

TOWERS WATSON Kevin Empey
Head of Talent & Rewards Consulting
IrelandT+353 1 614 6832
F+353 1 676 0818

Kevin.Empey@towerswatson.com

Trinity Point
10-11 South Leinster Street
Dublin 2
Ireland

Private and Confidential

5 March 2014

Ms Angela Kerins
Rehab Group
Roslyn Park
Sandymount
Dublin 4

Dear Ms Kerins

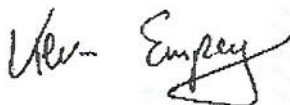
Further to your request, please find attached a copy of our Report presented to the Board on Monday 17th February.

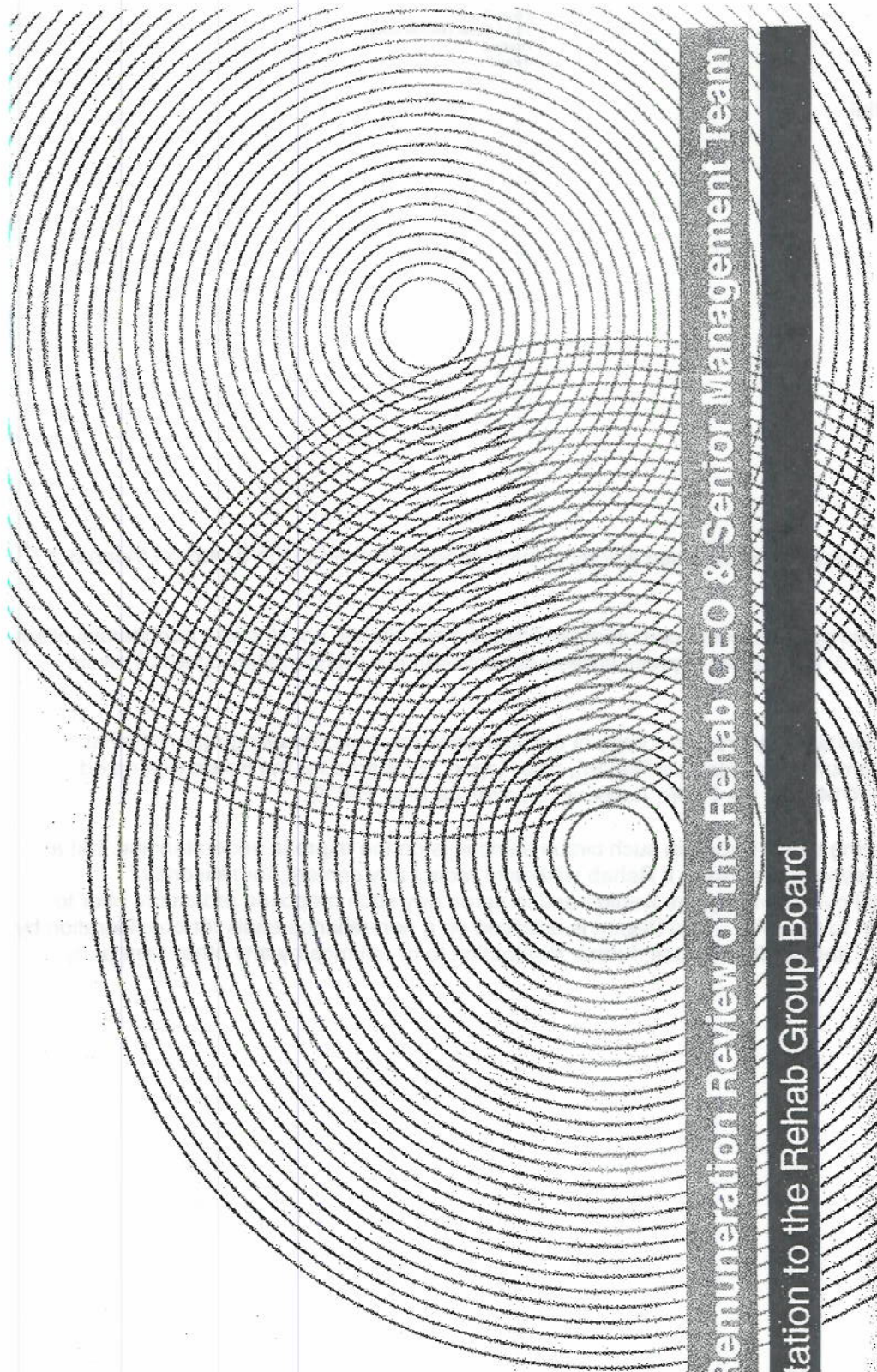
Towers Watson's general policy is not to comment publically on our clients, nor to share confidential client reports with any third party without the express agreement between the client concerned and Towers Watson.

As previously agreed, Rehab may provide a copy of our executive pay benchmarking report (Rehab Senior Management Remuneration Review Report), "the Report", prepared for the Board and dated Monday 17th February 2014, with the Public Accounts Committee (the "PAC").

