an allowance or otherwise to support the movement of executive talent across the business. At the present time, there is no expectation that this benefit will be used. Participation in all-employees share schemes, on the same basis as other employees, has also been included.
- Annual bonus – Annual bonus opportunities have been increased to (i) be market competitive in the gaming sector and against other companies of a similar size, (ii) reflect a level of incentive that is commensurate with the complexity of running a genuine multi-channel gaming operator in different countries, and (iii) to provide an effective short-term incentive mechanism that provides stronger alignment with annual financial and non-financial objectives. The bonus plan has also been simplified through the replacement of the annual bonus pool concept with one based on discrete objectives which determine the bonus to be paid. Recovery and withholding provisions will be introduced from 2017/18.
- Long-term incentive plan – the scope to make significant exceptional awards has been removed. Instead, the proposed policy has an overall aggregate limit covering the three-year policy period. The incentive grant will vest in three clear tranches and a holding period has been introduced which prevents the sale of vested shares until the fifth anniversary of grant.

### Remuneration Policy table

The key components of executive directors' remuneration are summarised below:

Component and link to business strategy	Operation	Performance metrics	Maximum opportunity
<p><b>Base salary</b></p> <p><i>To attract and retain skilled, high-calibre individuals to deliver the Group's strategy.</i></p>	<p>Base salaries are typically reviewed annually, normally effective from 1 April. Any increases take into account:</p> <ul style="list-style-type: none"> <li>• the role's scope, responsibility and accountabilities;</li> <li>• market positioning, including pay levels at other gaming operators;</li> <li>• general rates of increase across the Group, and</li> </ul>	<p>Not applicable although the individual's performance will be taken into account when determining the level of increase, if any.</p>	<p>While there is no maximum annual increase, ordinarily any increases in executive directors' base salaries will be limited, in percentage of base salary</p>

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	<ul style="list-style-type: none"> <li>the performance and effectiveness of the individual and the Group.</li> </ul>		<p>terms, to those received by the wider workforce during the year.</p> <p>Where the Committee considers it necessary or appropriate, larger increases may be awarded in individual circumstances such as a change in scope or responsibility or alignment to market levels.</p> <p>For new hires, the Committee has the flexibility to set the salary at a below market level initially and to realign it over the following years as the individual gains</p>
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			<p>experience in the role. In exceptional circumstances, the Committee may agree to pay above market levels to secure or retain an individual who is considered by the Committee to possess significant and relevant experience which is critical to the delivery of the Group's strategy.</p>
<p><b>Insured and other benefits</b></p> <p><i>Insured and other benefits are offered to executive directors as part of a competitive</i></p>	<p>Insured benefits may comprise private healthcare insurance for executive directors and dependants, life assurance and permanent health insurance. Other benefits comprise a cash car allowance and the fuel cost of all mileage (private and business). The amount of the cash car allowance is reviewed periodically by the Committee in the light of market conditions.</p>	<p>Not applicable.</p>	<p>It is anticipated that the provision of insured and other benefits will not form a significant part of the package in financial terms.</p>

