Governance continues to support our strategic priorities in a practical way as we seek to grow.

The governance framework helped us remain focused through the challenges of 2017 and provided support to plan for the future. Our strategic priorities continue to evolve (as outlined on pages 1-51) as we focus on our customers' needs and on growing our core businesses.

In defining the key areas of focus and strategy for growth, we reviewed strategic initiatives and considered how we could improve the mechanisms by which we attract and retain our customers. As always, we considered our stakeholders and built feedback in to our plans. We invited customers to participate in focus groups to help us design our new ship, Spirit of Discovery, and considered our customers' comments, needs and lifestyles in designing our membership scheme, Possibilities.

The Board spent time considering how operational efficiencies could be improved and agreed to invest in the continuing improvement of core systems. The new insurance and travel platforms will enable greater product differentiation and more tailored offerings for our customers.

We reviewed key policies throughout the year. We discussed the modern slavery policy and statement, which was published on our website. Details of Board activities during the year and how the governance structure supported key decisions, such as the decision to build our second ship, can be found on page 59.

Key features

Our internal governance procedures must support our strategic priorities

Corporate governance report:

- An explanation of how governance works to support our strategic priorities as we seek to become increasingly customer-centric and invest for growth.
- How performance is reviewed to ensure that our stakeholders are listened to and long-term relationships are developed with our customers.

Board discussion topics:

- How to reward our customers through Possibilities, our membership scheme.
- Strategy – how to grow our Retail Insurance and Travel businesses and invest in our capabilities.
- Financial performance.
- How we can continue to develop our people.
- Risk appetite.
- Brand and reputation.
- How to maintain an efficient operating model.

The Audit, Risk, Remuneration and Nomination Committees (Committees) also played an important role throughout the year. The Risk Committee considered how our principal risks and uncertainties could affect our strategy and discussed our risk appetite and tolerance levels. This analysis played an important part in the formulation of the viability statement (see page 73). The Audit Committee considered the approach taken and the viability statement (see page 54), and provided assurance that appropriate systems, controls and processes were in place and advised the Board that they supported the statement that the Annual Report is 'fair, balanced and understandable'. Details can be found in the Audit Committee Report on pages 74-77.

Our brand and reputation

Our brand and reputation for outstanding levels of customer service are core to our business and are key considerations in every decision made by the Board, as are the needs of our stakeholders.

Board composition and changes

Philip Green left the Board in March 2017 and was replaced as Senior Independent Director and Chair of the Nomination Committee by Orna NiChionna, one of our existing Non-Executive Directors.

I announced my intention to retire in October 2017 and I will leave the Company on 30 April 2018. The Nomination Committee, led by Orna, conducted a search for my successor and appointed Patrick O'Sullivan, who will join the business as Non-Executive Director and Chairman with effect from 1 May 2018. Patrick has extensive experience of growing businesses in the financial services and insurance industries and is a good choice for the business and the next stage of its evolution. For more details of the process see page 67.

In March 2018, it was announced that Jonathan Hill, Group Chief Financial Officer, will leave the Company in September 2018. A search for his replacement began immediately. Jonathan has been with the Company since April 2015. I thank him for his commitment during that time and wish him every success for the future.

We comply with the recommendation in the UK Corporate Governance Code 2016 (Code) that at least half of our Board members are independent Non-Executive Directors. For full details of Board composition see pages 62-64.

Our people

Our people and culture are core to our success. Talent development and succession planning is discussed in detail by the Nomination Committee and the Board throughout the year, including bi-annual formal reviews. The Board is committed to developing our employees and creating future leaders. During the year we approved the introduction of a Leadership degree and the extension of the Saga Way leadership development programme to our wider group of senior leaders – see page 20 for more details. We awarded eligible employees free shares for the third year running to reward their hard work and encourage a sense of ownership of the business.

Board evaluation

We conducted our second externally facilitated Board and Committee evaluation during the year. The exercise focused on areas identified during last year's review as opportunities for further development. The review concluded that progress has been made in numerous development areas, particularly in relation to the quality of information supplied to the Board which facilitates good quality, strategically focused discussion. The business will continue to structure information to provide a clear explanation of key drivers, so that the Board can ensure that growth and initiatives remain on track. A full explanation of the evaluation exercise can be found on page 65.

The Remuneration Report was approved by shareholders at our AGM: over 90% voted in favour. The full Remuneration Report can be found on pages 83-121.

UK Corporate Governance Code

Our governance framework is reviewed by the Board every year against best practice and regulatory requirements.

Governance continues to support our strategic priorities in a practical way as we seek to grow and enhance long-term returns to our shareholders through a sustainable dividend policy.

A summary of how we have applied the Principles of the Code is set out overleaf. Our approach to leadership is detailed on page 57, effectiveness on pages 64-65, accountability on pages 69-73, and relations with shareholders on page 82.

Our shareholders and our AGM

Our Executive Directors, Senior Independent Director and I met with key shareholders throughout the year, heard from our brokers and discussed how we could improve communication and explain our strategy. At our third AGM at our head office in Folkestone, Kent on 22 June 2017, all resolutions were passed with a significant majority and all Directors standing for re-election were reappointed.

I welcome Patrick O'Sullivan as my successor and leave the Company with my best wishes for success in the future.

Andrew Goodsell

Andrew Goodsell
Chairman
11 April 2018

Compliance statement	The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the Code. A full version of the Code can be found on the Financial Reporting Council's (FRC) website www.frc.org.uk. The Company applied the Principles and complied with all of the relevant Provisions of the Code throughout the year.
Viability statement	The Directors have considered the viability of the Group over the five year period to January 2023 and have concluded there to be a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period. The Directors have determined the five year period to January 2023 to be an appropriate period over which to assess the Group's viability, as this period: a) is consistent with the planning horizon over which the Directors normally consider the future performance, capital and solvency requirements of the business; b) includes the delivery of the contracted new ships in 2019 and 2020; and c) includes the refinancing of senior bank facilities which took place in 2017, maturing in five to seven years. In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible scenarios, and the effect of any mitigating actions. The details of this work are set out on page 73. The Directors have considered each of the Group's principal risks and uncertainties detailed on pages 24-29 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have made a key assumption that it is reasonable to believe that debt funding to replace the existing senior bank facilities when they mature will be available in all plausible market conditions.
Fair, balanced and understandable	In accordance with the Principles of the Code, the Board has established arrangements to evaluate whether the information presented in the Annual Report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
Going concern	The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities, are described throughout the Annual Report (principal risks and uncertainties pages 24-29; Group Chief Financial Officer's review pages 36-51; accountability pages 69-73; Audit Committee report pages 74-77; Risk Committee report pages 78-81; and notes on pages 140-207). The Group has access to sufficient cash and other financial resources together with a large renewing income stream from insurance policies and high-repeat purchase levels from customers of its other products, and long-term contracts with a number of suppliers across different industries. As a consequence, the Directors believe that the Group is well placed to successfully manage its business risks. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the financial statements.
Assessment of risk	Through the risk cycle detailed on pages 69-73, the Board is able to confirm that it has carried out a robust assessment of the principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity, in accordance with section C 2.1 of the Code.
Statement of review	The risk management process detailed on pages 69-73 was in place for the year under review and up to the date of approval of this report. The Board has conducted a review of the effectiveness of Saga's risk management and internal control systems, including all material financial, operational and compliance controls, and concluded that these are acceptable.

The Company applied the main Principles of the Code as follows:

A. Leadership

A1 The role of the Board

The Board met formally six times during the year. The schedule of matters reserved for the Board (detailed on page 57) was reviewed on 20 September 2017. There is a clear governance structure throughout the Group, which sets out delegated authorities.

A2 Division of responsibilities

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer. The Chairman is responsible for the leadership and effectiveness of the Board. The Group Chief Executive Officer is responsible for leading the day-to-day management of the Group within the strategy set by the Board. A document clarifying these divisions and the role of the Senior Independent Director was reviewed and approved by the Board on 6 November 2017. This document is reviewed annually by the Board.

A3 The Chairman

The Chairman sets the agenda for meetings, manages the meeting timetable (in conjunction with the Company Secretary) and facilitates open and constructive dialogue during the meetings, with particular focus on strategic issues. The Chairman promotes constructive relations between Executive and Non-Executive Directors.

A4 Non-Executive Directors

The Non-Executive Directors provide objective, rigorous and constructive challenge to management and meet regularly without the Executive Directors. The Senior Independent Director acts as a sounding board for the Chairman, led an evaluation of the Chairman's performance and is available for meetings with major shareholders.

B. Effectiveness

B1 The composition of the Board

The Nomination Committee is responsible for regularly reviewing the composition of the Board, considering succession planning and evaluating the skills, knowledge and experience required of Board candidates.

B2 Appointments to the Board

The appointment of new Directors to the Board is led by the Nomination Committee and the process is such that candidates are selected on merit and with due regard for the benefits of diversity, including gender. This included the search for a successor to the Chairman. Further details of the activities of the Nomination Committee can be found on pages 66-68.

B3 Commitment

On appointment, Directors are notified of the time commitment expected from them. External directorships, which may impact on the existing time commitments of the Executive Directors, must be agreed beforehand with the Chairman.

B4 Development

A tailored programme is set up when a Director joins the Board and this is ongoing to ensure that Directors' skills and knowledge are regularly updated and refreshed.

B5 Information and support

The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information and are kept informed on all governance matters.

B6 Evaluation

The Board conducted an externally facilitated annual evaluation of its own performance and that of its Committees and individual Directors, as set out on page 65.

B7 Re-election of Directors

All Directors are subject to annual re-election by shareholders at the Company's AGM.

C. Accountability

C1 Financial and business reporting

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report is set out on pages 1-51 inclusive and this provides information about the performance of the Group, the business model, strategy and principal risks and uncertainties relating to the Group's future prospects.

C2 Risk management and internal control

The Board sets out the Group's risk appetite and risk policy. The effectiveness of the Group's risk management and internal control systems is reviewed annually. The activities of the Risk Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on pages 78-81.

C3 Audit Committee and auditors

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by the external auditor. The principal activities of the Audit Committee are set out on pages 74-77.

The Chairs of the Risk and Audit Committees are Board members and provide regular updates to the Board regarding Committee business.

D. Remuneration

D1 The level and components of remuneration

The Remuneration Committee is responsible for setting levels of remuneration which will attract, retain and motivate Board members. Remuneration is structured to link it to both corporate and individual performance, so that management's interests are aligned with those of shareholders and the long-term success of the Company.

D2 Procedure

Details of the work of the Remuneration Committee and the Remuneration Policy can be found in the Directors' Remuneration Report on pages 83-121 inclusive.

E. Relations with shareholders

E1 Dialogue with shareholders

The Board actively engages with shareholders and values opportunities to meet with them. The Chairman has direct contact with our major shareholders and ensures that the Board is kept informed of shareholder views and that all Directors are in touch with shareholder opinion. The Senior Independent Director also meets with major shareholders as required and the Non-Executive Directors receive analyst and broker briefings.

E2 Constructive use of general meetings

The Board sees the AGM as an important opportunity to meet shareholders. The Chairman and Chairs of each Committee are available for questions during the formal part of the business and the Board (and senior management) are available after the meeting.

Details of how the Board engages with shareholders can be found on page 82.

Culture

The Saga People Action Plan addresses themes identified by our employee pulse surveys, which are conducted throughout the year. The leadership development programme was rolled out to the senior leaders in the business during the year, to ensure that this group were aligned on delivering growth. Further investment in developing our people was made with the launch of the Leadership degree, for which 50 individuals have enrolled to date.

All Directors, members of the Group Executive Committee and persons discharging managerial responsibilities (PDMRs) receive training on an ongoing basis. During the year, the Directors received regular updates on topics including the Market Abuse Regulation, General Data Protection Regulation (GDPR) and other relevant regulatory changes. Training has been built into the Board and Committee annual plan for 2018 and is scheduled to include PDMR refresher training, the threat of cybercrime and GDPR.

Directors make ongoing visits to business areas to ensure that they remain close to what Saga does and to see first-hand how strategy works in practice and how boardroom discussions translate to the front line of the business.

Our Board

There is an articulated set of matters which are reserved for the Board and these are reviewed annually. The last review took place on 20 September 2017. Matters reserved for the Board include:

- Any decision likely to have a material impact on Saga from any perspective including, but not limited to, financial, operational, strategic or reputational.
- The strategic direction of the overall business, objectives, budgets and forecasts, levels of authority to approve expenditure, and any material changes to them.
- The commencement, material expansion, diversification or cessation of any of Saga's activities.
- Saga's regulatory, financial and material operational policies.
- Changes relating to Saga's capital, corporate, management or control structures.
- Material capital or operating expenditure outside pre-determined tolerances or beyond the delegated authorities.
- Major capital projects (including post-investment reviews where not considered in detail by the Audit or Risk Committee or where the Board decides a full review is required), corporate action or investment by Saga that will have, or is likely to have, a financial cost greater than the amount set out in the relevant contract approval processes from time to time.
- Any contract which is material strategically or by reason of size, not in the ordinary course of business, or outside agreed budgetary limits or that relates to joint ventures and material arrangements with customers or suppliers.

A review of our strategic objectives and financial performance takes place at each Board meeting. The Board is responsible for, and provides, the overall direction for management, debating our strategic priorities and setting Saga's values and standards.

A fundamental part of this role is to consider the balance of interests between our stakeholders including shareholders, our customers, our employees and the communities in which we work.

The Board also provides oversight and supervision of Saga's operations ensuring:

- successful implementation of agreed strategy;
- sound planning and competent management;
- a solid system of internal control and risk management;
- adequate accounting and other records; and
- compliance with statutory and regulatory obligations.

Details of the Board's activities during the year can be found on page 59.

Board attendance during the year

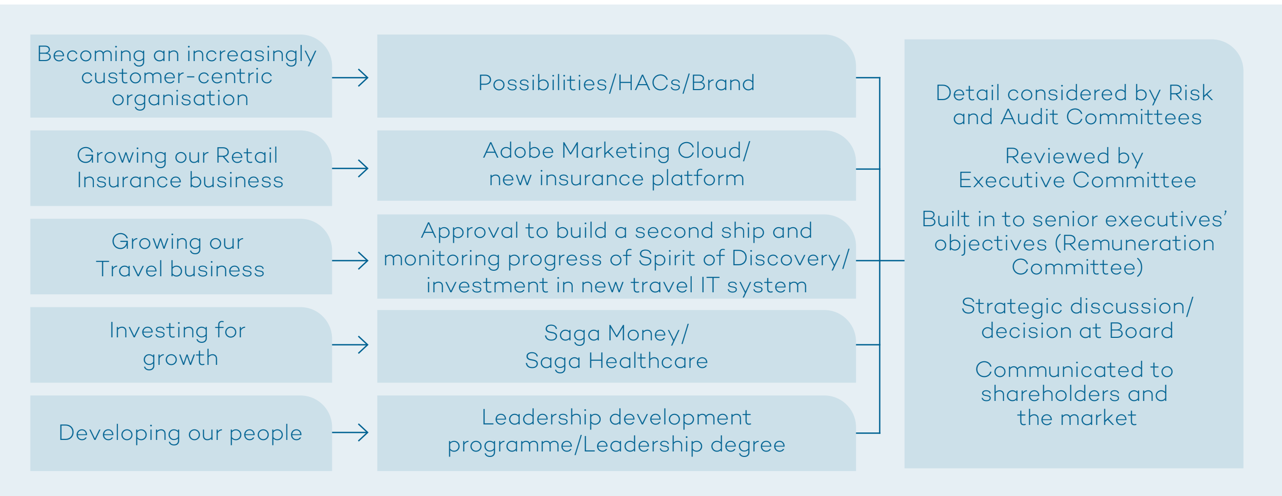
The Board and Committees have a scheduled forward programme of meetings. During the year, the Board met formally on six occasions. In addition, meetings were convened as necessary to approve strategic matters (including a review of the Group's financing arrangements and financing for Spirit of Adventure) and a strategy event was held in November at which annual and five-year plans for each of the businesses were presented to the Board and discussed. The Chairman meets regularly with the Senior Independent Director and Non-Executive Directors outside of formal meetings.

Member	Role	Attendance at Board meetings
Andrew Goodsell	Chairman (leadership, Board governance, setting the agenda and facilitating open Board discussions, performance and shareholder engagement)	6/6
Lance Batchelor	Group Chief Executive Officer (developing strategy for Board approval and Group performance)	6/6
Jonathan Hill	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	6/6
Independent Non-Executive Directors:		
Philip Green[1]	Participate in, assess, challenge and monitor Executive Directors' delivery of the strategy (within risk and governance structures), financial controls and integrity of financial statements, and Board diversity. Evaluate and appraise the performance of Executive Directors and senior management.	0/6
Ray King		5/6
Bridget McIntyre		6/6
Orna NiChionna		6/6
Gareth Williams		6/6

Note:
1 Philip Green resigned on 31 March 2017 and sent apologies for the Board meeting held in the period before his resignation date

The Company Secretary attends all meetings as secretary to the Board. Other executives, members of senior management and external advisers are also invited to attend Board meetings, to present items of business and provide insight into key strategic issues. The Company Secretary assists the Chairman of the Board and Committee Chairs in planning for each meeting and ensures that Board and Committee members receive information and papers in a timely manner.

Governance in action



Board activities during the year

Strategy Our Board is structured to support becoming an increasingly customer-centric business	• Reviewed strategic initiatives. • Considered how to attract and retain High Affinity Customers. • Discussed Possibilities, our membership proposition and our new Brand. • Discussed how to grow the Retail Insurance and Travel businesses. • Approved the new quota share arrangement.	• Approved plans to a build a second ship, Spirit of Adventure, for delivery in August 2020 and monitored progress of the build of our new ship, Spirit of Discovery.
Investing in our capabilities Recognising the need to continually improve our customers' experience and the efficiency of our operations	• Discussed the new insurance platform, how this would increase product differentiation, improve call centre and back office efficiencies and enable cross-sell and retention of our HACs. • Discussed the investment in Adobe Marketing Cloud.	• Reviewed the marketing permissions centre and considered how this would comply with the General Data Protection Regulation.
Shareholder engagement Effective communication with our shareholders	• Regularly discussed shareholder feedback with our brokers at Board meetings. • Executive Directors, Chairman and Senior Independent Director held meetings with key shareholders.	• Met shareholders at our AGM.
Developing our people Ensuring our people are aligned in how growth is delivered	• Agreed to extend the leadership development programme to the senior leaders in the Group. • Held a bi-annual review of talent development and succession planning. • Acted on the results of the employee pulse surveys; introduced more regular communications and listening workshops.	• Agreed the award of free shares to eligible employees under the Share Incentive Plan for the third year running. • Discussed how reward should link to performance. • Invited senior executives to Board meetings to gain a deeper understanding of each business and our culture.
Governance and risk Governance to support our strategy	• Reviewed our risk appetite and tolerance levels and thresholds against the strategy. • Received frequent business and regulatory updates. • Considered and approved the Group's modern slavery policy and statement.	• Approved the Audit Committee's recommendation to appoint external auditors and sign off financial crime policies. • Approved tax, environmental, health and safety and communication policies, matters reserved for the Board and Committees' terms of reference. • Participated in an externally facilitated Board and Committee evaluation exercise, which included a review of the previous year's action plans.

The Board's responsibilities

- Strategic direction of the Group.
- Setting values and standards (in accordance with the 'keep doing' ethos –see page 16).

The Nomination Committee's responsibilities

- Providing recommendations on the size, structure and composition of the Board.
- Succession planning.
- Evaluating the skills, knowledge, independence and diversity of the Board.
- Identifying and nominating candidates to fill Board vacancies.
- Reviewing Board performance evaluation results in relation to Board composition.

+ Read the Nomination Committee Report on **p66**

The Audit Committee's responsibilities

- Monitoring the integrity of financial statements and reporting procedures.
- Reviewing internal and external audit work plans.
- Determining the remuneration, terms of engagement and independence of the external auditor.
- Monitoring, reviewing and challenging the effectiveness of the Internal Audit and Treasury functions.
- Assessing the adequacy and effectiveness of the Company's internal controls and external audits.
- Reviewing Saga's annual and half year financial statements and accounting policies.
- Considering and approving the terms of engagement of external auditors.
- Monitoring the scope of the annual audit and the extent of non-audit work undertaken by external auditors.
- Ensuring that whistleblowing and anti-fraud systems are in place within Saga.

+ Read the Audit Committee Report on **p74**

The Executive Committee reports directly to the Board via the Group Chief Executive Officer and Group Chief Financial Officer and is responsible for:

- Implementing strategy as determined by the Board.
- Executive management – monitoring trading against strategy.
- Cultural leadership and people development, day to day operational management.

- Considering the needs of our stakeholders, including shareholders, employees and customers.
- Ensuring compliance with statutory and regulatory obligations.
- Managing risk and control.

The Risk Committee's responsibilities

- Advising the Board on the Group's overall risk appetite, tolerance and strategy.
- Overseeing and advising the Board on current risk exposures and future risk strategy.
- Reviewing risk assessment and management procedures.
- Monitoring principal business risks.
- Reviewing the adequacy and effectiveness of risk management and identification systems and of the compliance function.
- Reviewing and monitoring management's response to the Chief Risk and Compliance Officer's findings and recommendations.
- Providing qualitative and quantitative advice to the Remuneration Committee on risk weightings.
- Reviewing (on an annual basis) reports received from the Money Laundering Reporting Officer relating to the adequacy and effectiveness of the Company and its subsidiaries' anti-money laundering systems and controls.

+ Read the Risk Committee Report on **p78**

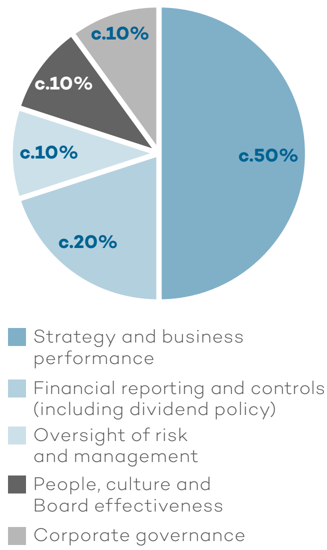
The Remuneration Committee's responsibilities

- Setting and monitoring the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements.
- Recommending and monitoring remuneration packages for Executive Directors, the Chairman and senior management.
- Determining all aspects of share-based incentive arrangements.
- Reviewing and administering employee share schemes.
- Setting key performance indicators for the Annual Bonus Plan and long-term incentives.
- Preparing an Annual Remuneration Report.

+ Read the Remuneration Committee Report on **p83**

- Managing risk and conduct, reviewing Group risk and internal audit and compliance plans.
- Reporting any potential or actual breaches of regulation or policy to the Board.

Board responsibilities – allocation of time



Andrew Goodsell
Chairman

Appointed:
Non-Executive Chairman in July 2015
Chief Executive and Chairman in 2004
Skills, competencies and experience:
Andrew has brought a wealth of executive management, product and industry expertise, stemming from a career of over 26 years at Saga. He joined Saga in 1992 and progressed through a number of senior roles before becoming Deputy Group Chief Executive in 2001 and Chief Executive and Chairman in 2004. He has led two management buyouts at Saga. The second, in 2007, brought together Saga and the AA under the holding company Acromas Holdings. Andrew was Executive Chairman of the AA from 2007 until Acromas Holdings sold it in 2014; and Executive Chairman of Saga from 2007 until he became Non-Executive Chairman on 1 July 2015. Andrew has an established track record of driving growth. His in-depth knowledge of Saga and his well-established relationship with Saga's regulators has been invaluable to the Group. Andrew will retire from the Board on 30 April 2018.

Lance Batchelor
Group Chief Executive Officer

Appointed:
Group Chief Executive Officer in March 2014
Skills, competencies and experience:
Lance has worked in consumer-facing businesses and brand-centric roles throughout his career, focusing on creating products that are tailored to the customer. He holds an MBA from Harvard Business School and began his career as a Royal Navy submarine officer. He went on to hold senior marketing positions at Procter & Gamble, Amazon.com and Vodafone, before becoming CEO of Tesco Mobile between 2008–2011 and CEO of Domino's Pizza Group plc between 2011-2014. Lance brings a wealth of senior operational experience in listed companies to his role at Saga. Since he joined as Chief Executive Officer in 2014, the business has grown its underlying core profits, invested in the growth of passengers and policies, commissioned the build of two new ships, introduced a motor broking panel, launched its membership programme, Possibilities, and replaced most of its key IT systems.
Other roles:
Lance is a Trustee of the National Gallery and White Ensign Association. He is also a Vice Patron of the Royal Navy & Royal Marines Charity.

Jonathan Hill
Group Chief Financial Officer

Appointed:
Group Chief Financial Officer in April 2015
Skills, competencies and experience:
Jonathan is a chartered accountant with over 26 years' experience across multiple market industry sectors, including senior roles within TUI Travel and Centrica. Jonathan, who joined Saga from Bovis Homes Group plc where he was Group Finance Director, has a significant amount of experience in strategic planning and development, and delivery of large corporate projects. He brings this and a wealth of senior financial, operational and listed company experience to his role and the Board at Saga. Jonathan resigned from his position in March 2018 and will work six month's notice. A search for his successor has commenced.

