Strong governance plays a vital part in driving the right behaviour and producing fair outcomes for our customers

Dear Shareholder,
This year has been a challenging year for many reasons, including the recent impact of COVID-19. It was crucial that our governance framework continued to support effective decision making as we dealt with the external factors that affected our strategy. We remain committed to our purpose of helping our customers lead the life they want to lead and believe that strong governance plays a vital part in driving the right behaviour and producing fair outcomes for our customers. I am proud of how the workforce is dealing with the disruption to our usual way of working and want to thank all colleagues for their hard work and passion during a difficult time.

The Board spent time considering how investment in the Saga brand would allow us to continue to offer specialist products and services that deliver good value and which would meet our customers' needs. Board discussion has focused on conduct, customer outcomes and how we can use our customer insight to gain a unique understanding of the behavioural traits and sentiments of our target demographic.

Our customers are responding well to what we are doing. It is clear that the Saga brand remains strong with our core target market.

We also enhanced the Membership proposition with the launch of the Possibilities app, Dining Possibilities and a digital edition of the Saga Magazine. I was pleased that we were able to extend our Possibilities offering to our shareholders during the year.

Details of Board activities during the year and how the governance structure supported key decisions, such as the decisions to invest further in our IT capabilities, charter new river cruise ships and launch new savings products, can be found on pages 59-63.

The Board Committees also played important roles throughout the year. The Risk Committee considered emerging and principal risks and uncertainties and risk tolerance thresholds. This analysis played an important part in the stress testing used in the formation of the viability statement (see page 48). The Audit Committee reviewed the viability statement itself, provided assurance that appropriate systems, controls and processes were in place and advised the Board that it 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.

Board composition and changes

Throughout the year, the Nomination Committee discussed optimum Board composition and the skills required to take the business forward.

I am confident that we have the right leadership to make the right decisions in a challenging environment. We were able to attract strong candidates due to the strength of Saga as a unique British brand with a strong heritage.

Euan Sutherland succeeded Lance Batchelor as Group Chief Executive Officer in January 2020. Euan was selected due to his substantial experience heading major customer facing businesses, including financial services businesses, through periods of change. The Board was of the opinion that Euan's leadership would be invaluable as we continue the Saga transformation, with our customers at the heart of our strategy.

Gareth Hoskin was appointed to the Board as a Non-Executive Director on 11 March 2019. Gareth also took on the role of Chair of AICL and his experience in this sector has proved invaluable.

In November 2019, we announced that the Board had approved the Nomination Committee's recommendation to appoint Cheryl Agius as Chief Executive Officer of Insurance, a newly created role to lead all aspects of our insurance business and deliver our insurance strategy by building on the early success of our innovative three-year fixed-price product. Cheryl was selected due to her experience in insurance, retirement and pensions and strong track record of delivery in senior strategic roles.

For details of the processes for selection and appointment, see the Nomination Committee Report on pages 68 to 69.

In January 2020, we announced that Gareth Williams had advised us of his intention to step down as Chair of the Remuneration Committee with effect from 1 February 2020. Eva Eisenschimmel has been appointed in his place. Gareth will retire as a Non-Executive Director of the Company by the end of December 2020.

In April 2020, we announced that Ray King had confirmed his intention not to stand for re-election at the 2020 AGM. Gareth Hoskin will replace Ray King as Chair of our Audit Committee.

I would like to thank Lance for his six years of service to the Group. I also thank Gareth and Ray for their valued contribution to the Board and excellent service as Chairs of the Remuneration and Audit Committees respectively. I wish them all well for the future.

We comply with the recommendation in the UK Corporate Governance Code 2018 (Code) that at least half of our Board members, excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. The Board welcomes the fourth report of the Hampton-Alexander Review (published in November 2019) which seeks to improve Board and senior leadership diversity. The Company currently has four women on its Board (40%) and six in total across the combined Board and Group Executive Team (35%). The number of women in the combined group of Group Executive members and their direct reports is 34%. For full details of Board composition, see pages 64-65.