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<p><i>remuneration package.</i></p>	<p>Other benefits, in line with the provision to other employees, may be offered as appropriate and travel and related expenses may be reimbursed.</p> <p>The Committee retains the discretion to offer relocation assistance in the form of an allowance or otherwise to support the movement of executive talent across the business. If provided, the Committee aims to ensure payments are not excessive and support business needs. As such, relocation assistance will be reviewed on a case-by-case basis taking into account factors such as the individual’s circumstances and the geographies involved, meaning that there is no prescribed formula for calculating the level or structure of payments. Tax equalisation and overseas tax advisory fees may be payable.</p> <p>Executive directors may participate in HMRC approved all employee schemes up to HMRC limits.</p>		<p>The cost of the benefits provided may change in accordance with market conditions or in the event of the payment of relocation assistance.</p>
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<p><b>Retirement provisions</b></p> <p>Rewards sustained contribution and encourages retention.</p>	<p>Executive directors are offered membership of the Rank Group Stakeholder Pension Plan (the "Pension Plan") or a cash allowance of equivalent value to the employer's contribution to the Pension Plan. An executive director may be automatically enrolled in The Rank Group Workplace Pension Scheme (the "Pension Scheme") in accordance with the Company's obligations under the Pensions Act 2008. The Company will contribute into the Pension Plan at the rate of 10% of the executive director's base salary, up to any maximum contribution levels set annually by HMRC. Either part or the full value of the annual 10% of base salary pension employer contribution may instead be paid as a cash allowance.</p> <p>The Committee retains the discretion to honour all contractual pension arrangements agreed prior to the application of this Policy. Details of such arrangements are disclosed in the Annual Remuneration Report.</p>	<p>Not applicable.</p>	<p>For all new appointments, the maximum pension contribution (defined contribution or cash supplement) will be 10% of base salary.</p> <p>Legacy arrangements to be honoured (% of salary): Current Finance Director - 15%</p>
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<p><b>Annual bonus</b></p> <p><i>Motivates the achievement of annual strategic, financial and personal performance. Rewards individual contribution to the success of the Group.</i></p>	<p>Rank operates an annual bonus scheme in which executive directors participate.</p> <p>The bonus is based on stretching targets set annually. Bonus pay-outs are determined by the Committee after the year end following the Committee's assessment of performance relative to the targets set.</p> <p>To allow the Committee to assess the quality of earnings over the year and to introduce an element of retention, any cash bonuses earned by the executive directors will be subject to a six-month deferral period and will be paid in the December following the 30 June financial year end.</p> <p>Any bonus earned by the Chief Executive above 100% of base salary and 80% of base salary for other directors will be deferred (normally in shares) for a period of two years.</p> <p>Recovery and withholding provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets.</p>	<p>The bonus will be based primarily on the achievement of financial performance targets and may, from time to time as considered appropriate by the Committee, include non-financial measures, strategic and/or personal objectives.</p> <p>Performance below threshold will result in zero payment. Up to 25% of the opportunity available may be payable for achieving a threshold level of performance.</p> <p>A full description of the performance measures in place and performance against them will be provided in the Annual Remuneration Report on a retrospective basis; to the extent they are not considered to be commercially sensitive.</p> <p>The Committee retains the discretion, acting fairly and reasonably, to alter the bonus outcome in light of the underlying performance of the Group or the individual, taking account of any factors it considers relevant.</p> <p>For the 2017/18 financial year, the bonus is based primarily on profit after tax targets.</p>	<p>Chief Executive: 150% of base salary Other directors: 120% of base salary</p>
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<p><b>Long-term incentive plan</b></p> <p><i>The long-term incentive plan is intended to align the interests of the executive directors and shareholders through the creation of shareholder value over the long-term.</i></p>	<p>The Rank Group Plc 2010 Long-Term Incentive Plan is currently the only long-term equity-based incentive scheme in place for the executive directors and other senior executives.</p> <p>Consistent with the structure of the 2014/15 award, it is proposed that there is a single grant of contingent share awards under the LTIP in 2017/18 to cover four years of annual grants. Performance is measured over four years (based on targets relating to performance in 2020/21 and awards vest in three tranches with one third in October 2021, one third in October 2022 and one third in October 2023, assuming a grant date in April 2018.</p> <p>A holding period applies to the first and second vested tranches to create a 5-year period between grant and the first available opportunity to sell vested awards (save for any sale to settle personal tax obligations).</p> <p>It is intended that, subject to the approval of this Policy, a single block award will be made to the current directors under the LTIP in April 2018. If it is made, there will be no further grants of long term incentives to those directors in the next three financial years (2018/19, 2019/20 and 2020/21). It is expected that the next long-term incentive grant would then be in 2021/22.</p> <p>New employees joining during the life of this Policy may receive an award at or around the time</p>	<p><b>2017/18 award</b></p> <p>For awards granted in 2017/18:</p> <ul style="list-style-type: none"> <li>(i) vesting will be based 40% on earnings per share, 7.5% on digital revenue, 7.5% on digital profit, 7.5% on Grosvenor London revenue and 7.5% on Grosvenor London profit. The remaining 30% of the award will be based primarily on strategic measures relating to individual business units. The actual targets are set out in the notice of general meeting to approve the Policy. Performance is measured over the four-year period commencing in 2017/18 and ending in 2020/21.</li> <li>(ii) for each financial performance measure (covering 70% of the overall award), performance below threshold results in zero vesting. 50% of the award may vest for target performance with 100% vesting for achieving maximum performance. Vesting occurs on a straight-line basis between target and maximum.</li> </ul> <p>At the end of the performance period, the Committee will have absolute discretion to determine the extent to which the awards will vest, if at all, on account of underlying Group, individual and share price performance. The Committee may, in its absolute discretion, adjust upwards or downwards and including to nil the number of shares under an award which would otherwise vest.</p>	<p>The maximum award level for awards granted in 2017/18 has been set at 600% of base salary for the Chief Executive and 450% of base salary for the Finance Director or other directors. This is the aggregate maximum covering four years and the intention is that the maximum award will be granted in 2017/18 with no awards being made until 2021/22.</p> <p>For new directors, a single grant of up to 600% of base salary may be made in the</p>
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	<p>of joining either on similar terms as the 2017/18 grant or as annual awards of up to 200% of base salary, and in either case with different performance criteria and a different vesting period provided that in no case shall an award have a vesting period of less than three years.</p> <p>An award under this plan may be made to a new director in any year of the three-year policy.</p> <p>Clawback and malus provisions apply in the event of a material misstatement, an act of gross misconduct or an error in the assessment of performance targets.</p>	<p>If discretion is applied, the level and reasons for its application will be fully disclosed in the following year's Annual Remuneration Report.</p> <p>If awards are granted in the second and third years of the three-year policy period, the Committee will determine measures and targets at the time to ensure continuing alignment with strategy. Performance targets may relate to both financial and non-financial measures linked to the Group's long-term business strategy, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Group or business unit profit;</li> <li>• Group or business unit revenue;</li> <li>• Return on capital; and</li> <li>• Strategic objectives of the Group</li> </ul>	<p>Policy period. Alternatively, annual awards up to 200% of base salary per annum may be granted.</p>
<p><b>Share ownership guideline</b></p> <p><i>To create greater alignment between executives and shareholders</i></p>	<p>Subject to there being sufficient free float, a market standard 200% of base salary guideline will apply for executive directors.</p>	<p>Not applicable.</p>	