Patrick O'Sullivan
Incoming Chairman

Proposed appointment:
Chairman with effect from 1 May 2018
Skills, competencies and experience:
Patrick has a wealth of experience in the financial and insurance industry gained from a number of senior roles he held at the Bank of America, Goldman Sachs, Financial Guaranty Insurance Company and Barclays/BZW. Patrick spent 12 years at Zurich Insurance Group, where he held positions including CEO of Eagle Star Insurance Company, CEO of UK General Insurance, Group Chief Financial Officer and Vice Chairman of the Management Board. Previous non-executive roles have included Chairman of the UK's Shareholder Executive, Deputy Governor of the Bank of Ireland, Senior Independent Director at Man Group plc and Chairman of the Audit Committee at Collins Stewart plc and Cofra Group AG. Patrick is an experienced chairman having been Chairman of the UK's Shareholder Executive and is current Chairman of the FTSE 100 diversified financial services conglomerate, Old Mutual plc.
Other roles:
Patrick will continue in his role as Chairman of Old Mutual plc until the separation process has concluded. He is also Chairman of ERS (syndicate 218), a Lloyd's market specialist motor insurer.

More information on the Chairman search, suitability and appointment process can be found in the Nomination Committee Report on page 67.

Key to Committees

A – Audit Committee
E – Executive Committee
N – Nomination Committee
R – Remuneration Committee
RI – Risk Committee
● – Committee Chair

Orna NiChionna
Senior Independent Non-Executive Director

Appointed:
Senior Independent Non-Executive Director in March 2017
Independent Non-Executive Director in May 2014

Skills, competencies and experience:
Orna, who has significant experience in strategy and new concept development and launch, business turnaround, logistics redesign and supply change management, joined the Company in May 2014, on listing. She was subsequently appointed as Senior Independent Non-Executive Director for Saga in March 2017. Previously, Orna was Senior Independent Non-Executive Director of HMV plc, Northern Foods plc and Bupa and a Non-Executive Director of the Bank of Ireland UK Holdings plc and Bristol & West plc. She is a former Partner at McKinsey & Company, where her client portfolio included many consumer-facing clients. Orna brings a wealth of varied and valued skills to the Board along with her considerable experience in other Non-Executive Director roles.

Other roles:
Orna is currently Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Royal Mail plc, Non-Executive Director and Chair of the Remuneration Committee at Burberry plc, the Deputy Chair of the National Trust, Trustee of Sir John Soane's Museum and Chair of Client Service at Eden McCallum.

Ray King
Independent Non-Executive Director

Appointed:
Non-Executive Director in March 2014

Skills, competencies and experience:
Ray has a strong background in business and financial management. He has led a business similar to Saga, as Group Chief Executive of Bupa from 2008 - 2012 and as Chief Financial Officer from 2001 - 2008. His earlier executive roles included Director of Group Finance and Control of Diageo plc, Group Finance Director of Southern Water plc and senior roles at ICI plc. Ray has previously been a Non-Executive director at The Financial Reporting Council, Infinis Energy plc and Friends Provident plc and a Reporting Panel Member of the Competition and Markets Authority. Ray's significant financial experience and his Non-Executive Director experience (including that of chairing audit committees), are all immensely helpful and valued by the Board.

Other roles:
Ray is currently a Non-Executive Director of Rothesay Holdco UK Ltd and of its regulated subsidiary, Rothesay Life plc.

Bridget McIntyre
Independent Non-Executive Director

Appointed:
Non-Executive Director in January 2016

Skills, competencies and experience:
Bridget brings to the Board a wealth of insurance experience coupled with considerable general and financial experience gained from her previous roles as Chief Executive of the RSA UK business, Director of RSA Insurance Group plc, and a variety of senior roles at Aviva (and pre-merger Norwich Union). Bridget, who is an associate with the Chartered Institute of Management Accountants, has a strong understanding of how retail businesses work and a track record in improving business performance. Her contributions to Saga and the Board, drawn from her previous experiences, are valued immensely.

Other roles:
Bridget is currently a Non-Executive Director of Adnams plc and Jarrold & Sons Limited, and is founder of her own social enterprise organisation 'dream on', a Suffolk-based community interest company focused on improving the lives of women.

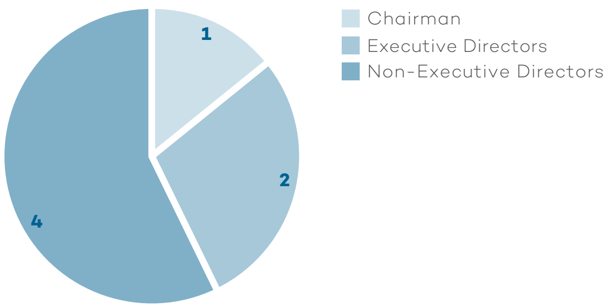
Gareth Williams
Independent Non-Executive Director

Appointed:
Non-Executive Director in May 2014

Skills, competencies and experience:
Gareth's expertise is in all aspects of human resource and people strategy which he gained from his previous positions including Human Resources Director of Diageo plc (where he also had oversight responsibility for corporate relations) and a series of key positions in human resources at Grand Metropolitan plc. Gareth's contributions to the Board and its Committees bring a unique perspective to discussions, drawn from his experience of working at Director level in a consumer-facing organisation and his knowledge of corporate relations, management development and resourcing.

Other roles:
Gareth is currently a Non-Executive Director of WNS (Holdings) Limited.

Composition of the Board



Strategic Report
Governance
Financial Statements

The members of the Board

The Board considers its overall size and composition to be appropriate, having regard in particular to the independence of character, integrity, differences of approach and experience of all the Directors. We give due regard to the benefits of diversity in its widest sense for the current and future Board composition, recognising that this is essential for effective engagement with our key stakeholders.

We consider that the skills and experience of our individual members, particularly in the areas of insurance, financial services, consumer services, brand management, corporate finance, mergers and acquisitions, and risk management are fundamental to the pursuit of our strategic objectives. In addition, the quoted company experience of members of the Board in a variety of sectors and markets is invaluable to Saga.

Independence of Non-Executive Directors

The Board considers four of the current Non-Executive Directors to be independent of Saga's executive management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management. These Directors are Ray King, Bridget McIntyre, Orna NiChionna and Gareth Williams. Philip Green resigned from the Company on 31 March 2017 and was considered independent up to the point of his resignation.

Changes to the Board

Philip Green resigned from the Board and his position as Senior Independent Director on 31 March 2017. He was replaced as Senior Independent Director by Orna NiChionna, one of our current Non-Executive Directors, who was selected due to her experience (as Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Royal Mail plc, Chair of Client Service at Eden McCallum, Deputy Chair of the National Trust and within the Group). The Board was of the opinion that Orna had a good feel for what we do as a business, our values, and what is right for our customers, and had made a strong contribution during her time on the Board.

Whilst we did not make any appointments to the Board during the year, the Nomination Committee did discuss how the Company would ensure that there is the right level of oversight of the regulated businesses within the Group and that those companies had senior leaders with the right experience in place. More details can be found in the Nomination Committee report on pages 66-68.

In October 2017, we announced that Andrew Goodsell intended to retire from the Board and step down from his position as Chairman. The process to recruit a new Chairman, led by Orna NiChionna as Senior Independent Director and overseen by the Nomination Committee, began immediately. On 19 February 2018, we announced that the Board had approved the Nomination Committee's recommendation to appoint Patrick O'Sullivan as Non-Executive Director and Chairman with effect from 1 May 2018. Further details of the process can be found in the Nomination Committee report on page 67.

Patrick was selected due to his breadth of experience and leadership in growing businesses in the financial services and insurance industry.

We continue to comply with the Code's recommendation that at least half of our Board members are independent Non-Executive Directors. For full details of Board composition see pages 62-64.

Appointment of Directors

The terms of reference of our Nomination Committee explain the recruitment process used in identifying and recommending the appointment of Director and Chairman candidates to the Board. Open advertising or the services of external advisers are used to facilitate our search for the best possible candidates from a wide range of backgrounds.

Ongoing training and induction of Non-Executive Directors

All Non-Executive Directors attend meetings with subsidiary directors and their direct reports to ensure that they fully understand the performance and strategic direction for each of our businesses, our culture and values, strategy, sustainability and governance. They continue to visit areas of the business to gain first-hand experience of how Saga works.

Our induction process was reviewed to ensure that it provides new Directors with an overview of our strategy, the competitive environment, Group structure and governance and risk profile and appetite. Training is available on an ongoing basis to meet any particular needs.

A structured programme has been put in place for Patrick O'Sullivan to ensure that he:

- receives strategic and business information, including our five year plan;
- gains an understanding of the Group structure and our risk profile;
- meets members of the Group Executive and senior management;
- spends time in all business areas, to experience the culture and listening to calls in our call centres; and
- receives feedback from shareholders, analysts and brokers.

Annual re-election

The Directors are standing for re-election at the AGM, with the exception of Andrew Goodsell who retires from the Group on 30 April 2018. The Board's view is that each of the Directors standing for re-election should be re-appointed and that Patrick O'Sullivan who is standing for election should be appointed. We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 62-63.

Board effectiveness review

The effectiveness of the Board is vital to the success of the Group. The Board undertakes an evaluation process each year to assess how it, its Committees and individual directors are performing.

Last year the Board and its Committees undertook the first externally facilitated evaluation of their performance. The evaluation was conducted by Independent Audit Limited which reviewed Board and Committee papers, observed Board and Committee meetings and held interviews with Directors and Committee members and attendees.

Key findings from the 2016/2017 review

- Governance had developed well since the Company had listed and there was a healthy culture of transparency.
- A strong and stable management team was in place.
- There was good coverage of the principal risks and subsidiary level governance.
- The interests of a wide group of stakeholders were considered and attention was given to the Group's people strategy.

The action plan arising from the 2016/17 evaluation included:

- The development of a forward thinking annual planner.
- A key focus of Board meetings on strategic discussions.
- Increased use of executive summaries of papers submitted to the Board, so that key messages were highlighted and Non-Executive Directors were clear on the purpose of the discussion.

2017/18 review

The Board agreed that the 2017/2018 review should also be carried out by Independent Audit Limited, as this would provide a consistent approach and allow for effective tracking against the previous year's action plan. Independent Audit Limited does not have any other connection to the Company.

This took a more limited approach than in the previous year and was based on Independent Audit Limited's analysis of a self-assessment. This was focused on assessing progress in the areas identified during last year's review as opportunities for further development. Independent Audit Limited circulated a questionnaire to all Directors so that they could express their views on areas such as:

- discussion of performance relating to initiatives for driving growth;
- information and reporting on KPIs, issues and risks;
- customer strategy and focus;
- delivery of the technology strategy and solutions;
- communication of the strategy and performance to shareholders;
- risk evaluation; and
- getting a picture of behaviours and culture.

A report prepared by Independent Audit Limited was presented to the Board. As a result of this in-depth discussion, a Board development plan was agreed and discussed further with Independent Audit Limited.

The review concluded that progress has been made in numerous development areas, particularly in relation to Board information and the way issues are brought to the Board to provide the right opportunity for discussion. There remains scope for further strengthening of:

- the structure of the information provided to make sure a clear picture of how performance links to key drivers is brought to the Board; and
- board papers, so that these consistently benefit from good summaries, positioning and analysis to help the Board ensure that growth and initiatives are on track.

The Senior Independent Director and the Non-Executive Directors also evaluated the Chairman's performance and the Senior Independent Director provided feedback to the Chairman.

Board development plan for 2018/19

The Board will continue to ensure that the content of all Board meetings remains aligned to strategy and the key drivers of performance. Risk management will continue to link directly to strategic drivers and principal risks and uncertainties. Off-site strategy days are used to set and reflect on progression of the Company's strategy. These sessions also allow the Board to discuss the strategic priorities for the year ahead.

Process for Board and Committee evaluation

Questionnaire prepared by Independent Audit Limited (based on actions identified from last year's evaluation and recent trading performance) and circulated to Directors

Report produced by Independent Audit Limited

Review/discussion with Chairman and Committee Chairs

Discussed at Board

Action plans prepared

Dear Shareholder,
I am pleased to present this report from the Nomination Committee on what has been a busy and important year for Saga. I became Chair of the Committee and Senior Independent Director of the Company when Philip Green resigned from the Board in March 2017.

The demands being placed on the Nomination Committee are increasing in terms of regulatory and public scrutiny. Succession planning is part of this, as are Board evaluation and diversity in its myriad forms – all reflected in the FRC's proposed enhancements to the UK Corporate Governance Code that will crystallise over the coming year.

In October, our Chairman, Andrew Goodsell, announced his intention to retire from the Board in 2018 and I led the process to appoint a new Chairman for the Group. I am pleased to report that this resulted in the appointment of Patrick O' Sullivan who will join the Company as Non-Executive Director and Chairman on 1 May 2018. Patrick fitted our brief particularly well due to his combination of strong leadership qualities and deep experience in insurance and we were delighted to secure him as our next Chairman.

We have devoted a considerable amount of our attention this year to succession planning and talent development, not only of the Board, but also of the breadth and depth of executive talent below Board level. We also considered the composition of the Board with Philip and Andrew's departure and when Patrick joins we will draw on his views on the composition of the Board to support delivery of the strategy.

Orna NiChionna
Chair, Nomination Committee

Role of the Committee
Our role is to review Board composition, consider succession planning and evaluate the skills required in Board candidates.

Until Philip Green resigned, the Committee members consisted of five independent Non-Executive Directors and the Chairman. From 31 March 2017, there have been four independent Non-Executive Directors and the Chairman forming the Committee.

Attendance
During the year, the Committee met on five occasions.

Member	Attendance
Orna NiChionna (Chair)[1]	5
Philip Green (Chair)[1]	1
Andrew Goodsell[2]	3
Ray King	5
Bridget McIntyre	5
Gareth Williams	5

Notes:
1 Orna NiChionna was appointed Chair, Nomination Committee, on 31 March 2017, when Philip Green resigned as a Director of the Company
2 Andrew Goodsell did not attend meetings at which his proposed successor was discussed

The Company Secretary, Vicki Haynes, attends all meetings as secretary to the Committee. The Group Chief Executive Officer, Lance Batchelor, and Group HR Director, Karen Caddick, attend by invitation.

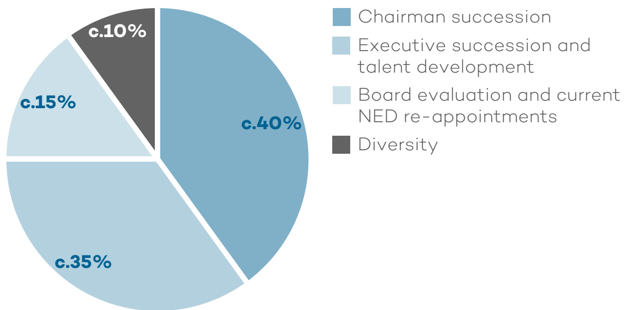
Our terms of reference
Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 20 September 2017. These explain our role and the authority delegated by the Board and are available on the Saga website at http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

A summary of our remit

- To review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and to make recommendations with regard to any changes.
- To prepare a description of the role, capabilities and expected time commitment required for appointments.
- To consider succession planning and talent development for Directors and other senior executives, to ensure a progressive refresh of the Board.
- To review the results of the Board performance evaluation process that relate to the composition of the Board.

What we have done during the year

Time spent on matters



Appointment process for Chairman

Our terms of reference set out how we recruit and appoint Directors to the Board. They stipulate that we will use open advertising or the services of external advisers to facilitate a search for the best possible candidates from a wide range of backgrounds.

MWM Consulting was appointed by the Committee to support us in searching for a new Chairman. MWM Consulting has been involved in appointing other Executive and Non-Executive Directors of the Group and has no other connection with the Company.

A rigorous process was followed including careful reflection on the leadership needs of the Group at this time, an appraisal of the skills and experience required in a Chairman and the time commitment needed for the role. The Committee felt that insurance experience was important and a detailed job specification and timetable were produced to assist with the search.

Internal and external searches were conducted, and a shortlist was developed. A series of interviews with all independent members of the Committee and the Group CEO followed, references were obtained and terms of appointment were considered.

In accordance with the Group's diversity and dignity policy and the Code, candidates were assessed against their strategic skill set, experience in leading large organisations, listed company experience and personality and fit. Consideration was also given to diversity and whether individuals met the independence criteria set out in the Code.

Following best practice as recommended by the Code, the Chairman did not participate in the interviews or the discussions regarding terms of appointment or recommendations to the Board.

Succession planning and talent development

The Committee has continued to oversee the development of Group Executive Committee members and of the 'Top Team' (mainly direct reports to members of the Executive Committee). We have been pleased with the progress that has been made since our last report, there is a sound talent review framework which is now well-established, the leadership training programme continues to receive strong feedback and there is a strengthened pipeline of candidates for the Executive and a much stronger succession planning process.

The Committee maintains a continuous review of the performance of individuals, plans for future roles, the structure of the Executive Committee, the succession plan and relevant priorities, whilst keeping front of mind the strategic trajectory of the Group. Part of this involves considering the rotation of 'Top Team' players through appropriate roles to prepare them for succession.

Many of the actions arising from this aspect of our work fall to Lance Batchelor as Group CEO, and to Karen Caddick as Group HR Director, either together or individually, along with the wider Executive Team. In some circumstances, individual Committee members are directly involved when their particular skills and experience are relevant. For example, Ray King is working with candidates in the pipeline for financial, risk and internal control roles.

Not only does this approach provide an opportunity for the Committee to have oversight of the talent planning process and its integration with the strategy, it also allows us to engage with Executive Team members, to meet potential internal successors and to get involved in mentoring likely candidates for promotion.

Board composition

At the heart of our remit is a detailed understanding of the Board's and the Board Committees' structure, size and composition.

Current Non-Executive Director reappointments and renewal of three year terms

During the year but prior to the publication of the last Annual Report, the Committee considered the profiles of the Directors being put forward for re-election. We decided that all those who wished to stand were suitable and had performed well during the year and recommended to the Board that all should be put forward. We also paid special attention to those NEDs at the end of their first three year term (Ray King, Gareth Williams and I) and recommended that they should be reappointed for a further three years. Individuals did not participate in the discussion when their own reappointment was being considered.

After the year end, but prior to the publication of this Annual Report, the Committee considered each Director's contribution and the time commitment necessary to perform their duties. A recommendation was made to the Board that all Directors be put forward for re-election.

Diversity

The Company has a diversity and dignity policy in place to provide equal opportunity for all individuals and the same employment conditions in relation to any protected characteristic of any individual. This policy applies to the Group, including the Board of Directors.

The policy does not set specific targets. Individuals (including executives and Board members) are selected, promoted and treated according to their ability, merits and the requirements of the relevant position. This equal opportunities policy entails taking practical steps to promote a working environment in which all employees are treated with dignity and respect, free from discrimination and harassment.

The diversity and dignity policy was reissued to all staff in November 2017 and is available on the staff intranet. All employees are expected to co-operate in making this policy effective and to adhere to it and report any breaches of the policy, whether actual or perceived, to their line manager or to Human Resources.

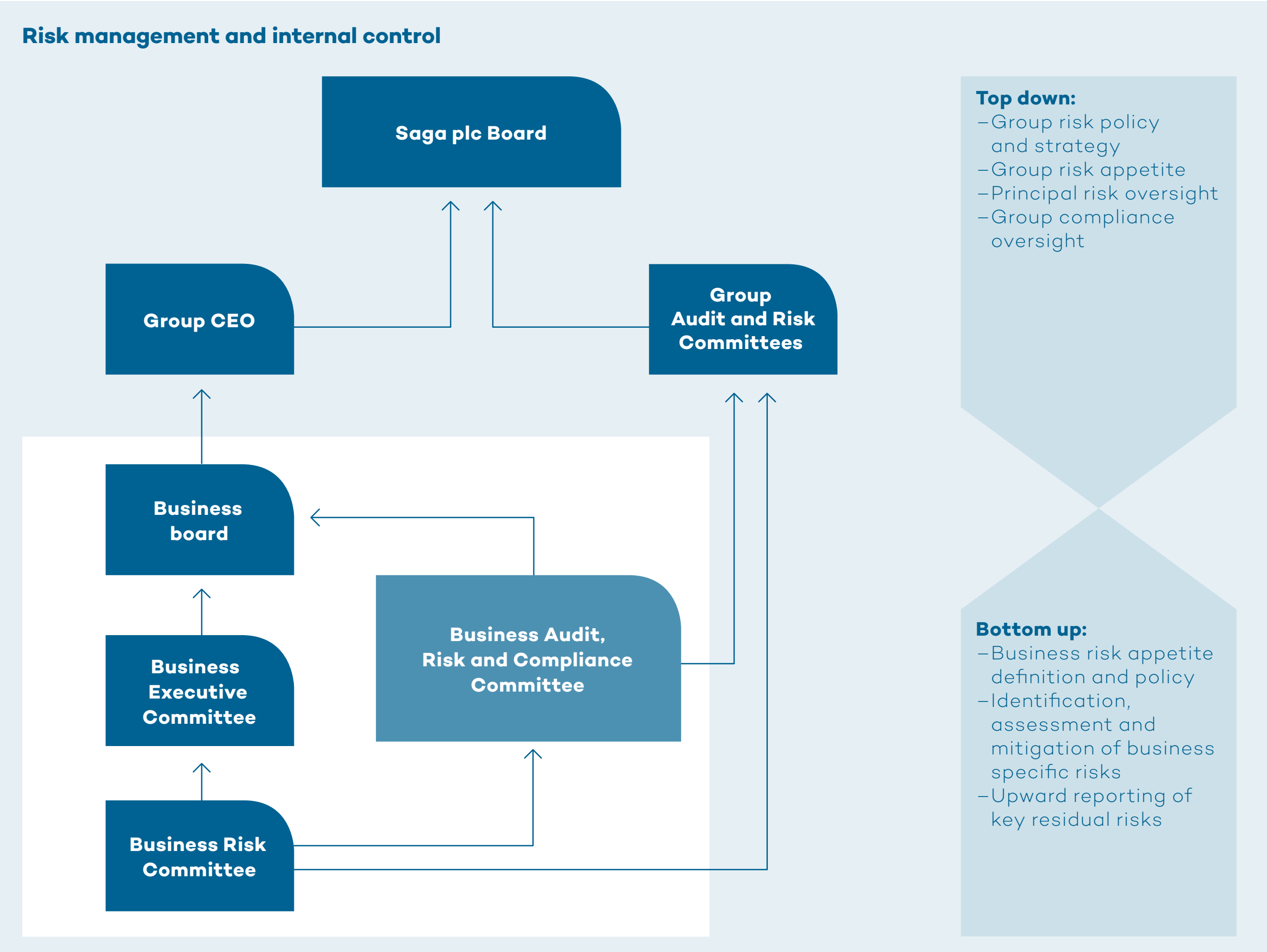
Board evaluation

The Board evaluation process is outlined on page 65. Committee members discussed the findings of the report produced by Independent Audit Limited in relation to the composition of the Board. Based on the self assessment, it was felt that the Directors worked well together and that the skills required to ensure that the Board was effective had been considered as part of the search process for a Chairman and on an ongoing basis.

Effectiveness of the Nomination Committee

An external evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 65). This was completed by Independent Audit Limited. The review indicated that the Committee is taking a thorough approach to succession planning and talent development. It was felt that the search for a new Chairman had run smoothly and that there had been good discussion throughout. Looking ahead, the Committee will continue to focus on the need to factor in expertise that links with the strategic direction of the business.

Orna NiChionna
Chair, Nomination Committee



Board assessment of risk management and internal control

The Board has ultimate responsibility for the Group's risk management and internal control, including setting the risk appetite. In accordance with section C 2.3 of the Code, the Board is responsible for reviewing the effectiveness of risk management and control systems, ensuring that:

- there is an ongoing systematic process for identifying, evaluating and managing the principal risks faced by the Company;
- this system has been in place for the year under review and up to the date of approval of the Annual Report and Accounts;
- the system is regularly reviewed by the Board; and
- the system accords with the FRC guidance on risk management, internal control and related financial and business reporting.

During 2017, the Board has directly, or through delegated authority to the Risk and Audit Committees, overseen and reviewed the development and performance of risk management activities and practices and internal control systems in the Group. Specific details regarding the involvement of the Risk and Audit Committees' in the development and review of risk management and internal control systems can be found in the Risk and Audit Committee reports on pages 78-81 and 74-77 respectively.

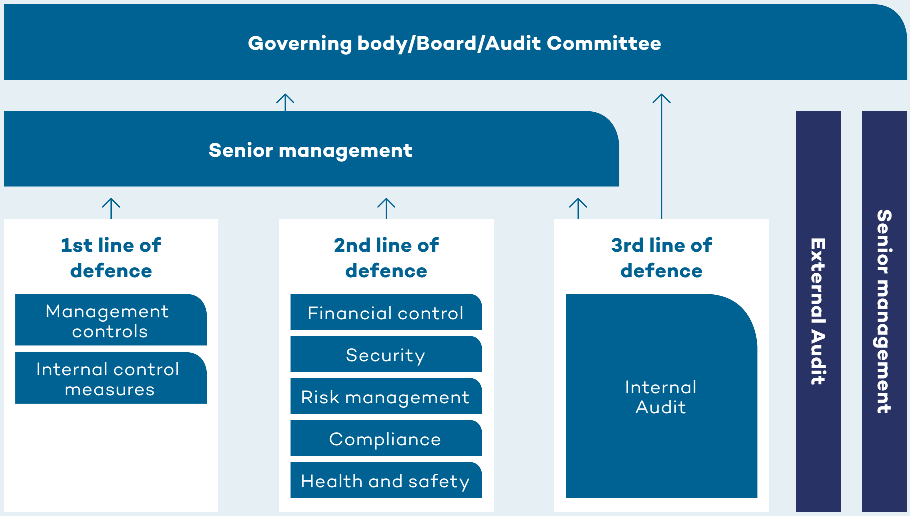
As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that the risk management and internal control systems in place remain effective.