Key features of our governance procedures

- **Governance:** our governance framework works to support effective decision making.
- **Purpose:** we are working to articulate more explicitly and holistically our purpose and values and how they relate to our stakeholders.
- **Stakeholders:** a stakeholder mapping exercise ensured we focus on our key stakeholders are at the heart of the decisions we make.
- **Customers:** focused on customer outcomes and how we can use our customer insight to gain a unique understanding of the behavioural traits and sentiments of our target demographic – and give customers what they want.
- **Financial performance:** our governance processes help us assess and measure the impact of our decisions on financial performance, value for shareholders and impact on stakeholders.

People and culture

Our people make Saga what it is and are there to deliver on our purpose, which is why a strong culture is so important. We recognise that culture is a journey and is a key part of our competitive advantage. We focused on the following key drivers of culture:

- **Leadership.** We recognise the importance of ensuring we have the right talent in place to achieve our goals. Talent development and succession planning are discussed in detail by the Nomination Committee and the Board, including biannual formal reviews.
- **Purpose.** We are working to articulate more explicitly and holistically our purpose and values and how these relate to our stakeholders. The Board's focus was on opportunities to sharpen and make our purpose, culture and values more meaningful to add clarity and precision and improve stakeholder returns.

- **Approach to rewarding and managing people.** The Remuneration Committee was focused on ensuring that the Company had the right system of rewards not only at the senior level but also throughout the Group to ensure that our colleagues were being rewarded fairly for their work and we were able to retain the best talent. Further details can be found in our Remuneration Report on pages 81-108. We awarded eligible employees Free Shares for the fifth year running to reward their hard work and encourage a sense of ownership of the business.
- **Engagement.** We recognise that engagement with our colleagues is vital, particularly during difficult times. We received regular updates on the People Committee's activities. Gareth Williams continued to be the designated Non-Executive Director for employee-related matters and ensured that employee views and opinions were communicated to the Board as a whole.

Environmental, social and governance

Our governance framework is reviewed by the Board continuously against best practice and regulatory requirements. We consider a regulatory report at each Board meeting, which includes horizon scanning for future developments. There has been an increased focus on environmental issues during the year – details can be found on pages 26-29.

During the year, we advised our shareholders of our intention not to issue a paper proxy form as a matter of course. We explained that in 2018 we issued 53,000 paper proxies, only 17% of which were returned representing 1.65% of the issued share capital. We encourage electronic communication as this is more efficient and increases the speed of communication, and reduces print and distribution costs and the impact on the environment. We recognise that this does not suit everybody and so we have come up with what we believe is a fair compromise in that we have put in place a process where a paper proxy form will be issued upon request.

We conducted an interview-based, externally facilitated Board and Committee evaluation during the year. The review concluded that good progress had been made and that continued focus on brand awareness and customer needs was vital for delivery of the strategy. A full explanation of the evaluation exercise can be found on pages 66-67.

A summary of how we have applied the principles of the 2018 Code is set out overleaf. Our approach to Board leadership and Company purpose is detailed on pages 58-60, division of responsibilities on pages 61-63, composition, succession and evaluation on pages 64-67, stakeholder engagement by the Board on page 60, and audit, risk and internal control on pages 70-73.

Our shareholders and our AGM

Our Executive Directors, Chair of the Remuneration Committee 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 2019 AGM, all resolutions were passed with a significant majority with the exception of the approval of the Directors' Remuneration Report. An explanation on how the Board engaged to seek feedback with those shareholders who voted against can be found on our corporate website (www.corporate.saga.co.uk/about-us/governance). All Directors standing for re-election were re-appointed.

Our AGM is scheduled to take place on 22 June 2020. We are considering how this will be held this year, in light of the impact of COVID-19 and will set out full details in the notice of the meeting.

Patrick O'Sullivan
Chairman
8 April 2020

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 at www.frc.org.uk. The Company applied the principles and complied with the relevant provisions of the Code throughout the year as set out on pages 56-57. An explanation of non-compliance with Provision 38 is also provided.
Viability statement	The viability statement can be found in the Strategic Report on page 48.
Going concern	The going concern statement can be found in the Strategic Report on page 49.
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.
Assessment of risk	Through the risk cycle detailed on page 72, the Board is able to confirm that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity, in accordance with Provision 28 of the Code.
Statement of review	The risk management process detailed on pages 70-73 was in place for the year under review and up to the date of approval of this report. The Audit Committee, working closely with the Risk Committee and on behalf of the Board, carried out a review of the effectiveness of the systems of internal control and risk management covering all material controls, including financial, operational and compliance controls and the updated Group risk management framework. The conclusion was that the internal control environment remained effective, but that risk management maturity in the Group needs to be strengthened, notably in response to management and system changes over time. This is being addressed through a multi-year risk transformation programme commenced by Group Risk in 2019.
Section 172 (1)	The Section 172 (1) statement can be found in the Strategic Report on pages 50-51.