Our consent to the sharing of the Report in such circumstances is on the express understanding that a complete copy of the Report is disclosed; if Rehab wishes to redact any content, for reasons of commercial or individual confidentiality, we would need to agree any such proposed redaction, prior to production of the Report to the PAC. The Report is released on a non-reliance basis for consideration by or on behalf of the PAC, and not for any use, further distribution to or reliance by any other third party.

Yours sincerely





2014 Remuneration Review of the Rehab CEO & Senior Management Team

Presentation to the Rehab Group Board

17th February 2014

Contents

1. Introduction
2. Summary of Rehab Executive Reward Policy
3. Reward Review Methodology
4. Summary of Main Findings

1. Introduction

- Towers Watson were asked by the Remuneration Committee to conduct a review of reward and benefit arrangements for the senior management at Rehab Group.
- Towers Watson also carried out a similar review in 2011.
- The purpose of this report is to provide an analysis of the pay levels provided to Rehab's senior management team compared to similarly sized roles in the Irish market.
- Market commentary has also been provided in relation to annual bonus arrangements and key benefits.
- For the purpose of this report we have referred to data from 2013 Towers Watson General Industry Executive Reward Survey. This survey covers executive and senior management data from 58 companies across general industry in Ireland.

2. Summary of Rehab Executive Reward Policy

- For over 20 years, senior management remuneration policy at Rehab has been to provide a pay and benefits package competitive with the market from which it has needed to recruit and retain its management staff (in Ireland and overseas) including specialist management staff from fields such as Finance, IT and Commercial.
- Rehab policy has historically referenced the Irish general industry pay market as a basis for determining pay levels for senior staff.
- To access independent data to inform decision making, the Remuneration Committee has regularly requested market pay information from a variety of external data providers over the years. Towers Watson was first engaged to provide such general industry market information in 2011 and then again in 2014.
- In developing a policy for setting remuneration for the Chief Executive and senior management team, the Board have traditionally referenced the 'market median' (or middle of this general pay market) as a benchmark to guide decision making on pay levels and individual pay positioning.
- While referencing the general industry pay market and the market median "benchmark", the Remuneration Committee also takes account of pay policies and trends in the wider public and private sectors.

2. Summary of Rehab Executive Reward Policy

- The following factors are also considered by the Remuneration Committee in interpreting and using market pay information to guide decision making regarding the appropriate positioning of actual, individual base pay levels versus this market median. These factors include:
 - Desired Rehab pay policy and philosophy,
 - Desired Rehab position versus the general industry and executive pay market (a median position suggests, for example that 50% of the peer group is paid more, 50% being paid less)
 - Relative nature, scope, skills and responsibilities of the role and the sector in which the role operates
 - Relative positioning of the role versus internal comparators taking into consideration reporting structure and overall autonomy
 - Appropriate positioning of the job holder relative to the median market rate for the role taking into consideration their experience, proficiency and performance
 - Consideration of the competitiveness of other elements of the package as well as base pay such as pension, variable (bonus) pay and other benefits
 - Consideration of other pay policy and cost pressures

3. Methodology

- Using the Towers Watson Global Grade methodology, the size of the Rehab business was determined based on the following parameters
 - Number of employees
 - Turnover
 - Business complexity & diversity
 - Geographic scope of the business
- This analysis also determined the global grade of the CEO role.
- The CEO and other senior management roles were then compared to roles of similar size and scope in the general industry market.
- The roles were compared on a job size basis and account was also taken of market data for specific roles and skills sets where appropriate e.g. Finance, HR and Division Head roles, in order to achieve the best possible match to the market.
- The results of this analysis are outlined in the following section.

4. Summary of Main Findings

Below are the main findings of the 2014 market review for the CEO and the senior management team.

Element reviewed	Rehab position for the senior management team versus the <i>general industry</i> market (median practice)	Rehab position for the CEO versus the <i>general industry</i> market (median practice)
Base salary	Overall base pay for the executive team is 92% of market median.	The base pay for the CEO is 91% of the market median
Variable (bonus) pay levels	Bonus policy maximum levels for Rehab senior management as compared to similarly sized roles in general industry are below market median levels. Actual payout levels for 2013 were behind the market median given that no bonus was paid.	The Bonus policy maximum level for the CEO compared to similarly sized roles in general industry is below market median level. The actual payout level for 2013 was behind the market median given that no bonus was paid.
Total Annual Cash (base pay plus bonus)	When base pay and bonus are combined, the actual total cash position for the executive team in 2013 was 74% of the market median.	When base pay and bonus are combined, the actual total cash position for the CEO in 2013 was 79% of the market median.
Car related benefits	Generally in line with market median practice	Generally in line with market median practice
Pension	The Rehab Defined Benefit pension plan was closed in 2013 with senior management transferring to a DC plan. The current employer contribution to the DC plan of 6% of salary is at the lower end of the market.	The Rehab Defined Benefit pension plan was closed in 2013 with the CEO transferring to a DC plan. The current employer contribution to the DC plan of 6% of salary is at the lower end of the market.
Private Healthcare	Not provided.	Not provided
Annual Leave	In line with market median	In line with market median