Risk management and control is achieved through application of the 'three lines of defence' model as follows:

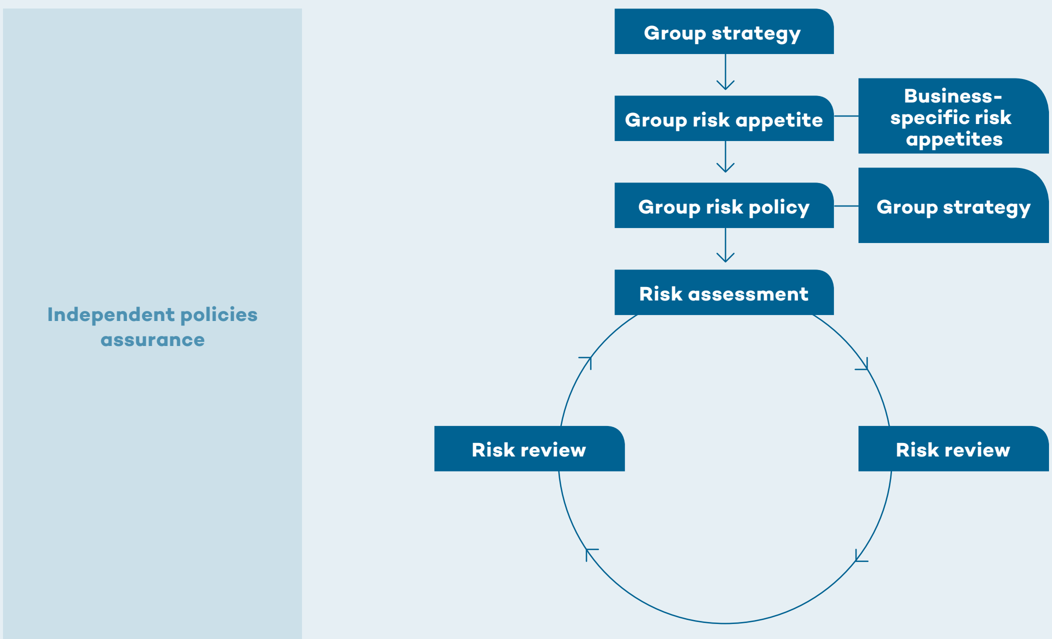
1st line of defence – Risk taking by management, in line with agreed risk appetite, risk policies and procedures. Various governance forums in each business review all risk exposures and risk mitigation activities on a regular basis, supported by the 2nd line of defence oversight functions. Consideration of business risks is a standing agenda item at each executive meeting within the Group.

2nd line of defence – Independent oversight provided by the various control functions, including risk, compliance and health and safety. Specific duties include advice on Group and business risk appetites, independent review of both the rating of key risks, and

Saga's 'three lines of defence' risk governance model



Group risk management cycle



approach and adequacy of business risk management strategies. The 2nd line of defence is also responsible for reporting on the management of principal risks and uncertainties to the Risk Committee and Board.

3rd line of defence – Independent assurance on the operation and effectiveness of internal control throughout the Group, including consideration of the effectiveness of the risk management process. The 3rd line of defence reports to the Board by way of the Audit Committee.

Saga's spread and variety of business operations require risk and internal control issues to be considered at both specialist business level and aggregated Group level. Risk and internal control oversight is provided by all Committees and key concerns are raised to the Audit and Risk Committees and ultimately to the Board, if required.

The Financial Crime, Data and Information Security Committee provides an additional forum to consider specialist risks arising in these areas.

Risk management cycle

Group risk management is an iterative cycle of activities, comprising the following:

Identification of risk appetite

Saga defines risk appetite as the amount and sources of risk which we are willing to accept in aggregate in pursuit of our objectives. Group risk appetite is derived from our strategic objectives and is used as a measure against which all of our current and proposed activities can be tested. Group risk appetites and tolerances are further defined within the principal risks and uncertainties section (pages 24-29).

Business risk appetites are separately crafted, complementary to Group appetites but customised to reflect the specific needs and characteristics of each business. Business risk appetites may be different to Group appetites but cannot exceed them.

Group and business risk appetites are reviewed at least annually to ensure they are aligned with any changes in strategy or specific strategic initiatives.

Risk policies

Saga has a Group risk policy that defines our risk management strategy, framework, governance structures, and detailed assessment and mitigation processes. Beneath this Group document, individual business policies are created. These are customised to reflect specific business characteristics but are still consistent with the overall risk management framework. All risk policies are reviewed at least annually and approved at business or Group boards as appropriate.

Risk assessment and risk registers

All Saga businesses assess each risk for likelihood and impact. Most use a common risk assessment matrix, although several have a customised impact scale which reflects their size or the highly specialist nature of their risks.

Each business creates appropriate controls to manage such risks. Risks are rated on both an inherent and a residual basis and are graded on a red, amber, yellow and green scale. Risk assessments are reviewed at business risk committees and the principal risks are subject to independent review by the Risk Committee. Explicit consideration is also given as to whether risks lie within or outside of risk appetite. Any risk close to appetite limits on a residual basis is further examined to ensure that our desired risk/reward balance is maintained.

Risk registers have been created for each business to capture their key risks, associated controls and incidents. The registers are typically sub-divided by function or business area. The highest-rated residual risks in terms of impact and probability for each business are aggregated at Group level to produce a list of principal risks and uncertainties, assessed at residual level against Group risk appetite.

All business CEOs certified compliance with the risk management framework at the year end.

Risk review

Reports on key risks and controls, and incidents, are presented to each governance forum meeting specified in the risk governance chart on page 69. In addition, checks against control effectiveness, and any exceptions or overdue actions are also considered. Each of these governance meetings is attended by key 1st and 2nd line of defence managers and the actions are minuted and followed up at the next meeting. Significant control weaknesses or failures are escalated to the individual business board in question or, if of sufficient scale and seriousness, to the Risk Committee. Each Group risk committee also considers cross-Group risks and incidents to ensure the risk of contagion is minimised.

Risk oversight
Independent oversight of the risk management process, including key risks and their associated management, incidents and compliance, is provided by the Chief Risk and Compliance Officer and the risk team, the compliance team, the Risk Committee and, ultimately, the Board.

Risk monitoring
All risk registers are independently reviewed by the risk team on an ongoing basis to test for completeness of risk and control capture, effective testing of key control measures, and recording and reporting of any exceptions and overdue actions.

Risk information
All risk data, including risks, controls, control tests and incidents, is captured in an internet-enabled risk portal. This portal produces risk reports for all governance meetings.

Independent process assurance
Saga's Internal Audit function provides independent assurance of the effectiveness of the risk management procedures at both Group and business levels.

Process feedback
Outputs from the risk management cycle are fed back to the Risk Committee to assist with necessary revision of the Group risk management policy and framework. They may also be used to inform future iterations of the Group's strategy.

A statement confirming that the Board has carried out a robust assessment of risks is contained on page 54.

Internal control
Internal Audit acts as the 3rd line of defence within Saga's three lines of defence risk management framework. The objective of Internal Audit is to help protect the assets, reputation and sustainability of the organisation by providing independent, reliable, valued and timely assurance to the Board and executive management. To preserve the independence of Internal Audit, the Head of Internal Audit's primary reporting line is to the Chair of the Audit Committee, and the Internal Audit team is prohibited from performing operational duties for the business.

All activities of the Group fall within the scope of Internal Audit's remit and there are no restrictions on the scope of Internal Audit's work. Internal Audit fulfills its role and responsibilities by delivering the annual, risk-based audit plan. Each audit within the plan provides an opinion on the control environment and details of issues found. Internal Audit works with the businesses to agree remedial actions necessary to improve the control environment, and these are tracked to completion. The Head of Internal Audit submits reports to, and/or attends, Board and Audit Committee meetings for the subsidiary Saga businesses, as well as meetings of the Audit Committee.

Financial reporting
The Group maintains a control environment that is regularly reviewed by the Board. The principal elements of the control environment include comprehensive management and financial reporting systems and processes, defined operating controls and authorisation limits, regular Board meetings, clear subsidiary board and operating structures, and an Internal Audit function.

Internal control and risk management systems relating to the financial reporting process and the process for preparing consolidated accounts ensure the accuracy and timeliness of internal and external financial reporting.

The Group undertakes an annual strategy process which updates the plan for the next five years and produces a detailed budget for the next financial year. Detailed reforecasts are performed by each area of the Group every month and are consolidated to provide an updated view of expected performance for the current year. Each reforecast covers the income statement and cash flow and balance sheet positions, phased on a monthly basis through to the end of the financial year.

Regular weekly and monthly reporting cycles allow management to assess performance and identify risks and opportunities at the earliest opportunity. Trading performance is formally reviewed on a weekly basis by the management of the trading subsidiaries, and monthly by the management of the Group. Performance is reported to the Board at each Board meeting. Performance is assessed against budget and against the latest forecast.

The Group has an established and well-understood management structure with documented levels for the authorisation of business transactions and clear bank mandates to control the approval of payments. Control of the Group's cash resources is operated by a centralised Treasury function.

Internal management reporting and external statutory reporting timetables and delivery requirements are well established and documented. Control of these is maintained centrally and communicated regularly.

The Group maintains computer systems to record and consolidate all of its financial transactions. These ledger systems are used to produce the information for the monthly management accounts, and for the annual statutory financial statements. The trading subsidiaries within the Group prepare their accounts under Financial Reporting Standard (FRS) 101.

The accounts production process ensures that there is a clear audit trail from the output of the Group's financial reporting systems, through the conversion and consolidation processes, to the Group's financial statements.

Viability statement

An assessment period of five years was selected. This is consistent with our long-term financial planning horizon and importantly it embraces the construction of our new cruise ships which will become operational in 2019 and 2020.

Our list of principal risks and uncertainties (PRUs) derived from our robust review of risks (as described on pages 71-73) was reviewed with risk owners, Group Finance and Group Risk to consider which risks might threaten the Group's ongoing viability. These PRUs are given in the Strategic Report on pages 26-29. All of the PRUs have been considered and severe but plausible outcomes for each have been identified. The financial impact in terms of both profit and cash of each outcome has been quantified along with their likelihood of occurrence. Assessments of potential financial impact were derived from both internal calculation and examples of similar incidents in the public domain. A key assumption made in this assessment was that it is reasonable to believe that debt funding to replace the existing senior bank facilities when they mature will be available in all plausible market conditions.

The three largest sensitivities in terms of financial impact were identified as the following:

1. A failure to deliver the expected cumulative effect of value-adding projects in Saga Services Limited.
2. A severe one-off data breach.
3. A failure to drive passenger and per diem growth in our Cruise business following delivery of the new ships.

Three scenarios were then modelled for the assessment period: the three largest sensitivities in terms of financial impact as if each were certain to occur independently; the estimated financial impact for a reasonably possible combination of these sensitivities occurring at the same time; and a reverse stress test considering what PRU, or combination of PRUs, might lead to breach of performance and cash flow solvency thresholds.

The outcome of this modelling confirmed that none of the top three PRUs would compromise the Group's viability either in isolation or in combination, even if they were all certain to occur. The reverse stress test demonstrated that the likelihood of a combination of PRUs causing us to breach performance and insolvency thresholds was remote.

As set out in the Audit Committee report on pages 74-77, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing. The Director's viability statement is made on page 54.

Statement of review

The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is contained on page 54.

Dear Shareholder,
I am pleased to report on the Audit Committee's activities during the year to January 2018. Throughout the year, we monitored the integrity of the financial statements of the Group, reviewed and reported to the Board on significant financial reporting issues and judgements, and reviewed and assessed the adequacy and effectiveness of the Company's internal financial controls and other internal control systems. In performing our work, we liaised closely with the Group's auditors KPMG and Saga's Internal Audit team.

I am pleased to confirm that the Committee believes that it has fully discharged its responsibilities for the reporting year under its terms of reference. These terms were reviewed by the Committee and subsequently approved by the Board on 18 September 2017. Some minor changes were made to our remit, notably to reflect the authority given by shareholders at the AGM for the Committee to approve the external auditors' fees. The Committee's terms of reference are available on the Saga website at http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

Ray King
Chair, Audit Committee

Committee composition and attendance

All members are independent Non-Executive Directors. The Board is satisfied that I have recent and relevant financial experience and competence in accounting reflecting my professional qualification as a chartered accountant and relevant experience during my career. The Board is also satisfied that the Committee as a whole has competence relevant to the sector in which the Company operates.

During the year, the Committee met on four occasions.

Member	Attendance
Ray King (Chair)	4
Philip Green[1]	1
Bridget McIntyre	4
Orna NiChionna	4
Gareth Williams	4

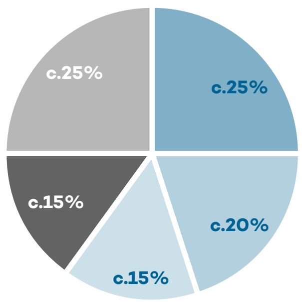
Note:
1 Philip Green resigned on 31 March 2017

The Company Secretary acts as secretary to the Committee and attends all meetings. In addition, the Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Chief Risk and Compliance Officer, Head of Internal Audit and representatives from our external auditors attend by invitation. During the year, the Committee held private meetings with the external auditors and Head of Internal Audit; I also had regular update meetings with them.

A summary of our remit

- To monitor the integrity of financial statements of the Company and provide an opinion to the Board that the Annual Report and Accounts, taken as a whole, is fair balanced and understandable.
- To review and report to the Board on significant financial reporting issues and judgements.
- To review and assess the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- To monitor and review the effectiveness of the Company's Internal Audit function, in the context of the Company's overall risk management system.
- To assess the independence and effectiveness of the external auditors and review the external audit work plan and findings of their audit.

What we have done during the year
Time spent on matters



Reporting
Interim and full year results
The interim and full year results were reviewed, together with papers from management summarising the process of preparing the financial statements, the appropriateness and application of key accounting policies, and the areas of significant judgement, including how those judgements were made. Reports were also received from KPMG at the conclusion of their work on the interim and full year results and during the process of their audit. The reports on the full year results included specific focus on those areas identified as having significant audit risk or other audit emphasis.

Judgements
We considered the following key areas of significant judgement and issues:

- Valuation of insurance contracts liabilities and associated reinsurance assets, including the funds withheld quota share contract for the motor insurance book
  - The Committee considered the level of actuarial best estimate held for outstanding case reserves and claims incurred but not yet reported (IBNR), and the level of reserve margin held for uncertainty over and above that best estimate in the financial statements for the Group, as proposed and monitored by the AICL Reserving Committee.
- Valuation of goodwill and the Parent Company's investment in subsidiaries, and impairment testing thereof, including sensitivity analysis and stress testing.
  - The Committee considered management's impairment review of goodwill and gained an understanding of the level of headroom in that calculation and the sensitivity of that headroom to changes in key drivers, such as the Group's cash flow forecasts for each cash generating unit (CGU) and the discount rate used.
  - The Committee considered the existence of any indicators of impairment of the Parent Company investment in subsidiaries and a subsequent appraisal of the asset's recoverable amount.
  - In both instances, the Committee considered alternative measures of enterprise value to help validate the outcome of the impairment assessment.
- Valuation of pension scheme obligations.
  - The Committee reviewed the period-on-period movements in the value of the Group's defined benefit pension scheme obligations. We gained insight into the assumptions used and how these compared to industry benchmarks, to ensure that those obligations were valued appropriately.

The Committee supported the key accounting judgements and noted that the insurance reserve margin was consistently prudent and within an appropriate range.

As a result of this process, the Committee was satisfied that the key accounting choices and judgements were appropriate and served to provide a true and fair view of the Company's financial statements and advised the Board in order for the appropriate statement to be made (page 54).

Fair, balanced and understandable
At the request of the Board, the Committee has considered whether, in its opinion, this Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

We advised the Board that we supported the statement made on page 54 after considering whether:

- key messages were given suitable prominence;
- the report clearly described business performance and presented a balanced view of the opportunities and challenges;
- the reporting on the business segments, significant issues and key judgements in the narrative was consistent with the disclosures in the financial statements;
- the key performance indicators were disclosed at an appropriate level; and
- the definitions were provided, the basis for their use was explained and reconciliations made of alternative performance measures to the closest IFRS measure in the financial statements.

Viability statement

The Group's methodology for production of its viability statement is set out on page 73. The viability statement itself is made on page 54.

We considered the list of principal risks and uncertainties which had been reviewed and approved by the Risk Committee (see pages 26-29) and the methodology used to provide for an assessment of ongoing viability. We specifically considered:

- the relevant assessment time period;
- the list of principal risks and uncertainties and associated severe but plausible potential outcomes; and
- the appropriateness of the scenarios modelled.

We confirmed to the Board that we considered that it was reasonable for the Directors to make the viability statement on page 54.

Audit and control

Financial controls

A description of Saga's internal financial controls is presented on page 69.

As part of our ongoing oversight, key internal controls were included in the internal audit programme and reviewed by the Committee. The Group Financial Controller provided an update on accounting issues, key aspects of financial controls and risk management at every meeting.

The Committee examined the preparation work for the adoption of the new IFRS 9 (Financial Instruments) and IFRS 15 (Revenue Recognition) accounting standards for the next financial year (2018/19) and IFRS 16 (Leases) for 2019/20. The Committee agreed that IFRS 9 did not have any material impact on the Group and that it would not be adopted early. It was noted that the Group had undertaken a review of its contracts with customers and applied the five-step model prescribed by IFRS 15 to each of these. It was also noted that IFRS 16 could impact the leasing contracts for the river cruises business, for any lease contracts longer than 12 months. In such instances, the Group would be required to recognise a right-of-use asset on its balance sheet and corresponding lease liability. The Committee will consider the requirements of IFRS 17 (Insurance Contracts, expected implementation date 2021/22) in due course. The Committee concluded that the Group was taking necessary steps for the implementation of the new standards.

Financial crime

We reviewed policies covering financial crime (including anti-bribery, anti-corruption and anti-fraud) and whistleblowing. As part of our oversight procedures, we reviewed the minutes of the Financial Crime, Data and Information Security Committee. Consideration and discussion of a Financial Crime Report is now a standing feature of the Committee's activities. We noted that there had been a significant improvement in the detection and management of fraud, particularly in regard to credit card and insurance fraud, which is attributable to increased resource and awareness.

Whistleblowing

We received a whistleblowing report at each meeting. Consistent with enhanced communication of the whistleblowing procedure, there was an increase in the number of cases reported during the year. After review, it was clear that nearly all incidents were of a minor nature. We were comfortable that cases had been handled and investigated appropriately and that the communication and escalation processes were working well.

Internal Audit

Oversight of the Internal Audit department is a key part of our work. Its work is risk based, covers both financial and non-financial controls and includes consideration of risk culture and the level of engagement by the business area being audited. We monitored the responsiveness of management to the internal auditor's findings and recommendations. The Committee also considered whether the assurance provided by Risk, Compliance and Internal Audit teams provided satisfactory coverage of the Group's risk environment. This included reviewing the results of the internal auditor's work and the assurance from Internal Audit on its 3rd line of defence review of the functioning of the risk management framework.

The department consists of eight people with a broad range of skills; we also source audit skills externally for specialised audits. Taking the internal audits conducted throughout the year, the hours required to complete these and implementation of the internal audit plan into account, we are satisfied that the Internal Audit function had appropriate resources throughout the year.

In line with the recommendations of the IIA Standards, last year we carried out an external review of the effectiveness of the Internal Audit function, facilitated by KPMG (prior to their appointment as external auditor and the associated tender process). They concluded that the function was competent, effective, well led, and strongly aligned to principal risks. Areas of development were identified as the need to focus on emerging risks and more use of third-party specialists where appropriate. The audit plan and audit process now includes greater emphasis on emerging risks and identification of areas for specialist technical input as a result.

We approved the Internal Audit Charter. This is available on the Saga website at http://corporate.saga.co.uk/about-us/governance/.

Subsidiary committees

At each meeting, we reviewed minutes from subsidiary Audit, Risk and Compliance Committee meetings. We also received an annual update on activities from the independent non-executive directors who chair the Saga Services, Saga Personal Finance and AICL audit committees.

External audit

KPMG were appointed for the first time as our statutory auditors at our AGM, in June 2017, following an open tender process. The current audit partner is Stuart Crisp, who has been in place since the appointment of KPMG. We considered the external auditor's (KPMG) engagement terms (including the fee proposal) for 2017/18, and made recommendations to the Board. The Company has complied with the Statutory Audit Services Order for the financial year under review.

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of their risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report on pages 128-134.

The Committee considered the audit scope and coverage, areas of audit focus and KPMG's planned response to identified significant audit risks, taking size, complexity and susceptibility to fraud/error into account.

Audit quality and effectiveness of external auditors

To assess the effectiveness of the external auditors, we considered:

- the external audit firm's own quality control procedures and the audit firm's annual transparency report;
- our perception of the external auditor's understanding and insights into the Group's business model;
- how KPMG approached key areas of judgement and the extent of challenge;
- the quality of the external auditor's reporting to the Committee and their overall efficiency; and
- feedback from management, who were asked to complete an evaluation survey on the audit process and their interaction with the audit team and audit partners during the year.

We discussed the FRC Audit Quality Review 2016/17 and KPMG's relative position across the 'Big 4' firms. We were reassured to hear that KPMG was undertaking a significant quality improvement plan. The Committee is satisfied that the audit continues to be effective and provides an appropriate independent and objective challenge to the Group's senior management.

Auditor independence and non-audit services

The objectivity and independence of KPMG was reviewed by the Committee and confirmed by the auditor throughout the year in a letter to the Committee.

A robust non-audit fee policy is in place and is adhered to. This includes a list of non-audit services where we are satisfied the external auditor can carry out those services without affecting their role as external auditor. There are clear approval levels where the Committee Chair (or the whole Committee) is required to authorise assignments. Competitive tendering is used for substantial work.

A policy on employment of former employees of the external auditor was also reviewed during the year and approved on 4 December 2017. This policy complies with the Financial Reporting Council's Guidance on Audit Committees and Revised Ethical Standard.

The audit fees payable to KPMG in respect of the year ended 31 January 2018 were £1.0m (2017: £1.0m) and non-audit service fees incurred were £0.2m (2017: £0.2m). Fees in relation to 2017 were paid to the previous external auditor. This equates to a non-audit to audit fee ratio of 0.20 (2017: 0.20). A summary of fees paid to the external auditor is set out in note 4 to the consolidated financial statements on page 162.

Effectiveness of the Committee

Evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 65). The review indicated that the Committee is working well, with an appropriate focus on external reporting and accounting judgements. There were no significant development points requiring action identified.

Ray King
Chair, Audit Committee

Dear Shareholder,
I am pleased to present a report of the work done by the Risk Committee during the year, to ensure that risk processes were aligned with strategy, risk tolerance levels were monitored and the impact of risk on each of our businesses and on an aggregate basis was considered. As the Group invested for growth and, sought to become increasingly customer-centric and to continue to develop its people, whilst maintaining an efficient operating model, the Committee played an important role in considering and monitoring the associated risks.

Looking forward, we will continue to focus on developing our approach to assessing the effectiveness of risk management and will look at the impact our risk management approach has on the way the business is run.

Orna NiChionna
Chair, Risk Committee

Role of the Committee
Our role is to monitor the Group's risk and compliance management procedures (described on pages 69-73) and to review principal business risks and compliance matters regularly on behalf of the Board. We seek to consider the risks on both an individual and an aggregated basis across our businesses.

All Committee members are independent Non-Executive Directors.

Attendance
The Committee met on four occasions during the year.

Member	Attendance
Orna NiChionna (Chair)	4
Philip Green[1]	1
Ray King	4
Bridget McIntyre	4
Gareth Williams	4

Note:
1 Philip Green resigned on 31 March 2017

The Company Secretary acts as secretary to the Committee and attends all meetings. The following personnel attend by invitation: Chairman; Group Chief Executive Officer; Group Chief Financial Officer; Chief Risk and Compliance Officer; and Group Head of Internal Audit. We also invite other executives and consultants. During the year the Committee and its Chair held private meetings with the Chief Risk Officer.

Our terms of reference
Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 18 September 2017. These explain our role and the authority delegated to us by the Board and are available on the Saga website at http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

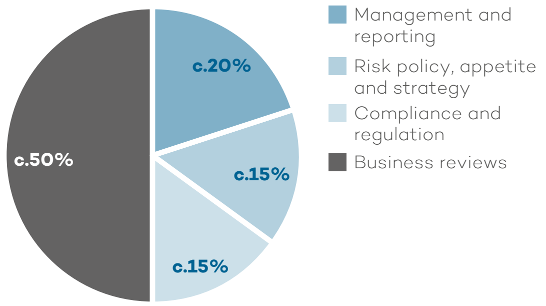
Our remit
- To advise the Board on the Group's overall risk appetite, tolerance and strategy.
- To consider the nature and extent of the principal risks the Group is willing to take in achieving strategic objectives and to communicate this to the Board.
- To review the Group's overall risk assessment processes that inform the Board's decision making, ensuring that both qualitative and quantitative metrics are used, and to review these measures regularly.
- To consider the effectiveness of the Group's risk management systems and operations.
- To ensure that a supportive risk management culture is embedded and maintained throughout the Group, in conjunction with the Audit and Remuneration Committees (including how risk should be

recognised when setting performance objectives for executive remuneration).