### **Setting of performance measures and targets**

The Committee reviews and selects performance measures at the beginning of each award cycle under both the annual bonus plan and the long-term incentive plan, being informed by the short- and long-term priorities of the Group at the time. The Committee considers the Group's key performance indicators and strategic business plan when selecting measures and calibrating targets. The Committee is aware that targets for both financial and non-financial measures should be appropriately stretching yet achievable. Details of these are included in the Annual Report each year. Factors that the Committee may consider include the strategic plan, the annual budget, economic conditions, individuals' areas of responsibility, the Committee's expectations over the relevant period and input from the major shareholder.

### **Committee discretion in operation of variable pay schemes**

The Committee operates under the powers it has been delegated by the Board. In addition, it complies with rules that are either subject to shareholder approval (Long-Term Incentive Plan) or by approval from the Board (annual bonus scheme). These rules provide the Committee with certain discretions which serve to ensure that the implementation of the Policy is fair, both to the individual Director and to the shareholders. The Committee also has discretions to set components of remuneration within a range, from time to time. The extent of such discretions is set out in the relevant rules, the maximum opportunity or the performance metrics section of the policy table above. To ensure the efficient administration of the variable incentive plans outlined above, the Committee will apply certain operational discretions.

These include the following:

- selecting the participants in the plans;
- determining the timing of grants of awards and/or payments;
- determining the quantum of awards and/or payments (within the limits set out in the policy table above);
- determining the choice of (and adjustment of) performance measures and targets for each incentive plan in accordance with the policy set out above and the rules of each plan;
- determining the extent of vesting based on the assessment of performance and discretion relating to measurement of performance in certain events such as a change of control or reconstruction;
- whether malus and clawback shall be applied to any award in the relevant circumstances and, if so, the extent to which it shall be applied;
- making the appropriate adjustments required in certain circumstances, for instance for changes in capital structure;
- determining "good leaver" status for incentive plan purposes and applying the appropriate treatment; and
- undertaking the annual review of weighting of performance measures and setting targets for the annual bonus plan, where applicable, from year to year.

If an event occurs which results in the annual bonus plan or LTIP performance conditions and/or targets being deemed no longer appropriate (e.g. material acquisition or divestment or an unforeseen material change in gaming regulation or taxation which was unforeseen at the time the measures and targets were set), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Any use of the above discretion would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

### **Legacy arrangements**

The Committee may approve payments to satisfy commitments agreed prior to the approval of this remuneration policy. This includes previous incentive awards that are currently outstanding such as the 2014/15 LTIP award. The Committee may also approve payments outside of this remuneration policy in order to satisfy legacy arrangements made to an employee prior to (and not in contemplation of) promotion to the Board.

All historic awards that were granted but remain outstanding are eligible to vest based on their original award terms.