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

1. Board leadership and company purpose

A. Effective Board

The Board met formally 10 times during the year. The schedule of matters reserved for the Board (detailed on page 58) was reviewed on 18 September 2019. The governance structure in place sets out delegated authorities clearly. The Board considers progress against long term strategy at each Board meeting. More information on Company KPIs, strategic priorities, principal risks and uncertainties, and stakeholder engagement is provided in the Strategic Report.

READ MORE PAGES 1-51 STRATEGIC REPORT
PAGES 32-33 PRINCIPAL RISKS AND UNCERTAINTIES
PAGES 52-80 GOVERNANCE

B. Purpose, value, strategy and culture

The Company's purpose, value and strategy are defined in the Strategic Report. Culture plays an important part in delivery of strategy and operation of the business model. The Company is on a journey to embed and continuously focus on the right culture and initiatives were undertaken during the year to champion desired behaviours.

READ MORE PAGE 31 HOW THE BOARD ASSESSES AND MONITORS CULTURE
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

C. Resources and controls system

The Board and its principal Committees' focus was to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls. This enabled risk to be assessed and managed. The Board and Committee framework means that the Company's strategic aims were continually assessed and ensured that the necessary financial and human resources were in place for Group objectives to be met and to review management performance.

READ MORE PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 32-33 PRINCIPAL RISKS AND UNCERTAINTIES
PAGES 50-51 SECTION 172 (1) AND NON-FINANCIAL INFORMATION STATEMENTS
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT

D. Stakeholder engagement

The Board is committed to understand the views of the Company's key stakeholders and consider their interest in Board discussion and decision making. During the year a Group-wide 'stakeholder mapping' exercise took place, to identify material stakeholders, their concerns and to ensure that the Group considered the impact on identified stakeholders when making decisions.

In addition, the Board actively engages with shareholders and values opportunities to meet with them.

The AGM is viewed as an important opportunity to meet shareholders and all Board members were available during and after the meeting. The importance of ongoing dialogue with shareholders is recognised and during the year the Chairman had direct contact with major shareholders and the Remuneration Chair consulted regarding changes to the Long Term Incentive Plan, reasons for the vote against the Remuneration Report and informed them of the action taken as a result. Details of the impact of the feedback received was published on the Company's website (www.corporate.saga.co.uk/about-us/governance).

The Chairman provided updates on shareholder opinion, formally at the Board meetings and informally where appropriate, via timely updates following each conversation. In addition, advisors attended Board meetings to provide feedback and analyst reports were circulated.

READ MORE PAGES 1-25 STRATEGIC REPORT
PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 50-51 SECTION 172 (1) AND NON-FINANCIAL INFORMATION STATEMENTS
PAGE 60 STAKEHOLDER ENGAGEMENT BY THE BOARD

E. Workforce policies and ability to raise concerns

Key policies are reviewed and submitted to the Board on an annual basis for discussion and approval. These are reviewed in the context of regulatory changes as well as best practice and to reflect the Company's values. Appropriate training programmes were rolled out to relevant colleagues (mainly via an eLearning platform). Training was prioritised to link to strategy and mitigate risk. Significant effort has been made to communicate the Company's robust Whistleblowing and Open Door Policy and process. During the year, the supervision of this process moved to the Group Risk and Compliance team, to ensure that there was an independent and effective second line review of the procedure in place. A whistleblowing report is considered at each Audit Committee meeting, with the Board made aware of material incidents. The Board also considers an annual whistleblowing report from the Audit Committee Chair as Whistleblowing Champion.