- To review the Group's capability to identify and manage new risk types.
- To review reports on any material breaches of risk limits and the adequacy of proposed action.
- To monitor and review management's responsiveness to the findings and recommendations of the Chief Risk and Compliance Officer.
- To review the performance of Group compliance and assess the adequacy and effectiveness of the various compliance functions. To consider any breaches and/or required notifications to compliance authorities and how these have been rectified.
- To explore risks identified within each of our major business areas and the mitigation processes that are in place.

What we have done during the year

Time spent on matters



Management and reporting

At each meeting, we considered detailed reports and discussed the issues raised. These reports included a summary of each business's management monitoring and a review of incidents, particularly relating to significant control failures or weaknesses. We reviewed and discussed these incidents in order to identify causes, necessary actions, lessons learned and monitoring requirements.

We also worked with the Chief Risk and Compliance Officer to consider each business area's strategies in the context of its risk framework to ensure that all forward-looking risks had been identified and considered. All business CEOs certified compliance with the risk management framework at the year end.

We reviewed the robust assessment of the principal risks facing the Group, including those that would threaten the business model, future performance, solvency or liquidity and recommended to the Board that the appropriate statement could be made (see page 54).

In coordination with the Audit Committee, a review of the effectiveness of the risk management framework took place during the year, as part of the wider review of risk management and internal control. This was considered by the Committee. The review and the Committee concluded that a robust risk management framework was in place throughout the year, that a good risk and control culture was evident across the Group and that there was a continuous improvement approach. The Committee recommended to the Board that the appropriate part of the statement could be made (see page 54).

Last year, we considered the insurance programme for the Group including cost, management of brokers and advisers and summary of cover. We discussed whether any additional cover was required, specifically in relation to the threat of financial crime or cybercrime. We noted that the cover for this year was the same as the previous year, but at a lower premium, due to a positive claims history.

Risk strategy, policy and appetite

We have approved the development of the risk reporting framework to provide for a holistic approach that is clearly linked to the Company's strategy and is also reconciled with the viability statement. Throughout the year we reviewed our principal risks and uncertainties against the changing context of the markets in which we operate (see pages 24-29 for the market overview) and against a Group risk horizon landscape that focuses on environmental, social, political, economic, technological and regulatory/legal issues. Consideration of conduct risk forms an essential part of our discussions. We reviewed how our business decisions and behaviour could impact our customers, affect our reputation or undermine the integrity of the financial markets.

Changes and additions to the principal risks and uncertainties list were scrutinised and the results of this process are shown in the Strategic Report on pages 26-29 and our risk management processes on pages 69-73. These are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk appetites and tolerances are reviewed on a continuous basis. As we have discussed before, this involves considering risks that are outside of agreed risk appetite. We concluded that where this was the case, the probability of occurrence was very low and that existing mitigating actions were appropriate to the scenarios. We remain satisfied that controls are in place which mean that the risk of significant failing across the business model is remote.

The mitigation of the risk resulting from the pension shortfall was considered in detail and we were comfortable that sufficient work is being done to manage current and future liabilities. The Group risk policy was reviewed during the year and no changes were proposed.

We discussed the internal project risk assessment, noted that a review of resources allocated to key change management projects was in progress and challenged management on the potentially reactive nature of the approaches being taken. We were assured that the projects were planned in advance and that the majority of risks were, therefore, subject to appropriate mitigation and management. The Committee noted that where acceptable risk was taken in order to adapt projects as they progressed, it was carefully monitored. We concluded that there are no systemic issues with any change management projects and that the Committee has a good oversight in terms of roles and planning.

IT risk and protection of data are important areas of focus for us to consider as a Committee, both in terms of cyber-risk and regulatory compliance. We discussed how IT operations had been restructured to form dedicated teams for operational infrastructure management, internal service delivery and change. These were noted as being structured around business processes and project delivery.

The IT team has strategies in place to deal with malware and ransomware threats and these are kept under constant review and development as the threat evolves. Our disaster recovery plan is regularly reviewed at divisional executive and risk committees.

We continued to monitor how the General Data Protection Regulation will affect how we do business, as we identified last year. Updates on work undertaken by the Data Protection Strategy Group were provided and the Committee was assured that all necessary steps will be taken before the regulation comes into force in May 2018. The ability to cross-sell impacts other projects, so we were keen to understand and gain insight into what is being done to proactively manage the risks presented by these regulations by obtaining positive affirmation and consent from customers.

Following on from last year's discussions, supplier risk management is an ongoing process, with contracts above a certain threshold being reviewed, resulting in enhancement to due diligence processes and a focus on larger suppliers and those that carry reputational risk. It was clear to us that there are a few suppliers that have received significant investment 'upfront' or where a significant amount of profit could be lost in the event of failure. Reputational risk was mitigated through issuing appropriate contracts, with ongoing monitoring and oversight; and by applying lessons learned from past experiences.

Compliance

At every meeting, we received a Group regulation report, which included the status of the Group compliance monitoring plan for the regulated businesses (financial services, travel and healthcare). The relationships of individual businesses with regulators, management of incidents and the impact of the Financial Conduct Authority's annual business plan were considered and discussed. Material changes to compliance regulations were noted.

Areas of particular importance included the Company's approach to the Modern Slavery Act, an unannounced Care Quality Commission (CQC) visit to Saga Healthcare, and a review of compliance at Bennetts.

We were pleased to note that a robust framework had been put in place to evidence steps taken to confirm that neither slavery nor human trafficking are present within the Company and its supply chains, and that a process was in place to make appropriate statements on relevant websites.

The CQC visit involved conversations with customers and carers and a review of paperwork. The initial feedback on site was positive and the formal report resulted in a 'Good' rating.

As a result of the compliance review at Bennetts, which also involved benchmarking against Saga Services' best practices, controls and procedures, it has benefited from various enhancements.

Business reviews

Each of our meetings included a presentation from one or two of the divisional CEOs and senior members of the team to discuss in detail the risk and compliance issues in their business, prioritised according to risk ratings in the Group's risk register.

Reviews of individual businesses during the year included the following:

Saga Services Limited (regulated business)

- Considered key risks and opportunities for this business.
- Discussed how business decisions included consideration of customer outcomes, to ensure these were fair and protected our market integrity.
- Looked carefully at this business's performance in the challenging trading situation that arose in the final quarter of the year and discussed how key risk indicators should be a mix of predictive and lagging measures and aligned with strategy and stress tested.
- Received updates on the insurance platform replacement project and assurance by PwC that the planning, timeline, architecture and technical integration plans were fit for purpose.
- Noted PwC's opinion that the right culture and team were in place.
- Reviewed a blueprint to show how the programme would change the business and provide a baseline for design and scope decisions made during the project.

Travel

- Discussed the structure of the division, its governance, and issues of transformation and change.
- Considered the top risks and noted that Brexit was having a short-term impact on currency rates.
- Reviewed customer health, safety and emergency procedures and lessons learned from travel-related terrorist incidents.
- Discussed the implications of the Modern Slavery Act 2015 as some obligations are vague and the division has a long supply chain.
- We noted that 93% of suppliers had been assessed in relation to their approach to modern slavery and categorised with respect to risk, and that policies, procedures and plans were in place to address regulatory requirements.
- We concluded that a new IT system would help to mitigate the risks presented by competitors' pricing agility.
- We concluded that the Travel business remains good at looking after its customers with appropriate levels of ongoing support as required and robust health and safety policies, and noted that the number of low-rated incidents was due to the stringent procedures in place.

Cruise

- Reviewed the 'Beyond Compliance' programme and noted its progress and that it was now the operational standard.
- Discussed crew resource for Spirit of Discovery, covering transfer, retention and recruitment to mitigate the risk of not having the right crew in place.
- Considered Saga's relationship with V.Ships and Saffron Maritime, and noted that the relationships were close; with Saga actively involved in their processes and their alignment with our 'Beyond Compliance' programme. We noted that staff turnover rates were low.
- Concluded that the transition to the new ship was progressing satisfactorily and to plan, with appropriate product development and adoption of suitable new procedures.

Saga Money

- Considered the business model, product portfolio, governance framework, performance and key priorities.
- Reviewed product offerings (to ensure any risks associated were in line with risk appetite and tolerance) and considered how risk interacted with the strategic direction of the business.
- Were advised that focus on the post-retirement sector provided an opportunity to grow relationships for those with fixed income.

AICL and CHMC Limited

- Discussed the strategic direction of the businesses and terms of the quota share arrangement.
- Reviewed the approach to management of investment assets.
- Considered the risks associated with these entities, including uncertainties about the Ogden rate change and Brexit; the approach to claims of damage as a result of a terrorist act; and the possible impact in the future of an increase in the use of autonomous vehicles.
- Heard how the governance framework would help support management in identifying key risk management priorities and agreeing a prioritised plan of action.

Effectiveness of the Risk Committee

Evaluation

An external evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 65). This was completed by Independent Audit Limited. The review indicated that the Committee is satisfied that it is working well, and that there is good discussion of risk exposures, in particular through the business reviews. Looking ahead, the Committee will focus on systemic issues and trends in key risks and areas of uncertainty.

Orna NiChionna
Chair, Risk Committee

Relations with shareholders

We plan a shareholder communication strategy for the year, to ensure that we maintain a relationship with our shareholders based on trust and to help them understand how we plan to grow the business and the effect of decisions made.

We understand the importance of maintaining open and regular dialogue with our shareholders – many of whom are our loyal customers. We welcome feedback at any time during the year and the AGM provides the opportunity for our shareholders to meet the Board and senior management of the Group.

Lance Batchelor, Group Chief Executive Officer, and Jonathan Hill, Group Chief Financial Officer, lead communications with our shareholders assisted by our Director of Investor Relations. In addition, the Chairman and Senior Independent Director met with major shareholders and provided feedback to the Board.

Saga has a diverse shareholder register which is formed of both institutional and retail ownership, the latter numbering over 170,000, and a number of analysts who follow the Company. We set ourselves the target of providing information to our shareholders that is timely, clear and concise. This includes a clear explanation of key strategic events and developments, results and announcements of acquisitions.

Shareholder communication

In addition to the AGM, we:

- have regular meetings with key shareholders;
- arrange face-to-face presentations of full year and half year results by the Group Chief Executive Officer and Group Chief Financial Officer;
- hold telephone briefings in conjunction with key financial announcements;
- publish live and post-event webcasts of key presentations;
- add presentations to our website to allow shareholders to gain an insight into how our trading performance links to strategy;
- hold investor 'road shows', investor days, briefings and ad hoc meetings on request, where calendar and regulatory requirements allow;
- conduct tours of Saga's operations;
- notify our shareholders of key financial calendar information;
- publish details of live webcasting services for key presentations; and
- make past key presentations available via our corporate website.

Wider communication

We also:

- arrange face-to-face presentations of full year and half year results at which the Group Chief Executive Officer and management team are available for discussions;
- hold telephone briefings for analysts in conjunction with key financial announcements;
- organise face-to-face and telephone meetings for analysts with the management team;
- hold presentations with bank sales teams; and
- conduct tours of Saga's operations for analysts.

The Director of Investor Relations reports on all shareholder and wider market matters and provides regular updates to the Chairman and Non-Executive Directors by way of face-to-face briefings, email updates and an Investor Relations Report, which is discussed at each Board meeting. This includes reference to the views of key shareholders, including their concerns. The Board is provided with analyst and broker briefings.

We recognise that our brokers play an important part in communicating our message to our shareholders. Our corporate brokers, J.P. Morgan Cazenove and Numis Securities Limited, attend Board meetings twice a year to discuss market sentiment towards the Company from both an institutional investor and competitor perspective. J. P. Morgan Cazenove is a joint financial adviser with Goldman Sachs International, which also has direct access to the Board and provides regular feedback.

The Board is kept fully up to date on the views of shareholders and analysts through:

- broker attendance at Board meetings to provide honest feedback;
- composition of the shareholder register;
- share price performance monitoring;
- feedback from investor meetings, including key questions and concerns;
- recommendations and expectations of sell-side analysts;
- peer group news; and
- feedback from our professional and other external advisers and market participants.

Annual General Meeting

The AGM will be held on 21 June 2018 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The incoming Chairman and Chairs of all Committees will be available to answer questions during the formal business of the meeting.

The notice of the AGM contains an explanation of business to be considered at the meeting. A copy will be available on Saga's website, http://corporate.saga.co.uk, in due course.

Dear Shareholder,
This has been a year of both operational progress and disappointment on the prospects for short-term profitability. The decisions taken by management in the second half of the year will benefit the delivery of sustainable growth and performance, but the Trading Update issued on 6 December 2017, which set out the revised profit expectations for 2017 and 2018, had a material negative impact on the share price of the Company. This in turn has framed decisions and outcomes on both current and future remuneration and these are detailed in this summary and the body of the Remuneration Report itself.

Our current Remuneration Policy was approved at the AGM in June 2015. This Report includes the proposed Policy which will be subject to shareholder approval at the AGM in June this year. In arriving at our proposed Policy, the Committee has discussed the developments in legislative and governance matters relating to remuneration. We believe that the proposed Policy reflects the intent of these developments, but we will continue to monitor the regulatory framework after June 2018 and consider any further policy adjustments that might be appropriate.

This report also lays out the activities and decisions of the Remuneration Committee over the past 12 months. We believe these take full account of our actual performance and the desire to deliver sustainable, long term value creation in the business.

Proposed Policy

This report lays out the proposed Directors' Remuneration Policy for the next three years which will be subject to shareholder approval at our AGM and our practice over the past year, based on the current Policy. I trust we have done this with a transparency and clarity that aid your understanding of both our intent and our activity. There are few material changes from our current and proposed Policy (see pages 89-91 for an overview).

The Company's core principles of remuneration are to support:

- sustainable long-term value creation;
- profitable growth and strong cash generation; and
- attraction and retention of high calibre individuals.

Further evolution in our performance conditions for the LTIP in 2018

Our strategy is evolving along with our operating model, and we have been keen to avoid a disconnection between the basis for the earnings per share (EPS) target established at IPO and the strategy now driving underlying growth.

To support our evolving strategy, we introduced an Organic earnings per share (Organic EPS) measure last year which allows the significant acceleration of growth which is called for over and above that which has been delivered since IPO to be recognised and targeted. The Group has worked hard to build and develop the Travel business since IPO to provide a diversified profit stream from a range of products and services in addition to the Insurance business. An assessment of Organic EPS allows the Company to reward and incentivise the Executive Directors and the Executive Team (together defined as the Group Executive as detailed on page 11 of this Annual Report and Accounts) to deliver this step change in growth.

We are now proposing a change in respect of the implementation of the Policy for 2018/19 to further increase the focus of the LTIP in supporting the strategy over the next period. The change is a replacement of the Basic earnings per share (Basic EPS) performance condition with Return on Capital Employed (ROCE). The rationale for this change is:

- The ROCE metric will ensure that the Executive Directors are focused on generating an appropriate level of return on the investments being made over the next period.
- The dynamic tension between ROCE and the Organic EPS growth targeted will ensure that the Executive Directors are focused on both growing earnings and the quality of those earnings.
- The ROCE metric will ensure that the Executive Directors have an equal focus on ROCE, Organic EPS and TSR (Total Shareholder Return). We felt that once ROCE was included, operating two EPS performance conditions did not provide any additional benefit to the Company or shareholders.
- When looking at the current two EPS measures, we felt that Organic EPS, which excludes insurance reserve releases, is an appropriate long-term measure of profit for the Company and is more closely aligned to the medium and long-term strategy of the business, as it focuses management on accelerating operating performance and growth.

The targets have been set with reference to our internal business plan and we are satisfied that they are sufficiently stretching. Our view is that these changes to the operation of the LTIP in 2018 will ensure that the Executive Directors are rewarded for delivering a balanced and sustainable set of results across the profit, capital efficiency and shareholder return of the Company over the next critical period in the implementation of the Company's strategy.

The following table shows the performance conditions and targets currently operated and those proposed:

Performance measures	2017 LTIP weightings and targets	Proposed 2018 LTIP weightings and targets
Basic EPS	Weighting: 30% Threshold: 5% p.a. Maximum: 12% p.a.	Removed from 2018 LTIP
Organic EPS	Weighting: 30% Threshold: 12% p.a. Maximum: 21% p.a.	Unchanged
Relative total shareholder return (TSR)	Weighting: 40% Measured against FTSE 250 (excluding investment trusts) Threshold: median Maximum: upper quartile	Unchanged
Return on capital employed (ROCE)	New for 2018 LTIP	Weighting: 30% Threshold: 10.5% p.a. Max: 11.5% p.a.

Company performance for the 2017/18 financial year (audited)

The implementation of our strategy (as outlined on pages 1-51) has been substantiated through the key performance outcomes of the year:

- Continued strong performance in Travel and growth in written profits in Insurance, which has led to a stable level of underlying profits for the Group.
- Group profit before tax from continuing operations decreased by 7.6% to £178.7m (2017: £193.3m), on revenue of £860.1m (2017: £871.3m).
- Underlying Profit Before Tax (which excludes derivatives, restructuring costs, debt issue costs and the Ogden impact in the prior year) increased by 1.4% to £190.1m (2017: £187.4m). For the purpose of setting management bonus targets, debt issue costs were included, so the profit before tax measure for bonus purposes was £185.8m (2017: £187.4m).
- Continued high levels of cash conversion meant that the Group has continued its deleveraging. The net debt to Trading EBITDA ratio is now 1.7x (2017: 1.9x).
- Dividend payments to our shareholders of 5.8p per share in respect of 2017 and an interim dividend of 3.0p in respect of 2018 that reflect the strong cash generative performance of the business.
- Demonstrated confidence in the growth and potential of our Cruise business by exercising the option for a second new cruise ship to be delivered in August 2020.
- Launched the membership programme 'Possibilities' which supports the attraction, retention and growth of High Affinity Customers (HACs).
- Strengthened our insurance operating model with a significant information technology upgrade, a new broking platform in the final stages of testing and a new claims platform which is now live.

Impact of Company performance for 2017/18 on remuneration for the year (unaudited)

We issued a Trading Update on 6 December 2017 (full details are on the Company's website).

The Trading Update setting out the revised profit expectations for 2017 and 2018 had a material negative impact on the share price of the Company. We took into account that 2017 has been a challenging year for the Company and its shareholders. Recognising the broader picture:

- 2018 salaries – salaries will be frozen for the Executive Directors this year.
- 2017 bonus outcome – the formulaic outcome under the bonus would have resulted in a bonus payout of 47.4% and 39.5% of salary for the CEO and CFO respectively. The Executive Directors felt that, taking into account this broader picture and looking in a holistic way at the performance of the business and the experience of shareholders, it would be appropriate to waive their 2017 bonuses. The Committee accepted the offer of the Executive Directors given its view that the formulaic outcome from the bonus would not entirely reflect the performance of the business over the period nor the impact on near-term profitability.

Full details of the bonus are set out on pages 107-108.

2015 LTIP vesting (audited)

It is currently anticipated that 26.0% of the 2015 LTIP will vest on 29 June 2018. The EPS performance condition resulted in 52.0% of this proportion of the award vesting. No element is currently expected to vest in respect of the TSR performance of the Company over this performance period. The Committee is comfortable that this level of vesting is consistent with the underlying performance of the business and has therefore not exercised any discretion to depart from the formulaic outcomes.

What we have done during the year – matters discussed, decisions made and actions taken

- Made grants in May 2017 under the Saga Long Term Incentive plan (LTIP) for the Executive Committee and senior management of the Company. Grant levels were consistent with our normal award policy.
- Approved the award of free shares to all eligible employees in July 2017.
- Reviewed the governance and processes of the three Saga Share Schemes in operation in the Company and confirmed that they met the necessary standards and were well communicated.
- Supported base salary increases of 2.0% (average) for the employee population. As explained above, Executive Director salaries will be frozen at their current level. The Board concurrently agreed that Non-Executive fees would remain at their current level.
- Reviewed and approved the bonus outcomes for 2017 as detailed above.
- Reviewed a risk evaluation for the subsidiary regulated businesses, Saga Personal Finance Limited, Saga Services Limited and AICL, and considered whether they highlighted any material adverse activities, decisions or outcomes that should impact subsidiary or Group bonus calculations. We concluded that these evaluations were robust and that there were no risk issues to consider in determining bonus outcomes for any of the regulated entities.
- Approved the business and personal objectives for 2018/19. These were considered in light of both overall performance expectations for 2018 and our medium-term business strategy. Details of the personal objectives for the Executive Directors are on page 107.
- Noted the voting results on our Remuneration Report at the 2017 AGM. Despite overall support being at 94.46%, the Committee wanted to understand the concerns of those who had voted against the report, or who had not voted at all. The views of those who responded to our subsequent approach were discussed as part of our review of the Remuneration Policy.
- Reviewed in great depth our existing Remuneration Policy. Given the strong support for the Policy in 2015, we considered it largely fit for purpose. However, we believe that a number of changes are appropriate:
  - Reduce the maximum pension entitlement for existing Executive Directors to 15% of salary; and limit it to 10% for new Executive Directors.
  - Increase the shareholding requirement for the CEO and CFO to 250% and 200% of salary respectively.
  - Eliminate the existing provision of sign-on compensation for new Executive Directors.
- We have also given significant consideration to the performance measures in the LTIP. See above.

Changes to the Executive Directors

On 28 March 2018, the Company announced that Jonathan Hill, Chief Financial Officer, informed the Board of his decision to resign from Saga to join Paddy Power Betfair Plc as Chief Financial Officer. Jonathan will remain with Saga until September. The Board and the management team are extremely grateful for the contribution Jonathan has made to Saga over the last three years, and wish him every success in the future.

Following Jonathan Hill's resignation he will continue to remain employed until the end of his notice in September 2018 during which period he will receive his current salary, benefits and pension contribution. He will not be eligible for a bonus for the 2018/19 financial year.

Jonathan Hill has a number of subsisting share awards under the following discretionary Company share plans:

- The Saga plc Long Term Incentive Plan;
- The Saga plc Deferred Bonus Plan.

He will not be granted any awards under these Plans in respect of the 2018/19 financial year. Any awards which have not vested by the date of his cessation of employment will lapse. In addition, he has awards under the Saga plc Short Term Incentive Plan, the Company's all employee arrangement; these awards will be treated in accordance with the HMRC approved rules of the Plan.

Jonathan Hill will receive no payments for loss of office.

A summary of our remit

- To review the broad Remuneration Policy for the senior executives.
- To recommend and monitor the level and structure of remuneration for senior management.
- To govern all share schemes.
- To review any major changes in employee benefit structures throughout the Company or Group.

Attendance

All Committee members are independent Non-Executive Directors. We held four meetings during the year.

Member	Attendance
Gareth Williams (Chair)	4
Philip Green[1]	1
Ray King	4
Bridget McIntyre	4
Orna NiChionna	3

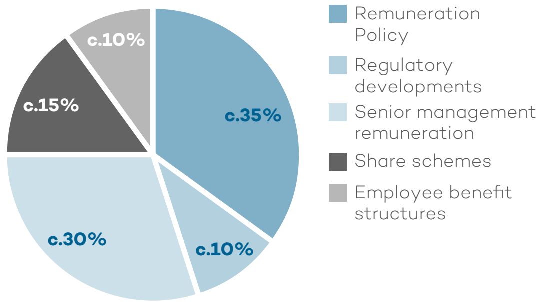
Note:
1 Philip Green resigned on 31 March 2017

The Committee receives assistance from Karen Caddick, Group HR Director and Vicki Haynes, Company Secretary. Our adviser (PwC) attends by invitation, as do Lance Batchelor, Group Chief Executive Officer, Jonathan Hill, Group Chief Financial Officer, and Andrew Goodsell, Chairman, except when issues relating to their own remuneration are being discussed.

Our terms of reference

Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 18 September 2017. They are available on our website, http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

Time spent on matters



Structure of the report

- Remuneration Committee Chair's Annual Statement (pages 83-87).
- Summary Report (pages 88-99).
- Fairness, diversity and wider workforce considerations (pages 100-105).
- Annual Report on Remuneration (pages 106-111).
- Proposed Remuneration Policy (pages 112-121).

New elements to this report

Saga is committed to creating an inclusive working environment and to rewarding its employees throughout the organisation in a fair manner. In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions. We believe that employees should be able to share in the success of the Company through ownership. We have enabled this via a Share Incentive Plan (SIP) through which people can buy shares. We also provide all employees with more than a year's service free shares every year. We also believe that employees should have the opportunity to save for their future and to this end we have in place an open defined benefit scheme which operates on a career average basis. The Company also has a matched contributions defined contribution scheme, which allows people up to 10% of their base salaries as pension benefits. This is aligned with the proposed Policy for our Executive Directors.