### **Differences in the remuneration policy for executives relative to the broader employee population**

The remuneration policy in place for the executive directors is informed by the structure operated for the broader employee population. Pay levels and components vary by organisational level but the broad themes and philosophy remain consistent across the Group:

- salaries are reviewed annually with regard to the same factors as set out in the Policy table for executive directors;
- consistent with executive directors, senior executives together with general and some operational managers of our business units participate in an annual bonus plan with bonus pool funding dependent on profit performance of the Group or brand depending on their level;
- members of the senior management team can be considered for awards under the long-term incentive plan. This is intended to encourage share ownership in the Company and align the management team with the strategic business plan; and
- eligibility for and provision of benefits and allowances varies by level and local market practice. It is standard for senior executives to receive a company car allowance. Pension provision below board level is overall at lower contribution rates, with the majority of Rank's eligible employees now being automatically enrolled into the NEST Workplace Pension Scheme. However, a significant proportion of employees remain in Rank's Stakeholder Pension Plan, where the standard contribution rates are the same as those offered to board-level members.

### **Potential reward opportunities at different levels of performance**

The graphs below exhibit remuneration Policy for existing executive directors and show indicative total remuneration levels under different performance scenarios: minimum, on-target and maximum. The remuneration policy results in a high proportion of total remuneration being dependent on performance, with a majority tied to the long-term performance of the Group.



**Minimum:** comprises the value of fixed pay using the current base salary and pension and the value of last year's benefits

**Target:** Minimum plus assumes half of the bonus is earned and the long-term incentive plan vests at 50% (on an annualised basis reflecting no grants in years 2 and 3 of the policy).

**Maximum:** Minimum plus assumes full bonus is earned and the long-term incentive plan vests in full (on an annualised basis reflecting no grants until 2021/22).

#### Approach to recruitment remuneration

The Committee will apply the existing remuneration policy to new executive directors in respect of all components of remuneration. Base salary and benefits will be set in accordance with the policy and relocation assistance may be provided for both internal and external appointments, if necessary. In addition, the maximum level of annual bonus which may be earned is 150% of base salary for a CEO and 120% of base salary for other executive directors.

New directors may participate in the LTIP and receive an award of up to 600% of base salary for a Chief Executive and 450% of base salary for other directors. These are the aggregate limits that may be made over a four-year period. Annual grants at lower values may be made as long as the aggregate value over a three-year period do not exceed the limits set out above and in the remuneration policy table.

The Committee may also make an additional award of cash or shares on the appointment of a new director in order to compensate for the forfeiture of remuneration from a previous employer. Such awards would be made on a comparable basis, taking account of performance, the proportion of the performance period remaining and the type of award. The Committee will set appropriate performance conditions and vesting would be on the same time horizon as the forfeited award.

New non-executive directors will be appointed on the same remuneration elements as the existing non-executive directors. It is not intended that variable pay, day rates or benefits in kind be offered.

### **Approach to termination payments**

The Group does not believe in reward for failure. The circumstances of a director's termination (including the director's performance) and an individual's duty to mitigate losses are taken into account in every case. Rank's policy is to stop or reduce compensatory payments to former executive directors to the extent that they receive remuneration from other employment during the compensation period.

Compensatory payments are limited to 12 months' base salary, cash car allowance and defined pension contributions (or salary supplements).

Annual bonus awards will normally lapse in their entirety in the event an individual is no longer employed or serving their notice period at the time of pay-out. For certain good leaver reasons, a bonus may become payable at the discretion of the Committee.

If the holder of a long-term incentive award ceases, for any reason, to be an executive director or employee of a Rank Group company, that holder's long-term incentive award shall lapse immediately upon them ceasing to be an executive director or employee. However, the Committee may in its absolute discretion allow awards to continue until the normal vesting date or for vesting to be accelerated to the date of cessation and in either case the extent to which that award shall vest may be subject to the achievement of the relevant performance conditions and pro-rata on a time apportioned basis in the Committee's discretion. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to past performance to the date of leaving.

### **Change of control**

In the event of a change of control, the Committee has absolute discretion as to whether and on what basis awards should vest under the long-term incentive plan. The Committee would normally allow awards to vest upon a change of control subject to satisfaction of performance criteria and reduction on a time-apportioned basis.

### **Executive directors' service agreements**

It is the Group's policy that executive directors have rolling service agreements.