READ MORE PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 50-51 SECTION 172 (1) AND NON-FINANCIAL INFORMATION STATEMENTS
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 74-77 AUDIT COMMITTEE REPORT
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

2. Division of responsibilities

F. Role of the Chairman

The Chairman sets the agenda for meetings, manages the meeting timetable (in conjunction with the Group Company Secretary) and facilitates open and constructive dialogue during the meetings, with particular focus on strategic issues. This year saw the appointment of new Executive and Non-Executive Directors and it was important that the Chairman promoted constructive relations between all Board members and also with senior colleagues throughout the Group. The Chairman ensured that the Directors received accurate, timely and clear information, with regular updates and discussions arranged in between formal meetings.

READ MORE PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES

G. Board and its 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 7 November 2019. This document is reviewed annually by the Board. In addition, the Board felt it appropriate to include reference to the role of Committee Chairs and the Non-Executive Directors identified as 'People' and 'Customer' Champions. Matters reserved for the Board and the Board and Executive Committees' terms of reference are reviewed annually. The Board Committees' terms of reference can be found on the Company's website (www.corporate.saga.co.uk/about-us/governance).

READ MORE PAGES 61-63 DIVISION OF RESPONSIBILITIES
PAGES 64-65 BOARD BIOGRAPHIES

H. Non-Executive Directors

The Non-Executive Directors provide objective, rigorous and constructive challenge to management and met regularly without the Executive Directors. The Senior Independent Director acted as a sounding board for the Chairman, led an evaluation of the Chairman's performance and was available for meetings with major shareholders, although this was not necessary during the year.

READ MORE PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES

I. Information and support

The Chairman, in conjunction with the Group Company Secretary, ensured that all Board members received accurate and timely information and were kept informed on all governance and regulatory matters. A regulatory report detailing the impact of all emerging and future changes was presented at each Board meeting.

READ MORE PAGES 18-31 CORPORATE RESPONSIBILITY
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 61-63 DIVISION OF RESPONSIBILITIES
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 78-80 RISK COMMITTEE REPORT
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

3. Composition, succession and evaluation

J. Appointment process

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, in all forms. This included the search for a successor to the Group Chief Executive Officer.

READ MORE PAGES 68-69 NOMINATION COMMITTEE REPORT
PAGES 64-67 COMPOSITION, SUCCESSION AND EVALUATION

K. Board composition

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

READ MORE PAGES 68-69 NOMINATION COMMITTEE REPORT
PAGES 64-67 COMPOSITION, SUCCESSION AND EVALUATION

L. Board evaluation

The Board conducted an externally facilitated, interview-based, annual evaluation of its own performance and that of its Committees and individual Directors.

READ MORE PAGES 68-69 NOMINATION COMMITTEE REPORT
PAGES 64-67 COMPOSITION, SUCCESSION AND EVALUATION

4. Audit, risk and internal control

M. Independence and effectiveness of internal and external audit functions

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 internal and external auditor.

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

READ MORE PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT

N. Fair, balanced and understandable assessment

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report provides information about the performance of the Group, the business model, strategy and emerging and principal risks and uncertainties (PRUs) relating to the Group's future prospects.

READ MORE PAGES 1-51 STRATEGIC REPORT
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT
PAGES 125-129 FINANCIAL STATEMENTS

O. Risk management and internal controls

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 Risk Committee assists the Board with its responsibilities in relation to the management of risk and consideration of the Company's emerging and principal risks and uncertainties.

READ MORE PAGES 32-33 PRINCIPAL RISKS AND UNCERTAINTIES
PAGE 48 VIABILITY STATEMENT
PAGES 70-73 AUDIT, RISK AND INTERNAL CONTROL
PAGES 74-77 AUDIT COMMITTEE REPORT
PAGES 78-80 RISK COMMITTEE REPORT
PAGES 130-200 NOTES TO THE FINANCIAL STATEMENTS

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee is responsible for setting levels of remuneration that support strategy and promote the Company's long term sustainable success. Remuneration is structured to link it to both corporate and individual performance, so that the interests of management are aligned with those of shareholders and its key stakeholders. Annual bonus is underpinned by personal objectives which are aligned to Company's purpose and values and clearly linked to the delivery of the Company's strategy. The Company did not comply with Provision 38 of the Code, as the Group Chief Financial Officer's pension does not currently align with that of the workforce. Steps are being taken to address this.