As part of our commitment to fairness, we have introduced a new section to this report (see pages 100-105 which sets out more information on the pay conditions of our wider workforce, the cascade of incentives throughout our business, our CEO to employee pay ratio, our gender pay statistics, and our diversity policy). Whilst we recognise there is much work still to do, we believe that transparency is an important first step towards making improvements in relation to these important issues.

Effectiveness of the Remuneration Committee

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 65). The review found that the Committee feels it is working effectively, and that it has good support from management and external advisers and that sound solutions and outcomes are identified.

Looking ahead

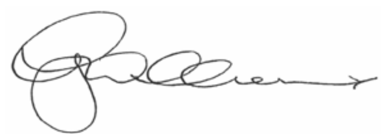
We will keep our work under review including assessing the scope of our involvement in remuneration deliberations and how we work with executives on such matters. We will also be watching developments in the evolution of the corporate governance environment and the impact of the new Code on widening the remit of the Committee. Given that we have now disclosed our gender pay data we will be working closely with executives on action planning for reducing the gender pay gap by proactively addressing the demographic and non-demographic reasons for the gap.

Shareholder consultation

The Committee consulted its major shareholders and the main shareholder representative bodies IA, ISS and Glass Lewis on the proposed new Remuneration Policy. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback. At the end of the consultation the majority of shareholders consulted indicated they were supportive of the new Remuneration Policy.

Conclusion

I hope you find the information contained in this report helpful, thoughtful and clear. I welcome any feedback from the Company's shareholders and you can contact me at gareth.williams@saga.co.uk if you have any questions or comments on this report. I look forward to hearing your views and will be available to answer any questions at the Company's AGM, where we will ask our shareholders to approve the Directors' Remuneration Report and Policy.



Gareth Williams
Chair, Remuneration Committee

This report has been prepared in accordance with Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the current Code and the Listing Rules.

In this section, we summarise:

- the Remuneration Policy which applied for the 2017/18 financial year; how it was operated; the proposed changes under the new Remuneration Policy and its proposed application in 2018/19;
- the actual performance and remuneration outcomes for the 2017/18 financial year; and
- the link between our strategy for 2018/19 and the proposed new Remuneration Policy.

The proposed new Remuneration Policy will be put to a binding vote at the AGM on 21 June 2018. Pages 112-121 set out full details of the proposed Policy.

Further information on this year's outcomes is given in the Annual Report on Remuneration on pages 106-111.

Overall summary

The table on pages 89-91 summarises the following information:

- the current Remuneration Policy and the Proposed Remuneration Policy; and
- the operation of the current Policy in 2017/18 and the proposed operation of the new Policy in 2018/19.

Remuneration philosophy

This remains unchanged between the current Policy and the new Policy.

The Remuneration Policy and strategy are designed to stimulate sustainable, value creating growth and performance for the business and to reward Executives' performance accordingly.

The Company's core principles of remuneration are to support:

- sustainable long-term value creation;
- profitable growth and strong cash generation; and
- attraction and retention of high-calibre individuals.

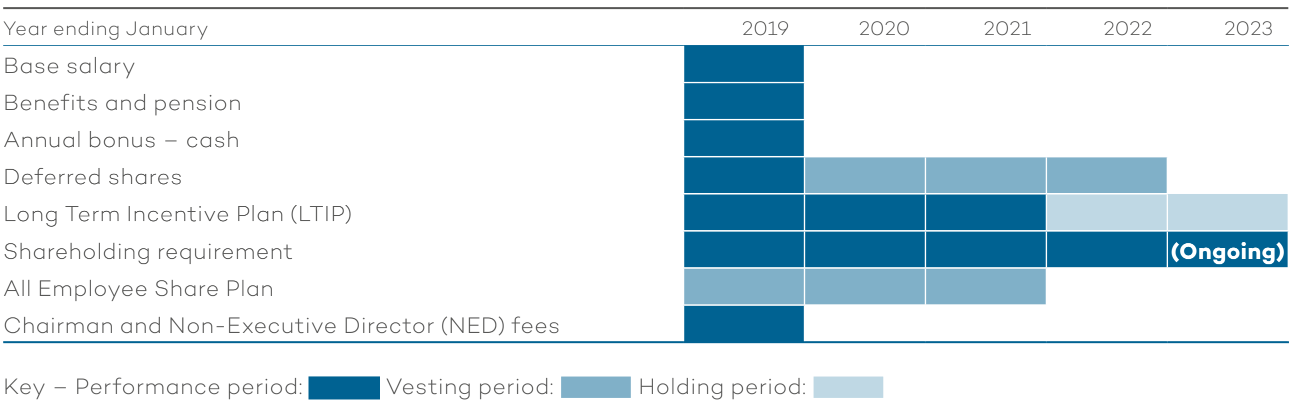
The Committee will review the remuneration arrangements for the Executive Directors and the Executive Team annually drawing on trends and adjustments made to all employees across the Group and taking into consideration:

- our business strategy;
- overall corporate performance;
- market conditions affecting the Company;
- the recruitment market in which Saga competes for talent;
- broader remuneration practices within the Company; and
- changing views of institutional shareholders and their representative bodies.

Long-term nature of our proposed Remuneration Policy

The graphic below illustrates the time horizons for each of the key elements of our Policy:

Key elements of the Policy and time horizon



Details of each of these elements and any proposed changes are included in the table below:

Summary table

Base salary

Current Policy	The Remuneration Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Saga in the comparator group. The companies in the comparator group are the constituents of the FTSE 250. In general, salary increases for Executive Directors will be in line with the increase for employees.
Proposed Policy	No change.
Operation in 2017/18	Executive Directors received a 2% increase on 1 February 2017 (all employee rise 2%). As a result, the salaries for the Executive Directors are: • Lance Batchelor: £689,785 • Jonathan Hill: £424,483
Proposed operation in 2018/19	Executive Directors will not receive an increase on 1 February 2018 (all employee rise 2%). As a result, the salaries for the Executive Directors remain as: • Lance Batchelor: £689,785 • Jonathan Hill: £424,483

Benefits

Current Policy	The Executive Directors receive family private health cover, death in service life assurance, a car allowance, subsistence expenses and staff discounts in line with other employees.
Proposed Policy	No change.
Operation in 2017/18	Standard benefits.
Proposed operation in 2018/19	No change.

Pension

Current Policy	The maximum contribution to an Executive Director's pension or salary supplement is 20% of gross basic salary. A salary supplement would not itself be pensionable or form part of salary for the purposes of determining the extent of participation in the Company's incentive arrangements.
Proposed Policy	The maximum value of the pension contribution allowance is 15% of gross basic salary for current Executive Directors and limited to 10% of salary for newly appointed Executive Directors.
Operation in 2017/18	Executive Directors received the following: • Lance Batchelor: 15% of salary supplement in lieu of pension; • Jonathan Hill: 15% of salary supplement in lieu of pension.
Proposed operation in 2018/19	No change.

Annual Bonus (Cash and Deferred Shares)

Current Policy	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. The Remuneration Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the DBP. The maximum value of deferred shares is 50% of the bonus earned. The main terms of these awards are: • minimum deferral period of three years; and • the participant's continued employment at the end of the deferral period unless he/she is a good leaver.
Proposed Policy	Normal maximum bonus opportunity as a percentage of salary is unchanged: • Group Chief Executive Officer – 150% • Group Chief Financial Officer – 125%
Operation in 2017/18	The annual bonus is paid in cash and deferred shares. Two thirds of the total bonus to be paid immediately in cash and one third deferred into shares for three years. Performance measures were: • Group PBT[1] – 55% • Group cash flow[2] – 15% • Personal objectives – 30% (See page 107 for the FY17/18 targets).
Proposed operation in 2018/19	No change in policy. Performance measures are: • Group PBT[3] – 55% • Group cash flow[2] – 15% • Personal objectives – 30%

Long Term Incentive Plan (LTIP)

Current Policy	LTIP maximum grant is 200% of salary p.a. Awards will vest at the end of three years subject to the achievement of: • EPS performance which ensures the achievement of the annual profit performance targeted by the Annual Bonus Plan flows through to long-term sustainable EPS growth; and • TSR performance of the Company compared to the FTSE 250 (excluding real estate and equity investment trusts) which measures the success of the implementation of the Company's strategy in delivering an above market level of return.
Proposed Policy	LTIP awards will be subject to a two year holding period post vesting.
Operation in 2017/18	2017 LTIP award: • No change in the LTIP grant levels and no change to the type of performance measures from the 2016 LTIP award. • Introduction of a new additional measure of Organic EPS[4]. • A reweighting of the performance measures to reflect the new EPS component as follows: – 30% Basic EPS – growth of 5% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 12% p.a; – 30% Organic EPS[4] – growth of 12% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 21% p.a; – 40% Comparative TSR performance – the relative TSR comparator group and the vesting schedules for this element are unchanged from the 2016 award.
Proposed operation in 2018/19	2018 LTIP award: • No change in the LTIP grant levels. • Performance measures for the 2018 LTIP will be: Comparative TSR (40%), Organic EPS[4] (30%) - growth of 12% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 21% p.a., ROCE[5] (30%) – 10.5% p.a. for 25% of this element of the award to vest with full vesting at 11.5% p.a. See page 92 for rationale behind the change. • Straight line vesting to take place from 25% to 100% of the award. • Introduction of a new two year holding period after vesting for Executive Directors.

Shareholding Requirement

Current Policy	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of base salary. • Group Chief Executive Officer – 200% of salary • Group Chief Financial Officer – 150% of salary
Proposed Policy	Increase to the minimum shareholding requirements. • Group Chief Executive Officer – 250% of salary • Group Chief Financial Officer – 200% of salary
Operation in 2017/18	• Group Chief Executive Officer – 200% of salary • Group Chief Financial Officer – 150% of salary
Proposed operation in 2018/19	• Group Chief Executive Officer – 250% of salary • Group Chief Financial Officer – 200% of salary

All Employee Share Plan

Current Policy	The Company operates a HMRC Share Incentive Plan.
Proposed Policy	No change.
Operation in 2017/18	Saga continued to operate the Share Incentive Plan for all employees in 2017, with a free share award of up to £300 in July 2017 to all eligible employees.
Proposed operation in 2018/19	Saga will continue to provide eligible employees the opportunity to participate in employee equity arrangements.

Chairman & NED Fees

Current Policy	The fees for Non-Executive Directors are set at broadly the median of the comparator group. In general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.
Proposed Policy	No change.
Operation in 2017/18	2% rise (in line with Group employees) for the Chairman fee and Board fee (no change in Committee Chair fee or Senior Independent Director fee). Chairman and Non-Executive fees with effect from 1 June 2017 were: • Chairman fee: £286,110 • Board fee: £63,672 • Committee Chair fee: £10,000 • Senior Independent Director fee: £20,000
Proposed operation in 2018/19	No increase in the Board fee, Committee Chair fee or Senior Independent Director fee. Non-Executive fees will remain from 1 June 2018 as: • Chairman fee: £325,000[6] • Board fee: £63,672 • Committee Chair fee: £10,000 • Senior Independent Director fee: £20,000

Notes:
1 Measured as profit before tax excluding derivatives and the Ogden impact (see page 83 of the 2016/17 annual report)
2 Defined as net available cash generation
3 Defined as profit before tax excluding derivatives
4 Defined as post-tax profit excluding the effect of reserve releases divided by the fully diluted number of shares in issue
5 Defined as earnings before interest and tax divided by the carrying value of shareholders' equity plus long-term liabilities (debt)
6 This is the fee for the newly appointed Chairman who was appointed after a full market search. There are no other benefits apart from the fee

2018 LTIP performance conditions and targets

As part of the strategic business review conducted in the year, the Remuneration Committee considered the performance conditions and targets for the 2018 LTIP award to ensure that they aligned with, and supported, the strategic business plan.

Following the findings of this review, the following changes were proposed:

- The current weighting of the performance condition for comparative TSR be retained at 40% of the total award. Maintain the current comparator group (FTSE 250) and the vesting schedule.
- That the Organic EPS target be maintained at 30% of the award. This is the EPS element calculated on underlying EPS growth excluding the impact of reserve releases. We are also proposing that the target range for this metric be maintained at 12% - 21% cumulative growth from Threshold to Maximum.
- Removal of the Basic EPS metric in favour of replacing this with ROCE metric which we believe is more aligned with our strategy including heavy investments over the next few years as we invest in systems and ships, for which we expect superior returns. We propose that the payment range for this ROCE condition be 10.5% - 11.5% between Threshold and Maximum. The definition of ROCE is the ratio of earnings before interest and tax to shareholders' equity plus long-term liabilities (debt), expressed as a percentage. This is a measure of how well a company uses all its sources of long-term financing to generate a profit (before tax and interest).
- Implementation of a two year holding period for the LTIP grant in 2018 and thereafter.

Actual performance and remuneration outcomes for 2017/18

How we have performed in 2017/18

KPIs	Threshold	Target	Maximum	Actual	Percentage of target bonus earned/current potential LTIP vesting	Percentage of maximum bonus earned
Annual Bonus Plan						
Group PBT[1]	£185.7m	£191.3m	£195.1m	£185.8m	0%	0%
Group cash flow[2]	59.8%	65.8%	69.8%	73.4%	0%	0%
Personal objectives	See pages 107-108 for details of the measures and performance for the year.					
2015 LTIP Award as at year end 31 January 2018						
EPS growth (p.a.)	7%	–	12%	8.8%	52.0%	
TSR	Median	–	Upper quartile	Below median	0%	
2016 LTIP Award as at year end 31 January 2018						
EPS growth (p.a.)	5%	–	12%	4.5%	0%	
TSR	Median	–	Upper quartile	Below median	0%	
2017 LTIP Award as at year end 31 January 2018						
Basic EPS growth (p.a.)	5%	–	12%	5.1%	26.1%	
Organic EPS[3] growth (p.a.)	12%	–	21%	7.2%	0%	
TSR	Median	–	Upper quartile	Below median	0%	

Notes:
1 Defined as underlying profit before tax excluding derivatives, restructuring costs and the Ogden impact in the prior year, but after deducting debt issue costs. The actual amount shown is above Threshold; however, Executive Directors have offered to waive their bonus which has been accepted by the Committee (see Remuneration Committee Chair's Annual Statement on page 84)
2 Defined as net available cash generation. The actual amount show is above Maximum; however, Executive Directors have offered to waive their bonus which has been accepted by the Committee (see Remuneration Committee Chair's Annual Statement on page 84)
3 Defined as post-tax profit excluding the effect of reserve releases divided by the fully diluted number of shares in issue

The 2015 LTIP will vest on 29 June 2018. The indications for the LTIP performance in the table on page 92 are as at 31 January 2018. The relative TSR target for the 2015 LTIP is substantially (but not fully) completed as at 31 January 2018. The EPS target is complete.

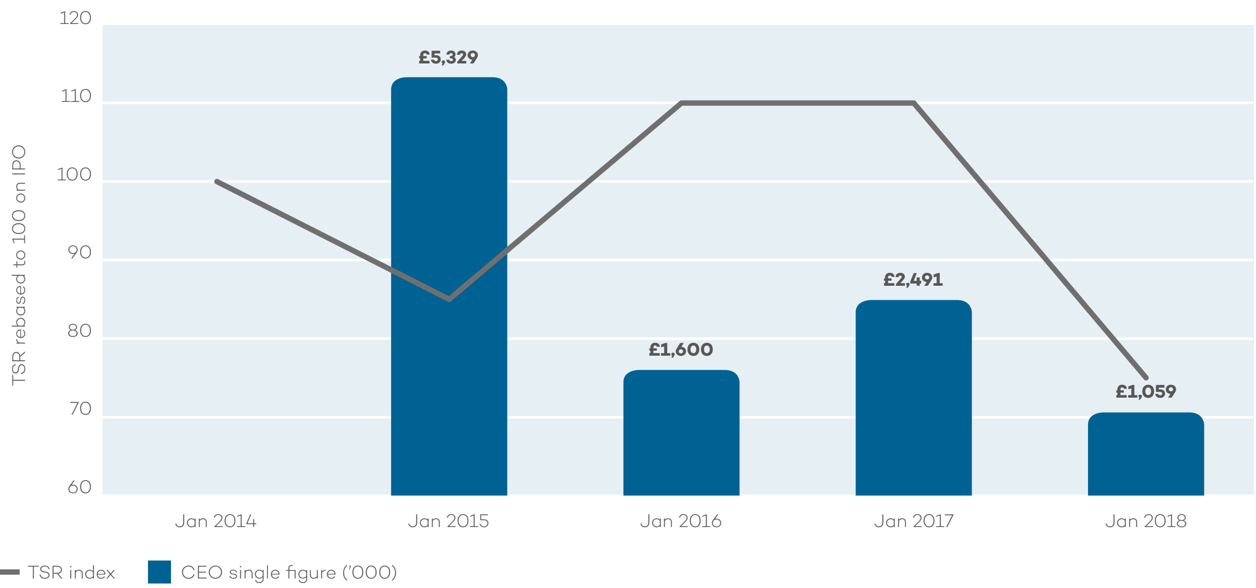
The Committee has included the current position for the 2016 and 2017 LTIP awards to allow shareholders to see the potential value in the long-term remuneration over the next three years.

The final level of performance and corresponding level of vesting of the LTIP awards will be dependent on the performance at the end of the relevant performance period.

See the Remuneration Committee Chair's Annual Statement on pages 83-87 for additional details on bonus and LTIP outcomes.

Long-term performance

The following chart shows the single figure of remuneration for the Group CEO since IPO compared to the Company's TSR over the same period. The chart demonstrates that if the one-off buyout award made to the Group CEO on recruitment is excluded, there has been strong correlation between returns to shareholders and the remuneration paid to our Group CEO.



Single total figure of remuneration for Executive Directors for the 2017/18 financial year

Executive Directors	Period	Salary £	Taxable benefits £	Bonus £	LTIP[1] £	Pension[2] £	Total £
Lance Batchelor	2017/18	689,785	32,346	0	233,270	103,468	1,058,869
(Group Chief Executive Officer)	2016/17	676,260	30,403	684,455	965,275	134,224	2,490,617
Jonathan Hill	2017/18	424,483	24,243	0	107,663	63,672	620,061
(Group Chief Financial Officer)	2016/17	416,160	24,185	351,003	0	80,876	872,224

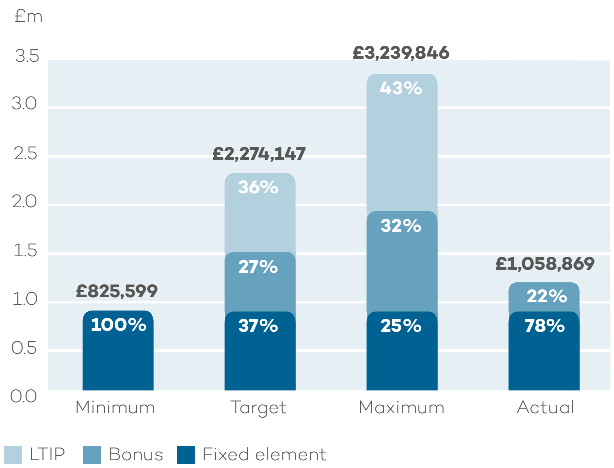
Notes:
1 Values shown for 2017/18 represent the indicative vesting of the 2015 award. As per regulations, the value of the award was calculated based on quarterly average share price up to the reporting date. The three month average share price to 31/01/2018 was 146.8p. The performance period of the TSR element of the award is due to be tested in June 2018. The value in the table above assumes zero vesting under the TSR element based on performance to year end. For 2016/17 the final value of the 2014 LTIP award as at vesting date is shown which has been restated from the 2016/17 annual report. The share price at vesting date of 30/06/2017 was 209.4p
2 Reflects the value of the defined benefit pension accrual in the year and the pension cash supplement. Pension salary supplement paid to Executive Directors is the difference between the employer contribution into the Saga Pension Scheme and 15% of the Executive Director's base salary

For the full single figure table, please see page 106 in the Annual Report on Remuneration.

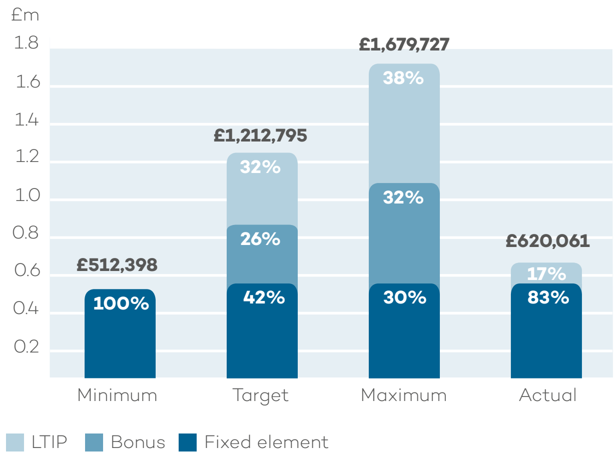
Illustration and application of current Remuneration Policy in 2017/18

The following charts show the 2017/18 actual remuneration against the current Policy levels of remuneration for the Executive Directors.

Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (Jonathan Hill)



Under the Policy, the remuneration payable to each of the Executive Directors is based on salaries at the start of 2017/18, under three different performance scenarios: (i) Minimum; (ii) Target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus; and (iii) LTIP. In addition, for the purposes of comparison we have included the actual single figure remuneration paid in 2017/18. The following table outlines the elements included in the illustration above:

Element	Description	Minimum	Target	Maximum
Fixed	Salary, benefits and pension[1]	Included	Included	Included
Annual Bonus	Annual bonus (including deferred shares)	No annual variable	60% of maximum bonus	100% of maximum bonus[2]
LTIP	Award under the LTIP	No multiple year variable	60% of the maximum award	100% of the maximum award[3]

Notes:
1 Based on 2017/18 financial year salary, benefit payments and pension
2 Equating to 150% for the Group Chief Executive Officer and 125% for the Group Chief Financial Officer
3 Equating to 200% for the Group Chief Executive Officer and 150% for the Group Chief Financial Officer
4 Participation in the SIP has been excluded given the relative size of the opportunity levels

In accordance with the regulations share price growth has not been included for the Policy scenarios. In addition, dividend equivalents have not been added to deferred share bonus and LTIP share awards.

Pay at risk

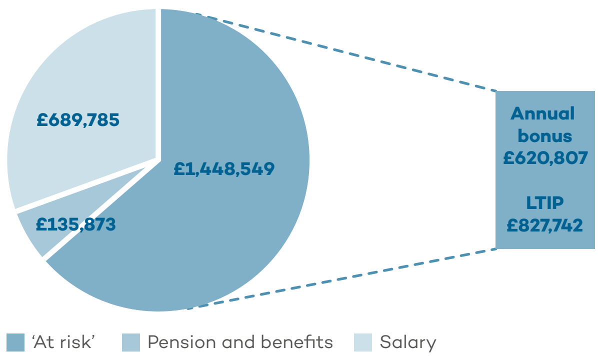
The charts below set out the elements of the remuneration provided under the Policy which remain 'at risk'. For example:

- payment is subject to continuing employment for a period (deferred shares and LTIP awards);
- performance conditions must still be satisfied (LTIP awards); or
- elements are subject to clawback or malus for a period, over which the Company can recover sums paid or withhold vesting.

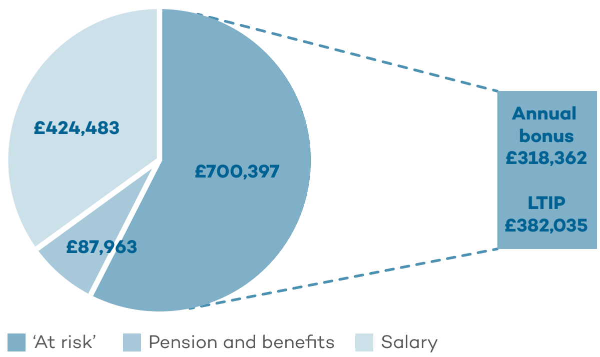
Figures have been calculated based on target performance (fixed elements plus 60% of maximum annual bonus and 60% of the maximum LTIP). The charts have been based on the same assumptions as set out on page 94 in 'Illustration and application of the current Remuneration Policy in 2017/18.

Malus is the adjustment of unvested awards in specific circumstances. Clawback is the recovery of vested awards or payments in specific circumstances.

Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (Jonathan Hill)



Strategic Report

Governance

Financial Statements

Equity exposure of the Board (audited)

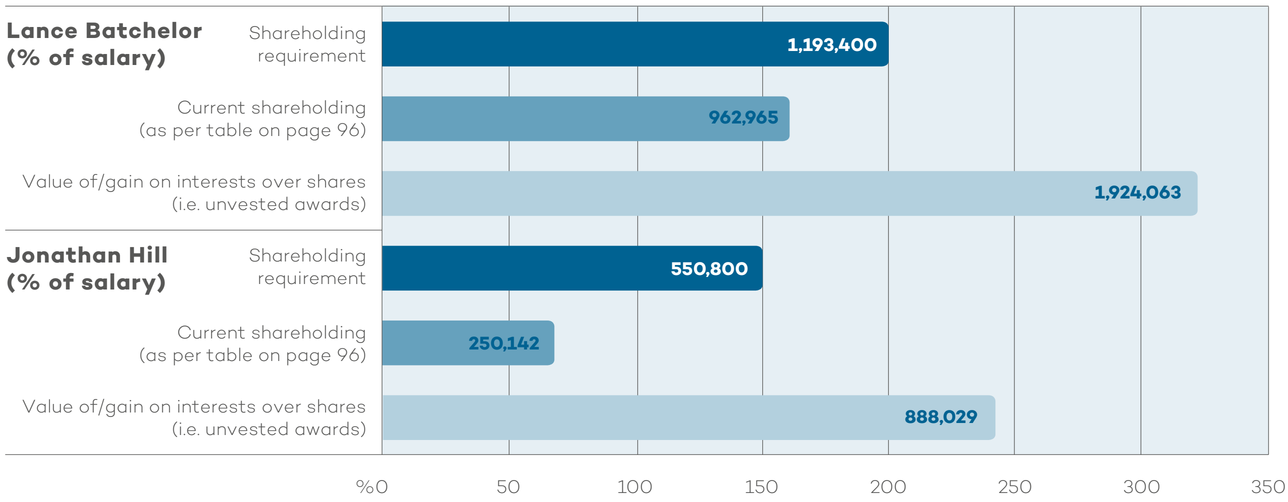
The following table and chart sets out all subsisting interests in the equity of the Company held by the Executive and Non-Executive Directors:

	Shares held directly			Other shares held			Options[4]			
Director	Shareholding requirement (% salary)[1]	Current shareholding (% salary)[2]	Beneficially owned[3]	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	LTIP interests vested but not yet exercised	Vested	Unvested	Outstanding interests in the Share Incentive Plan	Shareholding requirement met?
Executive Directors										
Lance Batchelor[5]	200%	161%	161,169	338,891	1,924,063	460,972	540,540	1,621,622	1,933	No
Jonathan Hill[5]	150%	68%	139,749	108,097	888,029	–	–	–	2,296	No
Non-Executive Directors										
Andrew Goodsell[6]	–	–	5,379,805	150,882	–	137,841	–	–	–	n/a
Ray King	–	–	27,027	–	–	–	–	–	–	n/a
Bridget McIntyre	–	–	7,245	–	–	–	–	–	–	n/a
Orna NiChionna	–	–	27,690	–	–	–	–	–	–	n/a
Gareth Williams	–	–	32,433	–	–	–	–	–	–	n/a

Notes:
1 Shareholding requirements are those that were in existence throughout the course of the year and as at 31 January 2018
2 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements
3 Lance Batchelor – 31,458 shares owned by his spouse. Jonathan Hill – 89,954 shares owned by his spouse
4 Lance Batchelor – these represent IPO Options with an exercise price of £1.85. 540,540 options vested on 29 May 2017. 540,540 options vest on 29 May 2018, and the remaining 1,081,082 options vest on 29 May 2019
5 Since the year end, Lance Batchelor and Jonathan Hill have bought an additional 261 shares and 1,551 shares respectively through the SIP. There have been no other changes to the shareholdings above
6 Deferred bonus shares and LTIP in relation to his service as Executive Chairman

Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years, and then subsequently hold a shareholding equivalent to a percentage of base salary.

The number of shares of the Company in which current Executive Directors had a beneficial interest and details of long-term incentive interests as at 31 January 2018 are set out below.



Notes:
- The mid-market quoted share price of 115.6p as at 31 January 2018 has been used for the purpose of calculating the current shareholding and value of/gain on interests over shares as a percentage of salary
- Value of/gain on interests over shares comprises unvested 2015, 2016 and 2017 LTIP awards. The one-off IPO share option award for the Group Chief Executive Officer has an exercise price of 185.00p hence there was no gain on this award at 31 January 2018
- Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines

Overall link to remuneration, equity and wealth of the Executive Directors

It is the Committee's view that it is important when considering the remuneration paid in the year under the single figure to take a holistic view of the Director's total wealth linked to the performance of the Company. In the Committee's opinion, the impact on the total wealth of the Director is more important than the single figure in any one year; this approach encourages Directors to take a long term view of the sustainable performance of the Company; this is critical in a cyclical business. The ability for the Directors to gain and lose is dependent on the share price performance of the Company at a level which is material to their total remuneration is a key facet of the Company's Remuneration Policy.

The following table sets out the single figure for 2017/18, the number of shares held by the Executive at the beginning and end of the financial year and the impact on the value of these shares taking the opening price and closing price for the year. Shares held includes those owned outright as well as nil-cost options currently held under incentive plans which have not yet vested.

	2017/18 Single Figure	Shares held at start of year	Shares held at end of year	Value of shares at start of year	Value of shares at end of year	Difference
Lance Batchelor	1,058,869	2,286,009	2,887,028	£4,224,545	£3,337,404	- £887,141
Jonathan Hill	620,061	780,865	1,138,171	£1,443,039	£1,315,726	- £127,313

The loss in value of the shareholding at the end of the year demonstrates that a meaningful amount of management's wealth is tied to the share price of the Company aligning management with the ownership experience of other shareholders during the period.

The link between our strategy for 2018/19 and the proposed new Remuneration Policy

The table below summarises the purpose of our new Remuneration Policy and its linkage to our corporate strategic objectives. The Group's strategy is laid out on pages 1-51 of the Strategic Report.

Remuneration policy	Becoming increasingly customer-centric	Growing our Retail Insurance and Travel businesses
Fixed remuneration (salary, benefits and pension) The Company provides competitive levels to attract and retain talent required to successfully deliver on our business strategy.	Delivered enhanced digital capabilities. Enhanced understanding of our High Affinity Customer base.	Delivered profit growth across all key insurance lines. Increased passengers in our tour operating business.
Annual bonus metrics Maximum annual bonus opportunity is 150% of salary: • two thirds of the total bonus to be paid immediately in cash; and • one third deferred into shares subject to a three year vesting period.	Targeting the growth in number of HACs, products they hold and customer loyalty will support the long-term growth of the business.	Profit before tax growth. An incentive to grow in the core markets is provided in the short term through the profit before tax (PBT) growth and cash flow targets in the Annual Bonus Plan.
LTIP metrics Maximum annual award is 200% of salary. Awards will vest at the end of three years subject to the achievement of: • stretching EPS conditions which provide alignment to our core strategic priorities; • relative total shareholder returns (TSR) performance of the Company which provides alignment to the success of our business in delivering value to our shareholders compared with relevant comparator companies; and • return on capital employed (ROCE) which tests for the quality of investments made by management.		Total shareholder returns, earnings per share and return on capital employed. The generation of cash and PBT growth targeted by the annual bonus will help enhance the value of the Company which will be measured through the success of the Company's TSR performance against its comparators (a performance condition under the LTIP). The ROCE element tests for the quality of earnings growth.
Minimum shareholding requirements • Group Chief Executive Officer 250% of salary. • Group Chief Financial Officer 200% of salary.		
All employee share plan		

	Strategic priorities		
	Investing for future growth	Maintaining our efficient operating model	Developing our people
	Started the build of new ship.	Started the investment in a new insurance platform.	Continued to build engagement levels. Continued to promote employee share ownership.
		Group cash flow. The success in maximising operational excellence will be reflected through increased profitability and cash flow.	Equity ownership. Encouraged through bonus deferral and shareholding requirements.
	An incentive to grow in these markets in the longer term is provided through both ROCE and EPS growth targeted by the LTIP.	The success in maximising operational excellence will be measured through the long-term EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company which will be measured through the Company's TSR performance under the LTIP. The efficiency of use of capital will be reflected in the ROCE measure.	A good incentive will aid the retention of key people. Careful selection of measures ensures management are incentivised to deliver the Company strategy and be fairly rewarded for its successful implementation.
			Encouraged through the alignment of interests with shareholders by Executive Directors becoming locked-in shareholders.
			Encourages all employees to become shareholders in the Company providing a focus on growth and long-term shareholder value creation.

Fairness, diversity and wider workforce considerations

Saga is committed to creating an inclusive working environment and to rewarding our employees throughout the organisation in a fair manner. In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions. We believe that employees throughout the Company should be able to share in the success of the Company. To this end we have a Share Incentive Plan in place that employees can contribute to annually or monthly. We also issue free shares to employees on an annual basis as part of our overall approach to reward and recognition. We also believe that employees should have the opportunity to save for their future and to this end we recently carried out a full review of our pension arrangements following which we retained an open defined benefit scheme, though restructured to ensure affordability, and significantly enhanced defined contribution arrangements. We also introduced a monthly savings product to enable our employees to save through payroll.

As part of our commitment to fairness, we have introduced this section which sets out more information on our wider workforce pay conditions, our Group CEO to employee pay ratio, our gender pay statistics, and our diversity policy. Whilst we recognise there is much work still to do, we believe that transparency is an important first step towards making improvements in relation to these important issues.

Competitive pay and cascade of incentives

Organisational level	Number of employees[1]	Maximum bonus percentage of salary	Maximum proportion of bonus payable in cash	Maximum proportion of bonus deferrable in shares	Maximum LTIP award	SIP
Group Chief Executive Officer	1	150%	67%[2]	33%[2]	200%	✓
Group Chief Financial Officer	1	125%	67%[2]	33%[2]	150%	✓
Executive Team	6	100%	67%[2]	33%[2]	100%	✓
Directors[3]	14	60%	100%	0%	60%	✓
Senior leadership	56	40%	100%	0%	40%	✓
Other bonused employees	2,525	20%	100%	0%	n/a	✓
Non-bonused employees	1,666	n/a	n/a	n/a	n/a	✓

Notes:
1 Employees of the Group as at 31 January 2018
2 The maximum level of deferral of bonus in shares for these employees is 50%. Minimum deferral has been set at 33%
3 Director defined as a statutory executive director of any board of the Group other than Executive Directors of the Company or members of the Executive Team

Area and considerations

Informing the Committee on wider workforce

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Team, the Remuneration Committee considers a report prepared by the Group HR Director detailing base pay and share scheme arrangements in place across the business. As part of its evolving remit the Remuneration Committee will in the future review all remuneration policies across the Group.

While the Company does not currently directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Company does receive an update and feedback from the broader employee population on an annual basis using an engagement survey which includes a number of questions relating to remuneration.

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates employee share and variable pay plans, with pension provisions for all Executive Directors and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees.

Communication with employees

The Group's employees are kept informed of its activities and performance through a series of Director-led staff briefings at key points during the year and the circulation of corporate announcements and other relevant information to staff which is supplemented by updates on the intranet. These briefings also serve as an informal forum for employees to ask questions about the Company.

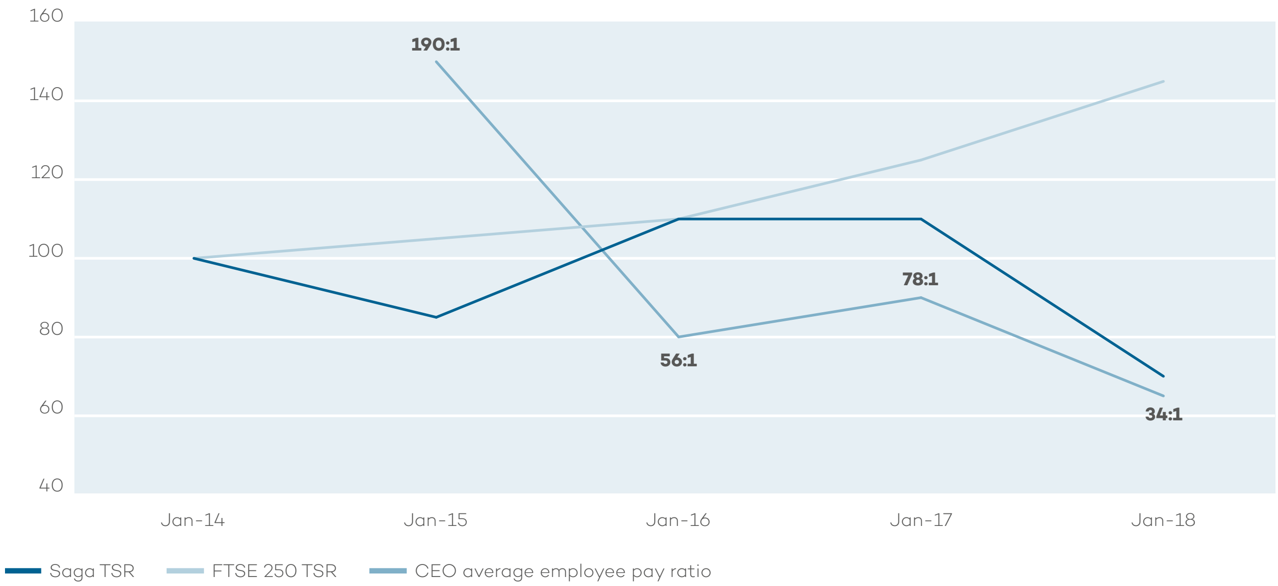
Share schemes
Share schemes are a long-established and successful part of our total reward package, encouraging and supporting employee share ownership. In particular, all employees are invited to participate in the Company's SIP.

Equal opportunities
The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community at large. We are an organisation which uses everyone's talents and abilities, where diversity is valued. The Company remains supportive of the employment and advancement of disabled persons and ensures its promotion and recruitment practices are fair and objective. The Company encourages the continuous development and training of its employees and the provision of equal opportunities for the training and career development of all employees.

Retirement benefit provision
The Group provides retirement benefits for the majority of its employees. The Group's commitment with regard to pension contributions, is to provide employees with an option to either contribute to a defined benefit pension scheme after three years of employment, or to benefit from a defined contribution scheme with matched contributions up to a maximum of 10% of base salary dependent upon service. The defined contribution scheme is open to all employees in accordance with the new Government auto enrolment rules. The defined benefit scheme is open to new members after three years of service. Individuals in the defined benefit scheme can also flex up their contributions through a better accrual scheme that is age dependent.

Pay comparisons
CEO Ratio
- Our Group CEO to average employee pay ratio for 2017/18 is 34:1. This is measured as the ratio of CEO single figure pay realised in the year to average (mean) employee pay. To give context to this ratio, we have set out below a chart tracking the CEO to average employee pay ratio since 2014/15 alongside Saga's TSR performance since IPO.
- Our Group CEO to average Executive Committee pay ratio for 2017/18 is 2:1. This is measured as the ratio of CEO single figure pay realised in the year to average (mean) Executive Committee pay. To give context to this ratio, we have set out a table on page 102 tracking CEO pay and average Executive Committee pay over time.

The TSR graph shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index. The graph shows the TSR generated by both the movement in share value and the reinvestment over the same period of dividend income. The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this since listing. This graph has been calculated in accordance with the regulations. It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period from 23 May 2014 to 31 January 2018.



Employee & Executive Committee Ratios

The table below sets out the total remuneration delivered to the Group Chief Executive Officer using the methodology applied to the single total figure of remuneration. The Remuneration Committee believes that the remuneration payable in its earlier years as a private company to the Executive Chairman does not bear comparative value to that which has been and will be paid to the Group Chief Executive Officer, and has therefore chosen only to disclose remuneration for the Group Chief Executive Officer:

Group Chief Executive Officer	2017/18	2016/17	2015/16	2014/15
Total single figure	£1,058,869	£2,490,617[1]	£1,600,287	£5,328,702[2]
Annual bonus payment level achieved (percentage of maximum opportunity)	0%	67.5%	78.6%	80.7%
LTIP vesting level achieved (percentage of maximum opportunity)	26.0%[3]	65.6%	n/a	n/a
Ratio of single total remuneration figure shown to employees as a whole[4]				
• to employee mean	34:1	78:1	56:1	190:1
• to employee median	48:1	95:1	78:1	258:1
Ratio of single total remuneration figure shown to Executive Committee members				
• to member mean	2:1	4:1	2:1	3:1
• to member median	3:1	4:1	2:1	3:1

Notes:
1 For 2016/17 the final value of the 2014 LTIP award as at vesting date is shown which has been restated from the 2016/17 annual report. The share price at vesting date of 30/06/2017 was 209.4p
2 The Group Chief Executive Officer joined the Company on 24 March 2014. The remuneration shown is therefore not for the full financial year. Included within the single figure is a cash award of £4m with vesting based on continued employment. 25% immediately on the IPO, 25% on the first anniversary of the award and 50% on the second anniversary; this was part of the buyout on the recruitment of the Group Chief Executive Officer to compensate for awards lapsing on his ceasing employment with his former employer
3 Based on indicative vesting as at 31 January 2018. The award will vest on 29 June 2018. The final vesting outcome will be stated in the 2018/19 annual report
4 The fall in this ratio in 2017/18 is due to the forfeiture of bonus by the CEO and the relatively low payout on the LTIP. This reflects the fact that shareholders want Executive Directors to have a higher proportion of pay at risk and this is reflected in the volatility in the chart on page 101. The percentage change in CEO remuneration set out in the table below shows that year on year when the volatility of payouts from equity based awards is excluded that the changes in remuneration for the CEO and average employee are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year on year

There was no long-term incentive plan or share option plan operated prior to listing.

Percentage change in Group CEO remuneration

The following table sets out the change in the remuneration paid to the Group Chief Executive Officer from 2016/17 to 2017/18 compared to the average percentage change for employees.

The Group Chief Executive Officer's remuneration disclosed in the table below has been calculated to take into account base salary, taxable benefits excluding pension, and annual bonus (including any amount deferred).

The employee pay has been calculated using the following elements: annual salary – base salary and standard monthly allowances; taxable benefits – car allowance and private medical insurance premiums; and annual bonus – Company bonus, management bonus, commission and incentive payments.

	Salary			Taxable benefits			Bonus		
	2017/18	2016/17	Percentage change	2017/18	2016/17	Percentage change	2017/18	2016/17	Percentage change
Group Chief Executive Officer	£689,785	£676,260	2.0%	£32,346	£30,403	6.4%	£0	£684,455	-100%
Average per employee	£28,064	£27,380	2.5%	£927	£714	29.8%	£1,813	£3,259	-44.4%

Gender pay

Background

Gender pay reporting legislation which came into force in April 2017 requires all UK employers with 250 or more employees to publish annual information illustrating pay differences between male and female employees. At Saga, we are passionate about equality, diversity and inclusion and are committed to addressing our gender pay gap. We therefore welcome the new legislation and have embraced this as an opportunity to drive our focus on diversity forward.

Definitions

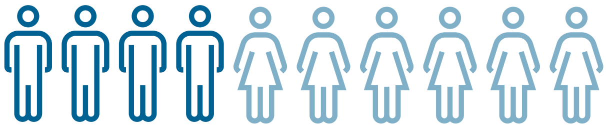
Difference between gender pay and equal pay:

- A gender pay gap is the difference between average male and female pay across an organisation, regardless of nature of work. This means that gender distribution across grades will be a significant driver of any gap.
- An equal pay gap, on the other hand, refers to an unlawful pay gap between male and female employees carrying out the same roles with the same experience and skills.
- The 'gender pay gap' is a metric that measures the difference in average hourly pay across all men and women across an organisation, by reference to both the mean and median figures.
- The mean is an arithmetic average of a set of numbers. The mean calculation considers basic average pay/ bonus across all of our employees.
- The median is the number in the middle of a set of ordered numbers. The median calculation focuses on those employees in the middle of pay/bonus ranges, thereby reducing the impact of our highest and lowest paid employees. The median calculation reduces the very significant impact of our most senior male employees, in order to provide a gender pay gap figure which is much more representative of the majority of our employees.

Gender distribution across salary quartiles

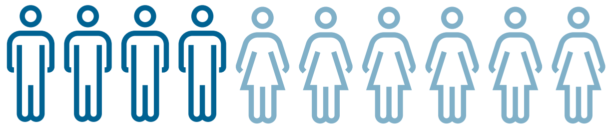
Saga's demographic (i.e. the gender makeup of our employee population across the grades) has a significant impact on our gender pay and bonus gaps. The charts below show the gender makeup of the Saga Group workforce in each of our four salary quartiles. If we lined up every employee from the lowest paid to the highest paid and split them into four equal sized groups this gives us our salary quartiles.

Lower quartile



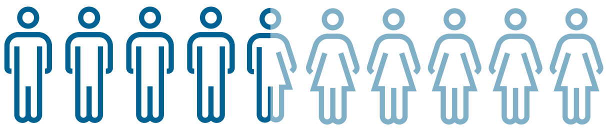
38.9% **61.1%**

Upper middle quartile



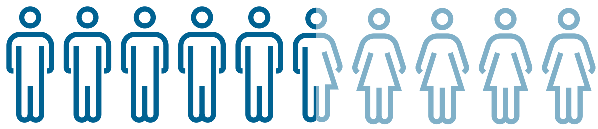
40.6% **59.4%**

Lower middle quartile



46.0% **54.0%**

Upper quartile

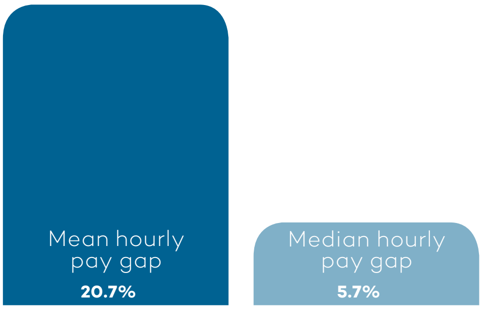


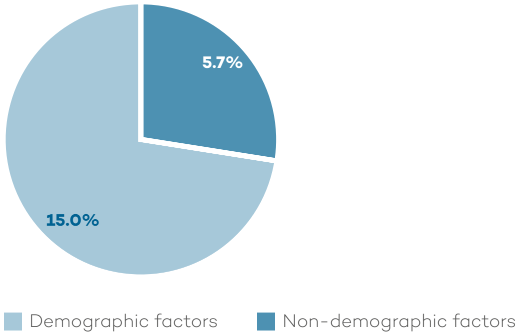
56.5% **43.5%**

Overall, 56.4% of our employees across the Group are female (as at April 2017). The quartiles above show that we have proportionally more women at the lower end of the pay spectrum, and more men at the upper end. This gender imbalance is a key driver of our gender pay and bonus gaps shown below, and is something that we are working hard to address through our focus on the development and progression of talented individuals of all genders and backgrounds.

Saga Group gender pay gaps

This chart shows our mean and median hourly pay gaps, based on April 2017 payroll data.





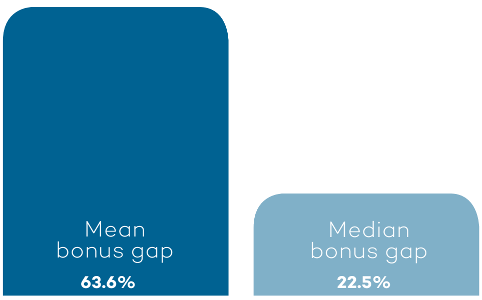
As shown above, our median hourly pay is much lower than the mean gaps. This is easily explained, as the median calculation reduces the significant impact of our most senior male employees in order to provide a gender pay gap figure which is much more representative of the majority of our employees. We wanted to fully understand the impact of Saga's gender demographic on our pay gaps, so we carried out further analysis which showed that around three quarters of our overall gap was due to demographic factors, i.e. having more male employees in senior roles. When looking at the gap amongst employees at similar levels, the gap significantly reduced to 5.7%. This is the same as our median gap, which reinforces the fact that our most senior male employees have a major impact on our figures. It is purely coincidental that our non-demographic percentage is the same as our median hourly pay gap.

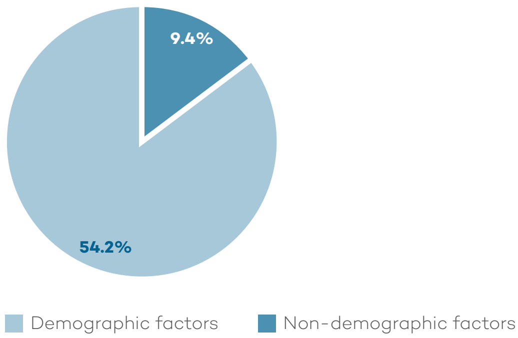
Our 5.7% median hourly pay gap is lower than the national average median pay gap of 18.4%* across all sectors, as well as the national averages for the financial and insurance activities sector (31%) and the retail trade sector (17%)**. However, we want to equalise gender representation across our grades and thereby reduce our gaps further, so will continue to proactively review and address pay and diversity on an ongoing basis.

* Based on Office for National Statistics Annual Survey of Hours and Earnings 2017
** Based on PwC's Women In Work Index 2018

Saga Group gender bonus gaps

This chart shows our mean and median bonus gaps, based on data from April 2016 to March 2017. As required by law, we have included annual bonus, commission and equity payments in these calculations.





While men and women are offered the same opportunities to receive bonuses, our bonus gaps are larger than our pay gaps. This is expected for a number of reasons and can be explained.

Demographic gaps in both pay and bonus are caused by an overrepresentation of male employees in our senior roles, which has the impact of increasing the average male salary across Saga (and therefore driving the overall pay gaps). The majority of our bonus rates, and share awards are also linked to a percentage of salary, and so our bonus gap is further increased by the presence of more men in the higher-paying upper quartiles. The buyout award made on IPO to the Group CEO as part of his recruitment to compensate for awards lapsing on his ceasing employment with his previous employer had a significant impact on our overall mean bonus gap because part of the deferred portion was paid during this gender pay reporting period.

In order to understand this gap further, we completed additional analysis on our bonus gap. As you can see from the chart on page 104 the vast majority of our mean bonus gap (63.6%) was caused by our gender imbalance, for the reasons outlined above.