The current executive directors' service contracts contain the key terms shown in the table below:

Provision	Detailed terms
Remuneration	<ul style="list-style-type: none"><li>▪ Base salary, pension and benefits</li><li>▪ Cash car allowance</li><li>▪ Private health insurance for director and dependants</li><li>▪ Life assurance</li><li>▪ Permanent health insurance</li><li>▪ Participation in annual bonus plan, subject to plan rules</li><li>▪ Participation in long-term incentive plan, subject to plan rules</li><li>▪ 25 days' paid annual leave</li></ul>
Notice period	12 months' notice from both the Company and the director.
Termination payment	Payment in lieu of notice equal to: <ul style="list-style-type: none"><li>▪ 12 months' base salary</li><li>▪ Cash car allowance</li><li>▪ Pension supplement</li></ul> All of the above would be paid in monthly instalments, subject to an obligation on the part of the director to mitigate his loss such that

	payments would either reduce, or cease completely, in the event that the director gained new employment.
Restrictive covenants	During employment and for nine months after leaving.

Copies of the executive directors' service contracts are available for inspection at the Company's registered office

Service agreements outline the components of remuneration paid to the individual director but do not prescribe how remuneration levels may be adjusted from year to year.

The executive directors have served on the board for the periods shown below and have service agreements dated as follows:

Position	Name	Date of contract	Length of board service as at 30 June 2017
Chief executive	Henry Birch	24 April 2014	3 year 2 months
Finance director	Clive Jennings	27 July 2011	5 years 11 months

#### Chairman

The Company separated the role of chairman and chief executive with effect from 6 May 2014.

The chairman, Ian Burke, has a letter of engagement dated 22 April 2014 which is effective from 6 May 2014 and which replaced his service agreement dated 6 March 2006 in respect of his former role as chief executive. He was initially engaged as non-executive chairman for a period of three years. His appointment is terminable without compensation on three months' notice from either side. The chairman receives an all-encompassing fee which includes his chairmanship of the nominations and finance committees. The fee is reviewed annually by the Committee, with reference to the size and complexity of the role and external market comparisons, in the final quarter of each calendar year with any increase taking effect on 1 April. The chairman is not entitled to any benefits in kind and is not eligible for pension scheme membership, bonus or incentive arrangements.

#### Policy for Non-executive directors'

Component	Purpose and link to business strategy	Mechanics Operation and performance framework	Maximum
Fees	To attract and retain skilled, high-calibre individuals to deliver the Group's strategy.	<p>Fees are reviewed in the final quarter of each calendar year to reflect appropriate market conditions.</p> <p>Fee increases, if applicable, are effective from 1 April the following year.</p> <p>The base fee includes membership of the audit, remuneration, nominations and finance committees.</p> <p>Non-executive directors are not entitled to any benefits in kind and are not eligible for pension scheme membership, bonus or incentive arrangements.</p>	Aggregate annual fees limited to £750,000 by the Company's articles of association Current fee levels are set out in the annual report on remuneration.

Non-executive directors have letters of engagement setting out their duties and the time commitment expected. They are appointed for an initial period of three years, after which the appointment is renewable by mutual consent at intervals of not more than three years. In accordance with the Code, all directors offer themselves for annual re-election by shareholders. Details of non-executive directors' appointments, which are terminable without compensation, are set out in the table below:

Non-executive director	Original date of appointment	Date of letter of engagement	Total length of service as at 30 June 2017
Lord Kilmorey	1 May 2012	29 March 2012	5 years 2 months
Chris Bell	1 June 2015	5 May 2015	2 years 1 month
Susan Hooper	1 September 2015	11 August 2015	1 year 10 months
Steven Esom	1 March 2016	24 February 2016	1 year 4 months
Alex Thursby	1 August 2017	21 June 2017	Started after year end

**Shareholder engagement**

In designing the new remuneration policy the Committee consulted with the majority shareholder regarding the proposed changes and took into account the latest trends in executive pay and good governance. While the concept of a block award made every three years is out of line with typical practice in the UK, the Committee has taken advice from the majority shareholder who supports this type of structure. The Committee does, however, remain mindful of shareholders concerns and will keep the block award structure under review. The Committee informs major shareholders in advance of any material changes to the Remuneration Policy and will offer a meeting to discuss these details, if required.

**Statement of consideration of employment conditions elsewhere in the Group**

As described in the notes to the Policy table on page 11 the overarching themes of the Policy in place for executive directors are broadly consistent with those applied to the wider employee population. The Committee is informed of pay and conditions in the wider employee population and takes this into account when setting senior executive pay.