READ MORE PAGES 1-51 STRATEGIC REPORT
PAGES 58-60 BOARD LEADERSHIP AND COMPANY PURPOSE
PAGES 81-108 DIRECTORS' REMUNERATION REPORT

Q. Procedures for executive remuneration

Details of the work of the Remuneration Committee and the Remuneration Policy can be found in the Directors' Remuneration Report. A copy of the current Remuneration Policy can be found on the Company's website (www.corporate.saga.co.uk/about-us/governance). None of the Directors are involved in deciding their own remuneration outcome.

READ MORE PAGES 81-108 DIRECTORS' REMUNERATION REPORT

R. Independent judgement

The Remuneration Committee exercises independent judgement and discretion when considering remuneration outcomes, taking account of Company and individual performance, and wider circumstances. It can override formulaic remuneration if necessary.

READ MORE PAGES 81-108 DIRECTORS' REMUNERATION REPORT

The Board is responsible for, and provides, the overall direction for management, debating our strategic priorities and setting Saga's values and standards

Culture

Saga has programmes in place to stimulate and maintain our pipeline of future leaders, and our framework has an emphasis on inclusion: recognition and respect of diversity of thought, of approach and of experience. We need to continue to challenge ourselves to find new ways to develop our next generation of women leaders, and are committed to ensuring we nurture the aspirations of all our people.

The Saga People Action Plan addresses themes identified by our 'Pulse' colleague 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 was aligned on delivering growth.

Saga has entered into a cross-Company mentoring arrangement hosted through the 30% Club, which has specific focus on developing future female leaders by matching them to mentors outside of our organisation over the course of a nine month programme. The programme will also involve Saga providing 10 mentors, who, in addition to receiving specific mentor training, will be matched with leaders external to Saga.

Further investment in developing our people was made with the launch of the leadership degree (for which 50 individuals have enrolled to date) and MBA programmes.

All Directors, members of the Group Executive Committee and persons discharging managerial responsibilities receive training on an ongoing basis.

Our Board

The Board is responsible for, and provides, the overall direction for management, debating our strategic priorities and setting Saga's values and standards. There is an articulated set of matters which are reserved for the Board and these are reviewed annually. The last review took place on 18 September 2019. Matters reserved for the Board include the following:

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

Understanding who the Group's stakeholders are is essential for the Group's success. The Board established a process of identifying the organisation's stakeholders and mapping them according to materiality and what is important to them. More information about the Group's stakeholder mapping exercise can be found on pages 19-21.

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

Board activities during the year

Meetings are structured to enable the Board to support executive management on the delivery of strategy within a transparent and robust governance framework as illustrated on pages 62-63. After the year end, the Board has reviewed in detail the impact of the COVID-19 pandemic on Saga, and the actions that management are taking to ensure that the Group remains operationally and financially resilient.

Areas of Board focus during the year:	
Strategy	Regular updates were provided by management on strategic and commercial priorities, including the development of the new brand and data strategy and updates on the Possibilities programme. The possible impact of Brexit was discussed.
People and culture	The Board received regular updates on talent and succession plans, reward structures and Group HR policy. The People Committee facilitated ongoing dialogue and transparency with our colleagues.
Stakeholder engagement	The Board considered the views of, and impact of decisions on, our stakeholders. Active dialogue was maintained with our shareholders throughout the year, responding to enquiries via our Investor Relations team, and holding meetings with investors and financial analysts to discuss business performance and strategy. The Executive Directors, the Chairman and the Chair of the Remuneration Committee held meetings with key shareholders.
Governance	Regular reports were provided by the Board's principal Committees, with oversight of the governance and risk management frameworks. The Board reviewed our risk appetite and tolerance levels and thresholds against the strategy. The Group's Modern Slavery and Human Trafficking Policy and Statement were approved and published.
Investing in our capabilities	The Board received updates from management on the performance of the business and on financial performance and how investment would lead to growth.

Governance in action

Growth

- Reviewed our products and offerings to ensure that they truly were differentiated and enabled us to compete.
- Discussed how to grow the Retail Insurance and Travel businesses (refer to pages 6-9 and 14.)
- Monitored progress of the build of our new ships, Spirit of Discovery and Spirit of Adventure (refer to pages 14 and 40).