Our non-demographic gap is something that we will review in more detail. However, this could be attributed to a number of factors that are not part of the calculation, for example performance, experience or our broad grading structure. We are proud to support and promote flexible working at Saga and as a result a large number of our employees work part-time. However, as we are required to use actual bonus amounts in our calculations (rather than full-time equivalent amounts), this was a key contributor to our 22.5% 'median' bonus gap figure, particularly as the majority of our employees who work part-time are female.

Proportion of employees receiving a bonus

Across all Saga Group employees, 68.3% of men and 75.9% of women received a bonus in the 12 months prior to April 2017. This difference is due to a number of factors, such as the inclusion of commission payments in the calculation and the fact that we have a higher proportion of female employees in those roles which are able to earn commission. Given the nature of both our bonus and commission schemes being linked directly to performance this will also contribute to the percentage of entitled employees receiving a bonus.

What we are doing to close the gap

We are passionate about providing a fair and transparent workplace which welcomes and celebrates difference. We are a diverse organisation and want to ensure that our workforce and employment practices reflect this.

We are committed to continually developing and improving our gender pay position. Our demographic analysis has shown that the key driver of our gaps is a lack of female representation in our most senior roles. This is therefore a crucial area of focus for us, and one which we are confident that the initiatives below will help to tackle:

- Review of our grading structure and introduction of published salary banding for all roles across Saga.
- The promotion of flexible working opportunities and part-time roles across all roles at Saga regardless of seniority.
- The provision of on-site childcare for head office employees.
- Targeted development programmes for high performers of all backgrounds, including mentorships, executive shadowing, internal and external training.

Diversity policy

Creating a thriving and diverse workforce is a high priority for our business. A diverse workforce means we are attracting the best people and that the business is benefiting from broad experience and a range of different backgrounds and skill sets.

Saga employs enthusiastic, committed and well-trained people. We recognise the benefits of diversity of skills, knowledge and independence, as well as gender, ethnicity and sexual orientation and are fully committed to an active equal opportunities policy covering recruitment and selection, training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit.

See Strategic Report for more information on pages 1-51.

Single total figure of remuneration (audited)

Executive and Non-Executive Directors

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2017/18 financial year. Comparative figures for the 2016/17 financial year have also been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

	Period	Salary/ fees £	Taxable benefits[1] £	Bonus £	LTIP[2] £	Pension[3] £	Total £
Executive Directors							
Lance Batchelor (Group Chief Executive Officer)	2017/18	689,785	32,346	–	233,270	103,468	1,058,869
	2016/17	676,260	30,403	684,455	965,275	134,224	2,490,617
Jonathan Hill (Group Chief Financial Officer)	2017/18	424,483	24,243	–	107,663	63,672	620,061
	2016/17	416,160	24,185	351,003	–	80,876	872,224
Non-Executive Directors							
Andrew Goodsell[4] (Chairman)	2017/18	284,240	45,488	–	–	–	329,728
	2016/17	278,667	45,373	–	288,639	–	612,679
Philip Green[5] (Non-Executive Director)	2017/18	15,404	–	–	–	–	15,404
	2016/17	91,616	–	–	–	–	91,616
Ray King (Non-Executive Director, Audit Committee Chair)	2017/18	73,256	–	–	–	–	73,256
	2016/17	71,883	–	–	–	–	71,883
Bridget McIntyre[5] (Non-Executive Director)	2017/18	136,512	–	–	–	–	136,512
	2016/17	98,026	–	–	–	–	98,026
Orna NiChionna[6] (Senior Independent Non-Executive Director, Nomination and Risk Committee Chair)	2017/18	95,756	–	–	–	–	95,756
	2016/17	71,883	–	–	–	–	71,883
Gareth Williams (Non-Executive Director, Remuneration Committee Chair)	2017/18	73,256	–	–	–	–	73,256
	2016/17	71,883	–	–	–	–	71,883

Notes:
1 The types of benefits provided are set out in the Remuneration Policy section of the report
2 Values shown for 2017/18 represent the indicative vesting of the 2015 award. As per regulations, the value of the award was calculated based on quarterly average share price up to the reporting date. The three month average share price to 31/01/2018 was 146.8p. The performance period of the TSR element of the award is due to be tested in June 2018. The value in the table above assumes zero vesting under the TSR element based on performance to year end. For 2016/17 the final value of the 2014 LTIP award as at vesting date is shown which has been restated from the 2016/17 annual report. The share price at vesting date of 30/06/2017 was 209.4p
3 Reflects the value of the defined benefit pension accrual in the year and the pension cash supplement. Pension salary supplement paid to Executive Directors is the difference between the employer contribution into the Saga Pension Scheme and 15% of the Executive Director's base salary
4 Andrew Goodsell continues to receive taxable benefits which are legacy arrangements from his employment as Executive Chairman and comprise a leased car with associated fuel, and healthcare
5 Bridget McIntyre has been a member of the Board throughout the year, and is the Chair of a subsidiary company, Saga Services Limited, for which she receives £72,424 per annum
6 Orna NiChionna replaced Philip Green as Senior Independent Non-Executive Director and Nomination Committee Chair when he left the Board on 31 March 2017

Annual bonus

The details of the targets and outcomes against the targets for the annual bonus in respect of the 2017/18 financial year are shown in the table below.

Performance condition	Weighting	Threshold performance required	Target performance required	Maximum performance required	Actual performance	Annual bonus value for Threshold and Maximum performance (% of max)	Percentage of Target performance achieved	Percentage of Maximum performance achieved	Annual bonus value achieved (% of salary) Lance Batchelor	Jonathan Hill
Group PBT[1]	55%	£185.7m	£191.3m	£195.1m	£185.8m	20%-100%	97.1%	20.1%	16.6%	13.8%
Group cash flow[2]	15%	59.8%	65.8%	69.8%	73.4%	20%-100%	111.6%	100.0%	22.5%	18.7%
Personal objectives	30%	See below for details of the 2017/18 personal objectives and their achievement				0%-100%		50% achievement of personal objectives		
Total	100%								47.4%	39.5%
Total £ (calculated)[4]									£327,109	£167,748
Total £ (payable)									–	–

Notes:
1 Defined as underlying profit before tax excluding derivatives, restructuring costs and the Ogden impact in the prior year, but after deducting debt issue costs
2 Defined as net available cash generation as a percentage of underlying profit before tax as defined in note 1 above
3 Under the terms of the Annual Bonus Plan, 20% for each element (PBT and cash flow) is payable for achieving the Threshold performance increasing to 60% for target performance and 100% for achieving Maximum performance. Achievements between these points are calculated on a straight-line basis
4 These are the formulaic outcomes on PBT and cash as per the Bonus Plan. As stated in the Remuneration Committee Chair's Annual Statement, the Executive Directors waived their right to a bonus

The following table sets out the details of the personal objectives for the Group Chief Executive Officer and Group Chief Financial Officer:

Name	Weighting	Objective	Details	Achievement of objective
Lance Batchelor Group Chief Executive Officer	6%	High and Potential High Affinity Customers (HACs)	Increase product holdings of HACs by 2% by growing HACs or average product holding.	Not achieved
	6%	Launch Membership	Launch to all customers by 31/7/17 with 3 iconic and 3 other partners.	Achieved - 6%
	6%	Deliver new cross-sales in core products	Achieve 110,000 policies, Threshold 55,000 policies.	Partially achieved - 3%
	6%	Deliver pipeline sales for new ship	Achieve 8,000 advance registrations and 13,000 booked passengers.	Achieved - 6%
	6%	Group-wide employee engagement	Achieve 2% increase in sustainable employee engagement.	Not achieved
Jonathan Hill Group Chief Financial Officer	6%	High and Potential High Affinity Customers (HACs)	Increase product holdings of HACs by 2% by growing HACs or average product holding.	Not achieved
	6%	Launch Membership	Launch to all customers by 31/7/17 with 3 iconic and 3 other partners.	Achieved - 6%
	6%	Deliver new cross-sales in core products	Achieve 110,000 policies, Threshold 55,000 policies.	Partially achieved - 3%
	6%	Deliver efficiency savings	Achieve £10m of efficiency savings, Threshold £6m.	Achieved - 6%
	6%	Group-wide employee engagement	Achieve 2% increase in sustainable employee engagement.	Not achieved

The formulaic outcome under the bonus would have resulted in a bonus pay out of 47.4% and 39.5% of salary for the Group CEO and Group CFO respectively. The Executive Directors felt that, looking in a holistic way at the performance of the business and the experience of shareholders over the year, it would be appropriate to waive their 2017 bonuses. The Committee accepted the offer of the Executive Directors given its view that the formulaic outcome from the bonus did not entirely reflect both the underlying performance of the business over the period and the impact on near term profitability. See the Remuneration Committee Chair's Annual Statement on pages 83–87 for further information.

Long-term incentives vested in 2017/18 (audited)

The LTIP awards granted on 30 June 2014 vested on 30 June 2017. The final vesting percentage was 65.6%, compared to 50.0% estimated in the 2016/17 annual report. This increase represents the improvement in the relative TSR performance between 31 January 2017 and 30 June 2017. The TSR element resulted in Saga's ranking giving a TSR vesting of 31.2%.

The table confirms the vesting of the 2014 LTIP award for Lance Batchelor and Andrew Goodsell, who was awarded the LTIP as Executive Chairman in 2014 (prior to his change in role to Non-Executive Chairman). The final vesting percentage of 21.9% for Andrew Goodsell reflects the pro rating of his award up to the date he ceased to be an Executive Director on 30 June 2015.

Name	Award level (% of salary	Portion of EPS vesting	Portion of TSR vesting	Total vesting (as % of award)	LTIP value for single figure
Lance Batchelor	200%	100%	31.2%	65.6%	£965,275
Andrew Goodsell	150%	100%	31.2%	21.9%	£288,639

For the 2016/17 annual report, the average share price for the final quarter of 2016/17 of 192.5p was used to estimate the value of the award. Now that the share price on vesting as well as final number of awards vesting is known, the LTIP value above and in the single figure table have been restated. The value of the award has been calculated using the share price at vesting date of 209.4p.

No discretion has been exercised by the Committee in determining the level of LTIP vesting.

Long-term incentives vesting in respect of 2017/18 performance (audited)

The LTIP awards granted on 30 June 2015 have not yet vested but as performance was substantially completed during the 2017/18 financial year, an estimate of the vesting and the indicative value of the awards has been provided below. This figure will be updated in the 2018/19 Annual Report on Remuneration to reflect the final vesting outcome and the actual share price on the date of vesting (currently, in line with the regulations, the average share price for the last quarter of the financial year has been used).

The 2015 LTIP is equally weighted between EPS and relative TSR performance conditions. The EPS growth is measured to the 2017/18 year end and the three year TSR condition concluding on 29 June 2018.

The EPS over the period has grown by 8.8% p.a. against the range of 7-12% p.a. equating to a vesting of 52.0% of the EPS element.

The Company has assessed relative TSR performance against the FTSE 250 (excluding real estate and investment trusts) to 31 January 2018. Saga ranked below the median equating to an indicative vesting of 0%.

The table presents the indicative vesting of the 2015 LTIP award for Lance Batchelor and Jonathan Hill.

Name	Award level (% of salary)	Portion of EPS vesting	Estimate of TSR vesting[1]	Estimate of total vesting (as % of award)	Indicative LTIP value for single figure[2]
Lance Batchelor	200%	52.0%	0%	26.0%	£233,270
Jonathan Hill	150%	52.0%	0%	26.0%	£107,663

Notes:
1 Based on TSR performance against the peer group to 31 January 2018
2 Value based the Company's final quarter average share price to 31 January 2018 of 146.8p

Long-term incentives awarded in 2017/18 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2017/18 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods:

Name	Award type	Basis on which award made	Face value of award	Shares awarded	Percentage of award vesting at Threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
Lance Batchelor	LTIP	Annual	£1,379,570	658,348	25%	100%	Relative TSR 40% and EPS 60%
Jonathan Hill	LTIP	Annual	£636,725	303,853	25%	100%	Relative TSR 40% and EPS 60%

The awards were granted on 1 May 2017; the face value is calculated with reference to the share price on 28 April 2017 of 209.55p. The performance conditions are set out on page 90 of the Summary Report. The awards will vest, subject to the level of performance achieved, on 1 May 2020.

Pension entitlements (audited)

Pension benefits were provided to Executive Directors through the Saga Pension Scheme (a defined benefit scheme) and a salary supplement.

Employer contributions were made into the Saga Pension Scheme until the Executive Directors opted to cease further accrual under the Scheme on 31 March 2016. The Executive Directors were also provided a pension salary supplement calculated as the difference of the employer contribution into the Saga Pension Scheme and 15% of each Executive Director's base salary.

The table below outlines the accrued pension amounts for the Executive Directors, the valuation of the defined benefit accruals made in the financial year calculated in accordance with the reporting guidelines and the pensions salary supplement, to derive a pensions benefit value for the single total figure of remuneration.

			Accrued pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
Name	Age at 31/01/2018	Pensionable service at 31/01/2018	01/02/2017	31/01/2018	Pension salary supplement[1]	Value x 20 over year[2]	Total pension benefits	Normal retirement age
Lance Batchelor	54	2 years, 9 months	£6,213	£6,213	£103,468	£0	£103,468	65
Jonathan Hill	49	1 year, 10 months	£3,156	£3,156	£63,672	£0	£63,672	65

Notes:
1 Pension salary supplement paid is the difference between the employer contribution into the Saga Pension Scheme and 15% of the Executive Director's base salary
2 Reflects the growth in the Executive Director's pension accrued in the Saga Pension Scheme over the year multiplied by 20, less the contributions by the Executive Director in the year

The maximum employer pension contribution or salary supplement in lieu of pension as per the Remuneration Policy is 20% of salary. The Executive Directors can choose to opt out of the pension scheme and receive a cash allowance on their full base salary.

Having opted out of further accruals under the Saga Pension Scheme, Lance Batchelor and Jonathan Hill will receive a 15% salary supplement in lieu of pension for the 2018/19 financial year.

Payments to past Directors/payments for loss of office (audited)

There were no payments to past Directors or payments for loss of office during the financial year.

Directors' share interests

Directors' share interests are discussed in the Summary Report on page 96.

Performance graph and table

The TSR performance graph and single figure of remuneration for the Group CEO are set out in the section of the report headed Fairness, diversity and wider workforce considerations on page 101.

Percentage change in remuneration of Director undertaking the role of Chief Executive Officer

This information is set out in the section of the report headed Fairness, diversity and wider workforce considerations on page 102.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees.

Lance Batchelor is a trustee of the charity White Ensign Association and is a Trustee of the National Gallery. He does not receive a fee for either position. Jonathan Hill holds no external directorships.

Implementation of policy

Implementation of policy is discussed in the Summary Report on page 88.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2017/18 financial year and 2016/17 financial year compared with other disbursements. All figures provided are taken from the relevant company accounts.

	Disbursements from profit in 2017/18 financial year (£m)	Disbursements from profit in 2016/17 financial year (£m)	Percentage change
Profit distributed by way of dividend	98.5	86.1	14.4%
Total tax contributions[1]	75.1	74.9	0.3%
Overall spend on pay including Executive Directors	130.5	131.2	-0.5%

Note:
1 Total tax contributions include corporation tax, national insurance contributions, VAT and Air Passenger Duty

Shareholder voting at general meeting

The Directors' Remuneration Policy was put to a binding vote at the AGM on 23 June 2015. The Remuneration Committee Chair's Annual Statement and the Annual Report on Remuneration were subject to an advisory vote at the AGM on 22 June 2017. Below we outline the voting outcomes in respect of approving the Directors' Remuneration Report and approving the Directors' Remuneration Policy. Based on the positive level of support received from shareholders both on the Policy and its implementation the Committee is comfortable that only minor changes were required in respect of the new Remuneration Policy which will be subject to shareholder approval at the AGM of the Company on 21 June 2018.

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes cast in total	% of issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report	701,600,314	94.46	41,146,035	5.54	744,835,005	66.62	2,088,656
To approve the Directors' Remuneration Policy	824,261,354	99.63	3,031,154	0.37	827,292,508	74.00	1,631,155

Advisers to the Remuneration Committee

Following a selection process carried out by the Board prior to the IPO of the Company, the Committee has engaged the services of PwC as independent remuneration adviser.

During the financial year, PwC advised the Remuneration Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive Team. PwC also provided the Company with tax and assurance work during the year. The Remuneration Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services.

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fixed fees of £51,250 (2017: £45,000) were provided to PwC during the year in respect of remuneration advice received.

This section of the Report sets out the Company's proposed new policy on remuneration for Executive and Non-Executive Directors, to be approved by shareholders at the AGM on 21 June 2018. The structure of incentives remain largely unchanged from that approved by shareholders in 2015, but include a number of key enhancements. Once approved, the Policy may operate for up to three years.

The Remuneration Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the Act) and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations), the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code.

As previously, the Committee has built in a degree of flexibility to ensure the practical application of the Policy over this period. Where such discretion is reserved, the extent to which it may be applied is described. The Remuneration Policy remains to attract, retain and motivate its leaders and ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of Saga, aligned with shareholder interests.

Changes to the Policy

Element	Changes to Policy	Rationale
Pension	Reduce maximum from 20% to 15% of salary. Maximum for new joiners reduced to 10% of salary.	Unchanged for current Executive Directors. Changes bring benefits into line with wider employees for new Executive Directors. CEO: 15% of salary; CFO: 15% of salary.
Annual bonus	Formally introduce minimum level of deferral of one third of the bonus.	The current Policy allows for deferral of up to 50% of the bonus with no minimum level of deferral. This change ensures that the current operation of one third deferral remains in place for the duration of the proposed Policy.
LTIP	Introduction of two year post-vesting holding period.	Whilst the current Policy contains discretion to apply a two year post-vesting holding period, this has not been applied for past awards. To ensure greater and sustained alignment of incentives to shareholder value a two year holding period will now be applied to future LTIP grants.
Shareholding requirements	Increase shareholding requirements for executives by 50% of salary: CEO: 250% of salary. CFO: 200% of salary.	The Committee recognises the importance of aligning the long-term interests of Executive Directors with shareholders.
Recruitment policy	Removal of provision of sign-on compensation in exceptional circumstances.	This change ensures that the Policy continues to be in line with corporate governance best practice.

Proposed Remuneration Policy table

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • pay increases to other employees; • remuneration practices within the Group; • any change in scope, role and responsibilities; • the general performance of the Group and each individual; • the experience of the relevant Director; and • the economic environment. Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Saga and validated against an appropriate comparator group, so that they are competitive against the market. The Committee intends to review the comparators each year and will add or remove companies from the groups as it considers appropriate. In general salary increases for Executive Directors will be in line with the increase for employees. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity). The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.
Pension			
Provides a minimum level of benefits to support a low fixed cost and a performance-based Remuneration Policy.	The Company provides a pension contribution allowance in line with practice relative to its comparators to enable the Company to recruit and retain Executive Directors with the experience and expertise to deliver the Group's strategy. This allowance will be a non-consolidated allowance and will not impact any incentive calculations.	The maximum value of the pension contribution allowance is 15% of basic salary p.a. for current Executive Directors and limited to 10% of salary for newly appointed Executive Directors. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year the pension contributions for that year for each of the Executive Directors.	No performance or recovery provisions applicable.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Benefits			
Provides a minimum level of benefits to support a low fixed cost and a performance-based Remuneration Policy.	Benefits include family private health cover, death in service life assurance, a car allowance, subsistence expenses and staff discounts in line with other employees. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other employees on broadly similar terms may therefore be offered such as relocation allowances on recruitment.	The maximum is the cost of providing the relevant benefits set out adjacent.	No performance or recovery provisions applicable.
Annual Bonus			
The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the businesses' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. The Remuneration Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the DBP. The maximum value of deferred shares is 50% of the bonus earned and the minimum will be one third of the bonus earned. The main terms of these awards are: • minimum deferral period of three years; • the participant's continued employment at the end of the deferral period unless he/she is a good leaver. The Remuneration Committee may award dividend equivalents on those shares to Plan participants to the extent that they vest. The Remuneration Committee has the discretion to apply a holding period of two years post vesting for deferred bonus shares.	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. Percentage of bonus maximum earned for levels of performance: • Threshold 20%; • Target 60%; • Maximum 100%.	The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures. Any adjustments or discretion applied by the Remuneration Committee will be fully disclosed in the following year's Remuneration Report. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus. Both the Annual Bonus Plan and the DBP contain malus provisions. In addition, the Annual Bonus Plan contains clawback provisions.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
LTIP			
Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.	Awards are granted annually to Executive Directors in the form of a conditional share award or nil cost option. These will vest at the end of a three year period subject to: • the Executive Director's continued employment at the date of vesting; and • satisfaction of the performance conditions. A two year holding period will apply following the three year vesting period for LTIP awards granted to the Executive Directors. Upon vesting, sufficient shares can be sold to pay tax. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	Maximum value of 200% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan. 25% of the award will vest for Threshold performance. 100% of the award will vest for maximum performance. Straight-line vesting between these points.	Awards vest based on performance against stretching targets, measured over a three year performance period. The Committee will review and set weightings and targets before each grant to ensure they remain appropriate. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of the LTIP vesting resulting from the application of the performance measures. Details of the performance conditions for grants made in the year will be set out in the Annual Report on Remuneration and for future grants in the section headed Implementation of Remuneration Policy, in the future financial year. The LTIP contains clawback and malus provisions.

Minimum shareholding requirement

The Committee has adopted formal shareholding requirements that will encourage the Executive Directors to build up over a five year period and subsequently hold a shareholding equivalent to a percentage of base salary. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.

In addition, Executive Directors will be required to retain 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements:

Role	Shareholding requirement (percentage of salary)
Group Chief Executive Officer	250%
Other Executive Directors	200%

The Committee retains the discretion to increase the shareholding requirements.

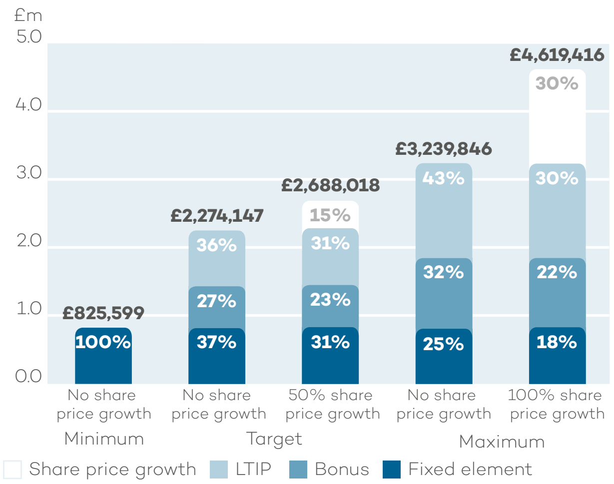
Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Non-Executive Director fees			
Provides a level of fees to support recruitment and retention of Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chairman's fees. Non-Executive Directors are paid an annual fee and additional fees for chairmanship of committees. The Company retains the flexibility to pay fees for the membership of committees. The Chairman does not receive any additional fees for membership of committees. Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors and the Chairman do not participate in any variable remuneration or benefits arrangements.	The fees for Non-Executive Directors and the Chairman are broadly set at a competitive level against the comparator group. In general the level of fee increase for the Non-Executive Directors and the Chairman will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The aggregate fee for the Non-Executive Directors and the Chairman will not exceed £2,000,000. The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chairman and may settle any tax incurred in relation to these.	No performance or recovery provisions applicable.

Illustration of application of Remuneration Policy

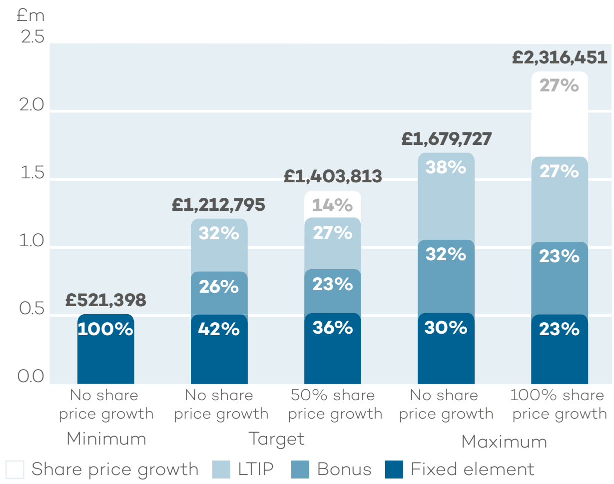
The charts below show an estimate of the remuneration that could be received by Executive Directors under the proposed new Policy set out in this Report.

Assumptions used in determining the level of pay out under given scenarios are as follows:

Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (Jonathan Hill)



Element	Minimum	On-Target	Maximum
Fixed Elements	Base salary for FY 2018 Benefits paid for FY 2017 Pension in line with Policy at 15% of salary		
Annual Bonus	Nil	60% of Maximum being 90% of salary for the Group CEO and 75% of salary for the Group CFO.	100% of the Maximum being 150% of salary for the Group CEO and 125% of salary for the Group CFO.
LTIP	Nil	60% of Maximum being 120% of salary for the Group CEO and 90% of salary for the Group CFO. For the additional scenario, a 50% share price growth assumption over 3 years has been shown.	100% of the Maximum being 200% of salary for the Group CEO and 150% of salary for the Group CFO. For the additional scenario, a 100% share price growth assumption over 3 years has been shown.