Stakeholders

- Considered how we could ensure that our stakeholders' voices were heard in the Board room – conducted a Group-wide stakeholder mapping exercise (refer to pages 19-21).
- Launched Possibilities for shareholders, to enable our shareholders to benefit from the same offers that our customers experience (refer to page 9).
- Increased visibility of our Non-Executive Directors (throughout the Group and by attendance at presentations and via shareholder consultations) (refer to page 60).

Customer centricity

- Listened to customer calls in the Board room and heard from customer facing colleagues firsthand so that we could understand better the needs of our customers.
- Assessed the impact of the General Data Protection Regulation and considered this through our customers' eyes (refer to page 80).
- Further refined the three-year fixed-price proposition in Insurance to ensure that our customers are treated fairly (refer to pages 7-10).

Investment

- Considered how platforms could deliver flexibility and efficiencies for customers and colleagues (refer to pages 15 and 22).
- Discussed the new insurance platform, how this would increase product differentiation, improve call centre and back office efficiencies and enable cross-selling and customer retention.
- Discussed and approved the proposition to replace existing river ship charters (giving customers what they want and increasing our ability to compete) (refer to page 14).

People

- Encouraged the representatives of the People Committee to share valuable insight into views of the wider workforce, to strengthen colleagues' voices in the Board room (refer to pages 23 and 102).
- Held a biannual review of talent development and succession planning (refer to page 69).
- Agreed the award of Free Shares to eligible colleagues under the Share Incentive Plan (SIP) for the fifth year running (refer to pages 83 and 186).
- Considered key metrics such as turnover, absenteeism, surveys, Board interaction with colleagues, attitude towards regulators and health and safety reports to gain a deeper understanding of culture and behaviour.
- Encouraged open, honest and more regular dialogue between the Group Executive members and senior colleagues.

Stakeholder engagement by the Board

A critical aspect of working constructively with Saga's key stakeholder groups is the engagement which takes place to understand material issues of interest, and set out below are details of the engagement mechanisms that exist within Saga, which ultimately support the Board's understanding of relevant stakeholder views. This approach helps to assess Saga's stakeholder interests from the perspective of the long term sustainable success of the Company and is supportive of a Director's duty under Section 172 (1) of the Companies Act 2006 (see pages 50-51).

Our stakeholders	How the Board engages	Impact on decision making
Customers	• Eva Eisenschimmel is our appointed 'Customer Champion' and chairs Saga's Customer Panel Forum. • Board considers NPS scores as part of a customer dashboard presented at each meeting. • Customer facing colleagues invited to Board meetings to provide details of customer experiences.	• The Customer Panel Forum allows for feedback to be gathered and shared with the Board. • Active dialogue with our customers is critical to Saga's strategy and helps to shape our Membership programme, Saga Possibilities.
Colleagues	• People Committee provides a mechanism for the Board to maintain two-way dialogue with colleagues (see page 102). • Gareth Williams is our appointed 'Employee Champion' and attends the meetings of the People Committee at least twice a year to maintain regular contact with colleagues, to provide updates on the Board's activities as well as update the Board on the main aspects considered by the Committee. • Chief People Officer presents findings and actions arising from colleague surveys and initiatives.	• Addressing a gender pay gap is a standing agenda item for the Remuneration Committee, which developed a plan to close this gap and monitor its implementation. The Board updated on the progress of this. • 'People Strategy' is actively monitored by the Board, via regular updates from our Chief People Officer. • Developing our people is one of our key strategic priorities (see page 15).
Shareholders	• Maintenance of open and regular dialogue with our shareholders (many of whom are our loyal customers) via established communication channels. • Investor Relations report discussed at each Board meeting. • The Board and senior management meet shareholders at the Annual General Meeting. • Euan Sutherland, Group Chief Executive Officer, and James Quin, Group Chief Financial Officer, lead communications with our shareholders assisted by our Director of Investor Relations. In addition, the Chairman and Chair of the Remuneration Committee meet with major shareholders during the year and provide feedback to the Board. • Hold investor 'road shows', investor days, briefings and ad hoc meetings on request, where calendar and regulatory requirements allow. • Conduct consultations with major shareholders on key issues.	• A shareholder communication strategy is developed each year to ensure that Saga maintains a relationship with our shareholders based on trust. • The Chair of the Remuneration Committee conducted a shareholder consultation in May 2019 on changes to the future performance conditions for our Long Term Incentive Plan to align with our strategy announced in April 2019. After our last AGM in June 2019, the consultation was extended to understand reasons for 28.17% of the votes being cast against the resolution to approve the Remuneration Report. More details regarding this, and the action taken as a result, can be found on our website www.corporate.saga.co.uk/about-us/governance/.
Community	• Active engagement with local communities around the main Saga sites (via the Group CEO) and local councils. • Meetings held with key members of local communities and feedback provided to the Board.	• The opinions of local communities are considered as part of the decision making process. • The reasons for decisions are communicated.
Partners and suppliers	• Partnering with charities that are close to our customers' hearts. • Board and subsidiary Boards monitor relationships with key partners and suppliers. • Supplier Risk Committee (chaired by Helen Webb, Chief Risk and Compliance Officer). • Links to key risks discussed at the Risk Committee.	• Supplier risk due diligence is completed annually to ensure compliance with current regulatory and statutory requirements, e.g. human rights and modern slavery requirements.

Annual General Meeting

The AGM will be held on 22 June 2020 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. We are considering how this will be held this year, in light of the impact of COVID-19 and will set out full details in the notice of the meeting.

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

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 consider that the skills and experience of our individual members, particularly in the areas of insurance, financial services, customer service, brand management, strategy and risk management, are fundamental to the pursuit of our objectives. In addition, the 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 all 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 Eva Eisenschimmel, Julie Hopes, Gareth Hoskin, Ray King, Orna NiChionna and Gareth Williams.

We continue to comply with the Code recommendation that at least half of our Board , excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. For full details of Board composition, see pages 64-65.

Board attendance during the year

The Board and Committees have a scheduled forward programme of meetings. During the year, the Board met formally on 10 occasions. In addition, meetings were convened as necessary to approve strategic matters and a strategy event was held in November at which annual and five-year plans and the strategic direction for each of the businesses were discussed. The Chairman meets regularly with the Senior Independent Director and Non-Executive Directors outside of formal meetings.

Board attendance

Member	Role	Maximum number of meetings	Attendance
Patrick O'Sullivan	Chairman (leadership, Board governance, sets the agenda and facilitates open Board discussions, performance and shareholder engagement)	10	10
Euan Sutherland[1]	Group Chief Executive Officer (develops strategy for Board approval and Group performance)	2	2
James Quin	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	10	10
Cheryl Agius[2]	Chief Executive Officer of Insurance (leads all aspects of insurance business including three-year fixed-price product and responsible for insurance strategy)	2	2

Independent Non-Executive Directors		Maximum number of meetings	Attendance
Orna NiChionna	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.	10	8
Eva Eisenschimmel		10	10
Julie Hopes		10	9
Gareth Hoskin[3]		9	6
Ray King[4]		10	9
Gareth Williams[5]		10	9

Other executives, senior colleagues and external advisers are also invited to attend Board meetings, to present items of business and provide insight into key strategic issues. The Group Company Secretary attends each meeting, 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.

Former Directors		Maximum number of meetings	Attendance
Lance Batchelor[6]	Group Chief Executive Officer	10	9

Notes:
1 Euan Sutherland was appointed as Group Chief Executive Officer on 6 January 2020
2 Cheryl Agius was appointed as Chief Executive Officer of Insurance on 1 January 2020
3 Gareth Hoskin was appointed on 11 March 2019
4 Ray King has confirmed his intention not to stand for re-election at the 2020 AGM
5 Gareth Williams has indicated his intention to step down as a Non-Executive Director by the end of December 2020
6 Lance Batchelor stepped down as Group Chief Executive Officer on 6 January 2020 and retired as a Director on 31 January 2020

THE BOARD'S RESPONSIBILITIES

- Identify future developments and opportunities in strategic direction of the Group.
- Setting values and standards.
- Generating ideas to meet the needs of our stakeholders, including shareholders, colleagues and customers.