Scenario charts show "Minimum", "Target" and "Maximum" scenarios in accordance with the regulations with no share price growth assumed. For illustrative purposes additional scenarios are shown with various share price growth assumptions for the vesting of the LTIP. Dividend equivalents have not been added to deferred share bonus and LTIP share awards for any scenario.

Discretion within the Directors' Remuneration Policy

The Committee has discretion in several areas of Policy as set out in this Report. The Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules. In addition, the Committee has the discretion to amend Remuneration Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Malus and clawback

Malus is the adjustment of the annual bonus payments or unvested LTIP awards because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the annual bonus or vested LTIP awards as a result of the occurrence of one or more circumstances listed below.

Clawback may apply to all or part of a participant's payment under the annual bonus or LTIP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- the discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any performance condition or condition in respect of an annual bonus payment or LTIP award was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the annual bonus payment or LTIP award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	Annual Bonus (cash)	Annual Bonus (deferred shares)	LTIP
Malus	Up to the date of the cash payment.	To the end of the 3 year vesting period.	To the end of the 3 year vesting period.
Clawback	2 years post the date of any cash payment.	n/a	2 years post vesting.

The Committee believes that the rules of the Plans provide sufficient powers to enforce malus and clawback where required.

Loss of office policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company whilst applying the following philosophy:

Remuneration element	Treatment on cessation of employment
General	The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited, or no abatement on, severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.

	Good leaver reason	Other reason	Discretion
Cash bonus	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable for year of cessation.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and • to determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

	Good leaver reason	Other reason	Discretion
Deferred share awards	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Directors' departure.

	Good leaver reason	Other reason	Discretion
LTIP	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to determine to vest shares at the end of the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to determine whether to apply the holding period post cessation at all, in part or in full; and • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

The following definition of leavers will apply to both the Annual Bonus and the LTIP. A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- retirement;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

Change of control policy

Name of Incentive Plan	Change of control	Discretion
Cash awards	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Deferred share awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee has discretion regarding whether to pro-rate the LTIP awards to time. The Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.

Recruitment and promotion policy

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award. The Company's detailed policy when setting remuneration for the appointment of new Directors is summarised in the table below:

Remuneration element	Recruitment policy
Salary, benefits and pension	Salary and benefits will be set in line with the policy for existing Executive Directors. Maximum pension contribution will be 10% of salary.
Annual bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150% of salary.
LTIP	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 200% of salary.
Maximum variable remuneration	The maximum variable remuneration which may be granted is 350% of salary (excluding the value of any buy-outs).
"Buy Out" of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justify the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the Executive Director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and conditions having a material effect on their value (lapsed value); The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences/housing allowance and schooling.

Where an existing employee is promoted to the Board, the policy set out above would apply from the date of promotion but there would be no retrospective application of the policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the remuneration report for the relevant financial year.

The Company's policy when setting fees for the appointment of new Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

Service contracts and letters of appointments

The Remuneration Committee's policy for setting notice periods is that a six month period will apply for Executive Directors unless the Remuneration Committee determines that 12 months would be more appropriate in the circumstances. The Remuneration Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to either six or 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three year period.

The Company follows the UK Corporate Governance Code's recommendation that all directors of FTSE 350 companies be subject to annual re-appointment by shareholders.

Executive Directors

Name	Date appointed	Nature of contract	Notice periods: From Company	Notice periods: From Director	Compensation provisions for early termination
Lance Batchelor	2 May 2014	Rolling	6 months	6 months	None
Jonathan Hill	7 April 2015	Rolling	6 months	6 months	None

Non-executive Directors

Name	Original appointment	Appointment of current term	Arrangement	Notice period/ unexpired term
Andrew Goodsell	05/12/2003 (transitioned to Non-Executive 01/07/2015)	05/07/2015	Letter of appointment	3 months/ 3 months
Ray King	29/05/2014	29/05/2017	Letter of appointment	3 months/ 26 months
Bridget McIntyre	01/01/2016	plc 01/01/2016 SSL 01/09/2016	Letter of appointment	3 months/ 26 months (plc) 3 months/17 months (SSL)
Orna NiChionna	29/05/2014	29/05/2017	Letter of appointment	3 months/ 26 months
Gareth Williams	29/05/2014	29/05/2017	Letter of appointment	3 months/ 26 months

The Board allows Executive Directors to accept appropriate outside Non-Executive Director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Team, the Remuneration Committee considers a report prepared by the Group HR Director detailing base pay and share schemes practice across the Company. The report provides an overview of how employee pay compares to the market and any material changes during the year, and includes detailed analysis of basic pay and variable pay changes within the UK.

While the Company does not directly consult with employees as part of the process of reviewing executive pay and formulating the Remuneration Policy, the Company does receive an update and feedback from the broader employee population on an annual basis using an engagement survey which includes a number of questions relating to remuneration. The Company does not use remuneration comparison measurements.

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates employee share and variable pay plans, with pension provisions provided for all Executive Directors and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees. See pages 100-105 for our new section on fairness, diversity and wider workforce considerations.

Consideration of shareholder views

The Remuneration Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders and the main shareholder representative bodies IA, ISS and Glass Lewis on the proposed new Remuneration Policy. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback. At the end of the consultation the majority of shareholders consulted indicated they were supportive of the new Remuneration Policy.

Gareth Williams
Chair, Remuneration Committee
11 April 2018

Management report

The Directors' Report, together with the Strategic Report set out on pages 1-51 form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R.

Statutory information contained elsewhere in the Annual Report

Information required to be part of this Directors' Report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference.

Information	Location in Annual Report
Likely future developments in the business of the Company or its subsidiaries	Pages 1-51
Corporate social responsibility	Pages 20-21
Greenhouse gas emissions	Pages 22-23
Employees (employment of disabled persons, employee engagement and policies)	Pages 20-21
Corporate Governance Statement	Pages 52-82
Directors' details (including changes made during the year)	Pages 62-64
Related party transactions	Note 34 on page 199
Diversity	Pages 20 and 68
Share capital	Note 28 on page 194
Going concern and viability statement	Page 54
Fair, balanced and understandable statement	Page 54
Employee share schemes (including long-term incentive schemes)	Note 31 on page 196
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2.3, 17 and 18 on pages 141-153, 172-176 and 177-182
Additional information	Pages 208-211

Disclosure table pursuant to Listing Rule (LR) 9.8.4C

The following table provides references to where the information required by Listing Rule 9.8.4C R is disclosed:

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 16 on page 171
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Group Chief Financial Officer's Review, page 51
9.8.4(4)	Long-term incentive schemes (LR 9.4.3R)	Directors' Remuneration Report, pages 83-121
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 83-121
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 83-121
9.8.4(7)	Non pre-emptive issues of equity for cash	Directors' Report on page 125
9.8.4(8)	Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent Company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a director is or was materially interested	Note 34 on page 199
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' Report on page 126 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 126 (under paragraph 'Rights attaching to shares')
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Results and dividends
The Group made a profit after taxation of £137.5m for the financial year ended 31 January 2018. The Board paid an interim dividend of 3.0p per share and proposes to pay, subject to shareholder approval at the 2018 AGM, a final dividend of 6.0p net per share in respect of the year ended 31 January 2018.

The Directors have adopted a long-term sustainable dividend policy (which is reviewed by the Board on an annual basis). This will reflect the growth of the business while retaining sufficient profits to fund investment and ensure that there are sufficient capital reserves. Any decision to declare and pay dividends is made at the discretion of the Directors and depends on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

Political donations
No political donations were made during the year.

Directors' interests
A list of the Directors, their interests in the long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 83-121.

Rules on appointment and replacement of Directors
All Directors will seek re-election at the AGM in accordance with the Company's articles of association and the recommendations of the Code, with the exception of Andrew Goodsell, who has resigned from the Board with effect from 30 April 2018, and Patrick O'Sullivan whose election will be put to the shareholders at the AGM.

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next AGM.

A Director may be removed by the Company in certain circumstances set out in the Company's articles of association or by an ordinary resolution of the Company.

Directors' indemnities and insurance
As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. No amount was paid under any of these indemnities or insurances during the year other than the applicable insurance premiums. Directors' and officers' liability insurance is in place as at the date of this report, at an amount which the Board considers adequate. This is subject to an annual review.

Share capital and interests in voting rights
The Company's share capital (including movements during the year) is set out on page 194. At the date of this report the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 1p each. As at 31 January 2018, 1,120,295,419 ordinary shares of 1p each have been issued, are fully paid up and quoted on the London Stock Exchange.

In accordance with DTR 5.1, the Company has been notified of the following interests in the Company's total voting rights as at 31 January 2018:

Name	Date of disclosure to Company[1]	Ordinary shares	Percentage of capital	Nature of holding
Pelham Long/Short Master Fund Ltd	14/05/2015	69,056,048	6.22%	Equity swaps
Majedie Asset Management Limited (owned by Majedie UK Income Fund, Majedie Asset Management UK Income Fund, Majedie Asset Management UK Equity Fund, Majedie UK Equity Fund, Majedie Institutional Trust and Discretionary Clients)	03/12/2015	68,956,717	6.17%	Indirect
Royal London Asset Management Limited (owned by HSBC Global Custody Nominees (UK) Ltd)	01/11/2016	56,154,560	5.0227%	Direct
Artemis Investment Management LLP on behalf of discretionary funds under management	23/03/2017	111,601,253	9.98%	Indirect
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios (The above includes, Aberdeen Asset Investments Limited, Standard Life Investments Limited, Aberdeen Asset Managers Limited and Ignis Investment Services Limited)	09/01/2018	56,279,151	5.02%	Indirect

Note:
1 Since the date of disclosure to the Company, the interest of any person listed above in ordinary shares may have increased or decreased. No requirement to notify the Company of any increase or decrease arises unless the holding passes a notifiable threshold in accordance with DTR 5.1

Information regarding other interests in voting rights provided to the Company pursuant to the FCA DTRs is published on the Company's website and a Regulatory Information Service. Notification was also received by the Company during the year that Legal & General Group plc and Janus Henderson Group plc (previously Henderson Group plc) had notifiable interests but these ceased to be notifiable interests and are not included in the table above.

As at 11 April 2018, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules that the following shareholders held, or were beneficially interested in, 3% or more of the voting rights in the Company's issued share capital:

Name	Date of disclosure to Company	Ordinary shares	Percentage of capital	Nature of holding
Deutsche Bank AG	20/03/18	78,359,162	6.99%	Direct, right to recall and swaps
J P Morgan Chase & Co. (owned by J P Morgan Securities plc)	22/03/18	58,599,782	5.23%	Indirect and cash-settled equity swaps
Setanta Asset Management Ltd	10/04/18	38,172,845	3.4074%	Indirect

Change of control – significant agreements

A number of agreements take effect, alter or terminate upon a change of control of the Company including following a takeover bid, for example: insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is closely managed as part of the contractual governance process. Inevitably, there may be certain operational contracts that could provide for a period of disruption or higher operational charges if a change of control clause was invoked. However, at the current time, we are not aware of any critical or material contracts that pose such a threat.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £250m, seven year public listed bond at 3.375%, a five year, £300m term loan and a £150m five-year revolving credit facility, which may be extended by up to two years.

12-year Export Credit Agency backed funding is in place to finance 80% of the cost of the Group's two new ships. These facilities will be drawn as ship builds complete and are secured by way of a charge over the assets financed. In the event of a change of control, the facilities would either require repayment or renegotiation. Further details on banking facilities are shown in note 26 to the consolidated financial statements on page 192.

The rules of the Company's employee share plans generally provide for the accelerated vesting and/or release of share awards in the event of a change of control of the Company.

The Company does not have any agreements with Directors or employees which would pay compensation in the event of a change of control.

Conflict of interest

Each Director is obliged to disclose any potential or actual conflict of interest in accordance with the Company's conflict of interest policy. The policy and declarations made are subject to annual review and Directors are required to update any changes to declarations as they occur. Internal controls are in place to ensure that any related party transactions are conducted on an arm's length basis.

Authority to allot/purchase own shares

A shareholders' resolution was passed at the AGM on 22 June 2017 which authorised the Company to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the 'Act') (up to £1,118,005.41 representing 10% of the aggregate nominal share capital of the Company following Admission). This is subject to a minimum price of 1p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the London Stock Exchange trading system.

The Company did not exercise this authority during the year ended 31 January 2018. The above authority will expire at the forthcoming AGM and a special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed. The authority to repurchase the Company's ordinary shares in the market will be limited to £1,120,295.41 and will set out the minimum and maximum price which will be paid.

The Directors of the Company were also granted authority at the 2017 AGM to allot relevant securities up to a nominal amount of £3,722,958. This authority will apply until the conclusion of the 2018 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of section 551 of the Act) to allot relevant securities (i) up to an aggregate nominal amount of £3,730,583; and, (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £7,461,167 (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2019 or, if earlier, 31 July 2019.

In July 2017, the Company issued 2,290,014 new ordinary shares of 1p each for transfer into an employee benefit trust to satisfy employee incentive arrangements. The new shares were admitted to trading on 10 July 2017. This increased the Company's issued share capital to 1,120,295,419 ordinary shares of 1p, of which no shares are held in treasury.

Special resolutions will also be proposed to give the Directors authority to make non pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £560,147.70 and to make non pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £560,147.70.

Rights attaching to shares

The Company has a single class of ordinary shares in issue. The rights attached to the shares are governed by applicable law and the Company's articles of association (which are available at http://corporate.saga.co.uk/media/1195/saga-plc-articles-of-association.pdf).

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; and receive a copy of the Company's report and accounts and a dividend when approved and paid. On a show of hands, each shareholder present in person, or by proxy (or an authorised representative of a corporate shareholder), shall have one vote. In the event of a poll, one vote is attached to each share held.

The notice of the AGM (Notice) states deadlines for exercising voting rights and for appointing a proxy/proxies.

No shareholder owns shares with special rights as to control.

The Saga Employee Benefit Trust is an Employee Benefit Trust (the 'Trust') which holds property (the 'Trust Fund') including inter-alia money and ordinary shares in the Company in trust in favour or for the benefit of employees of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in note 31 to the consolidated financial statements.

Restrictions on the transfer of shares

Other than where imposed by law or regulation, or where the Listing Rules require certain persons to obtain clearance before dealing, there are no restrictions regarding the transfer of shares in the Company. The Company is not aware of any agreement which would result in a restriction on the transfer of shares or voting rights.

Articles of association

Any amendment to the Company's articles of association may only be made by passing a special resolution of the shareholders of the Company.

Research and development

The Group does not undertake any material activities in the field of research and development.

Branches outside the UK

The Company does not have any branches outside the UK.

Post-balance sheet events

There were no post-balance sheet events.

Auditor

KPMG LLP has confirmed its willingness to continue in office as auditor of the Company and resolutions for its re-appointment and for the Audit Committee to determine its remuneration will be proposed at the forthcoming AGM.

Disclosure of information to the auditor

Having made the requisite enquiries, so far as each of the Directors is aware, there is no relevant audit information (as defined by section 418(3) of the Act) of which the Company's auditor is unaware and the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

Annual General Meeting

The AGM will be held on 21 June 2018 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice contains an explanation of special business to be considered at the meeting.

A copy of the Notice will be available on our website, http://corporate.saga.co.uk, in due course.

Directors' responsibilities

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and hence to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 58 and 62-63, confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

By order of the Board

V Haynes
Company Secretary
11 April 2018
Saga plc Company no. 08804263

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Saga plc (the Company) for the year ended 31 January 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, Parent Company statement of financial position, Parent Company statement of changes in equity, and the related notes, including the accounting policies notes.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 January 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor by the shareholders on 22 June 2017 and therefore this is the first period that we are engaged as auditor for the Group. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview	
Materiality: Group financial statements as a whole	£9.0m 5% of profit before tax from continuing operations
Coverage	98% of total profits and losses that made up Group profit before tax
Risks of material misstatement	Valuation of claims outstanding (gross and net)
	Recoverability of Group goodwill and of Parent's investment in subsidiaries

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Valuation of claims outstanding (gross and net) (Gross £467.0 million; 2017: £517.0 million, Net £272.8 million; 2017: £367.7 million) Refer to page 74 (Audit Committee Report), page 151 (accounting policy) and page 188 (financial disclosures).	**Subjective valuation:** Claims outstanding represent the largest liability for the Group. Valuation of these liabilities is highly judgemental, and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Key assumptions include expected loss ratios and estimates of the frequency and severity of claims, used to value the liabilities, particularly those relating to the amount and timing of future claims. Certain areas of the claims outstanding balance contain greater uncertainty, for example third party bodily injury claims exhibit greater variability and are more long tailed than the damage classes. In particular the allowance made for the current and potential propensity change following the Ogden rate change on Periodic Payment Order (PPO) reserves are very uncertain and have a high reserving risk. Similar judgements are required in establishing the reinsurers share of insurance provisions, in particular share of Incurred but not Reported (IBNR) claims. A margin is added to the actuarial best estimate of insurance liabilities to make allowance for specific risks and uncertainties that are not specifically allowed for in establishing the actuarial best estimate. The appropriate margin to recognise is a subjective judgement and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.	Our controls procedures included: • **Control design and operation:** testing, with the support of our IT specialists, the design, implementation and operating effectiveness of key controls over claims and premiums data entry and model processing for the calculation of IBNR claims to assess completeness and accuracy of data; • **Data comparisons:** reconciliations between the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to assess the integrity of the data used in the actuarial reserving process; and • **Assessing application:** We also compared samples of claims case reserves, including large loss reserves, to appropriate documentation, such as reports from loss adjusters, solicitors and medical experts in order to validate that the valuation of individual claims reserves followed the prescribed reserving methodology. We involved our actuarial specialists to perform the following procedures: • **Independent re-performance:** Performing independent re-projections on a sample of the less certain classes at year end. This exercise focused on re-projecting, using our own models, the best estimate of reserves held for the third party bodily injury peril of business underwritten by the Group, being the most significant and more uncertain element of the reserves held at the balance sheet date. Our reprojections did not include the reserves held for other perils or smaller classes such as Caravan or Van or business introduced through the Automobile Association and Direct Choice; • **Benchmarking assumptions:** challenging the assumptions, such as claim frequency and severity, in the valuation of claims outstanding (gross and net). This was achieved by benchmarking against market data; • **Historical comparisons and our experience:** Evaluating the track record of assumptions used, in particular previous claims experience and loss ratios, against the Company's historical data and our market experience; • **Testing application:** Analysing a targeted sample of case reserves to identify and test the application of significant assumptions applied in determining the level of reported reserves.

	The risk	Our response
Valuation of claims outstanding (gross and net) (continued)		• **Margin evaluation:** Evaluating the appropriateness of the management recommended margin that is held in addition to the actuarial best estimate for additional risk and uncertainty not specifically allowed for. In order to do this, we assessed the Director's approach to, and analysis performed, in setting the margin, having regard to the allowance for uncertainties inherent in the data and assumptions in developing the actuarial best estimate. We then considered the relative strength of the margin held versus the prior period to be satisfied that no additional prudence had been recognised in the level of margin held; • **Tests of detail:** Assessed the risk transfer elements of the reinsurance contracts and the accuracy of a sample of reinsurance recoveries recorded, including reinsurance recoveries related to IBNR, against the terms of relevant reinsurance agreements; and • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the balance to changes in key assumptions reflected the risks inherent in the valuation of claims outstanding. **Our results** • We found the valuation of claims outstanding to be acceptable.
Recoverability of Group goodwill and of Parent's investment in subsidiaries (Group goodwill: £1,485.0 million; 2017: £1,485.0 million; Parent investment in subsidiaries: £2,104.2 million; 2017: £2,102.7 million) Refer to page 74 (Audit Committee Report), pages 145 and 204 (accounting policy) and pages 167 and 206 (financial disclosures).	**Forecast-based valuation:** Goodwill in the Group and the carrying amount of the Parent Company's investment in subsidiaries are significant and at risk of irrecoverability if forecast business performance for the Group's retail insurance broking and travel businesses, in particular, were to fall significantly short of business plans. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. This is an area of additional focus at the year end in light of the fall in the Group's share price, resulting in the market capitalisation of the Group to be significantly lower than the net assets in the Parent Company.	Our procedures included: • **Control design:** Evaluating the design and implementation of the Group's impairment assessment procedures, including budgeting and forecasting, including as applied to the Parent Company; • **Historical comparisons:** assessing the reasonableness of cash flow projections against the historical performance; • **Benchmarking assumptions:** Comparing the Group and Parent Company's assumptions to externally derived data in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates with the help of our valuation specialists; • **Comparing valuations:** In response to the low market capitalisation, we compared the Value in Use for both the Group's cash generating units as a whole and for the Parent Company with external, financial-market analysts' valuation ranges for the Group's shares, including comparison of those analysts' assumptions underlying their valuations and the assumptions used in the Value in Use. • **Sensitivity analysis:** Using our analytical tools to assess the sensitivity of the goodwill headroom to changes in key assumptions, both individually and collectively; and • **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill. **Our results** • We found the Group's assessment of the recoverability of Group goodwill and of the Parent Company's investment in subsidiaries, as well as the disclosures around the sensitivities of goodwill to the key assumptions, to be acceptable.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £9.0m, determined with reference to a benchmark of Group profit before tax from continuing operations, of £178.7m, of which it represents 5%.

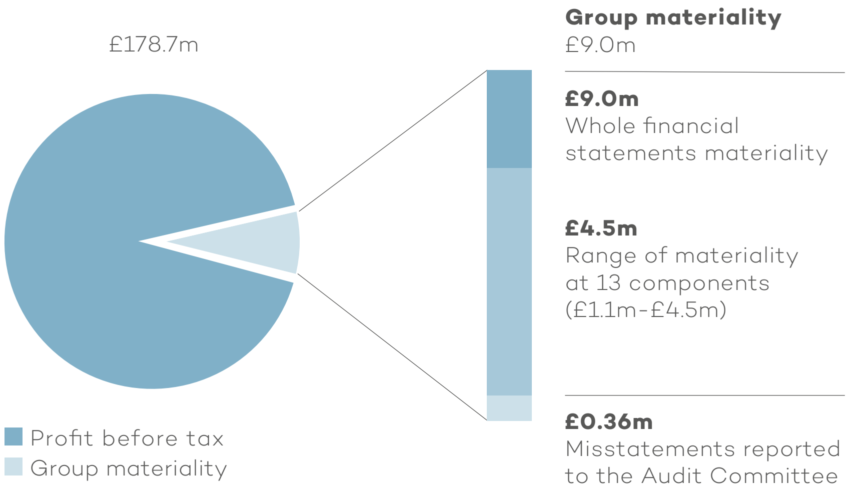
Materiality for the Parent Company financial statements as a whole was set at £2.5m by reference to component materiality, which represents 0.1% of total assets. This is lower than the materiality we would otherwise have determined by reference to Company total assets.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.36m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

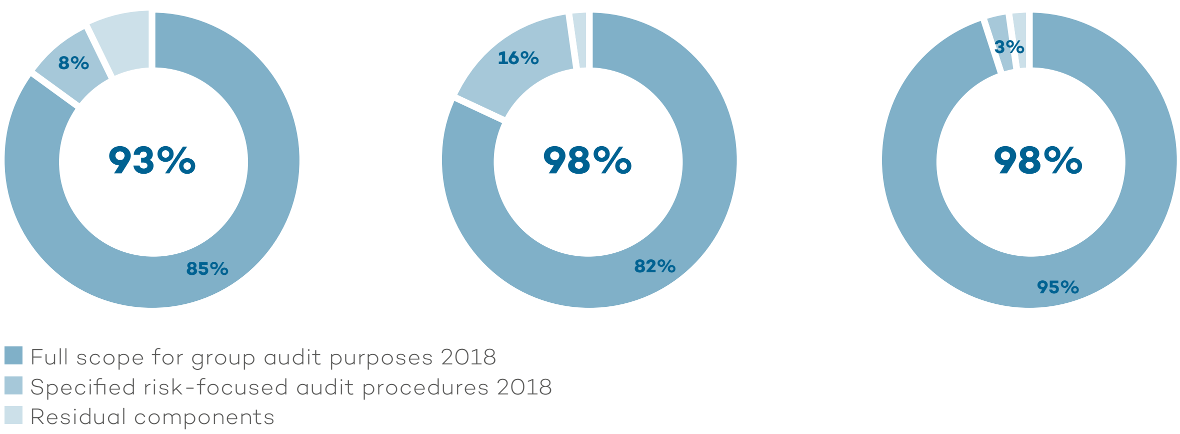
Of the Group's 13 reporting components, we subjected 4 to full scope audits for Group purposes and 3 to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed. For the residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the percentages illustrated below.

Profit before tax from Continuing Operations



Group revenue | **Total profits and losses that made up Group profit before tax** | **Group total assets**



The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £1.1m to £4.5m, having regard to the mix of size and risk profile of the Group across the components. The work on 3 of the 13 components was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement on page 54 of the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- if the related statement under the Listing Rules set out on page 54 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report and Accounts

The directors are responsible for the other information presented in the Annual Report and Accounts together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the viability statement on page 54 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 126, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities–ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. We identified relevant areas of laws and regulations from our sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statements items.

In addition we considered the impact of laws and regulations in the specific areas of regulatory capital, regulatory compliance, recognising that there are operations of the Group authorised and regulated by the Financial Conduct Authority (FCA), and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of irregularities in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stuart Crisp (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

11 April 2018