The Nomination Committee's responsibilities

- Assessing the size, structure and composition of the Board to ensure this remains aligned with emerging trends and keeps up with the pace of change.
- 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.

NOMINATION COMMITTEE REPORT
PAGES 68-69

The Audit Committee's responsibilities

- Monitoring the integrity of financial statements and reporting procedures.
- Reviewing Internal Audit work plan.
- Monitoring, reviewing and challenging the effectiveness of the Internal Audit and Finance functions.
- Assessing the adequacy and effectiveness of the Company's internal controls and audits.
- Reviewing Saga's annual and half year financial statements and accounting policies.
- Approving the remuneration and terms of engagement, and determining independence of the external auditor.
- Monitoring the scope of the annual audit and the extent of non-audit work undertaken by external auditors.
- Providing recommendations on the fair, balanced and understandable assessment, going concern and viability statements.
- Ensuring that whistleblowing and anti-fraud systems are in place and monitored within Saga.

AUDIT COMMITTEE REPORT
PAGES 74-77

THE EXECUTIVE COMMITTEE

reports directly to the Board via the Group Chief Executive Officer, Chief Executive Officer of Insurance and Group Chief Financial Officer and is responsible for:

- Implementing strategy as determined by the Board.
- Executive management – monitoring trading against strategy.
- Displaying ethical leadership from the top.
- People development and day to day operational management.

- Ensuring compliance with statutory and regulatory obligations.
- Managing risk and control.
- Scenario analysis to assess potential impact of decisions.

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 exposure 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 the corporate insurance arrangements.
- 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.

RISK COMMITTEE REPORT
PAGES 78-80

The Remuneration Committee's responsibilities

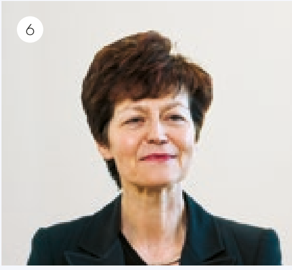
- Setting and monitoring the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements and all relevant factors to ensure alignment with the delivery of value over the long term.
- Recommending and monitoring remuneration packages for Executive Directors, the Chairman and senior management.
- Working with the Nomination Committee regarding workforce structure, reward, incentives and conditions.
- Reviewing workforce remuneration and incentive programmes to encourage desirable behaviour and responsible risk taking.
- 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.

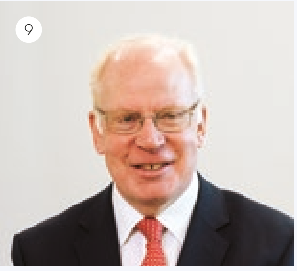
THE WORK OF THE REMUNERATION COMMITTEE IS INCLUDED ON PAGES 81-108 **AND IS INCORPORATED BY REFERENCE**

- 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.
- Identifying the root cause of cultural issues and taking appropriate action.

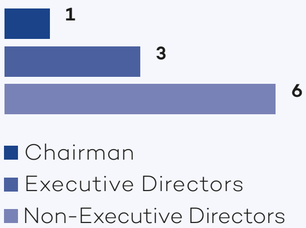
Board responsibilities – allocation of time

Strategy and business performance	c.55%
Financial reporting and controls (including Dividend Policy)	c.15%
Oversight of risk and management	c.10%
People, culture and Board effectiveness	c.10%
Corporate governance	c.10%





Composition of the Board



Key to Committees

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

1. Patrick O'Sullivan

N

Chairman

Appointed
1 May 2018

Key strengths and experience

- Financially and strategically sophisticated business leader and Board director.
- Wealth of experience in the financial and insurance industry.

Previous senior roles include: Bank of America, Goldman Sachs, Financial Guaranty Insurance Company, Barclays/BZW and Zurich.

Previous Non-Executive roles include: Chairman of Old Mutual plc and the UK's Shareholder Executive; Deputy Governor at Bank of Ireland; Senior Independent Director at Man Group plc; Audit Committee Chair at Collins Stewart plc, Cofra Group AG and Chairman of ERS (syndicate 218), a Lloyd's market specialist motor insurer.

2. Euan Sutherland

E

Group Chief Executive Officer

Appointed
6 January 2020

Key strengths and experience

- Significant experience in leading major consumer facing businesses through periods of change to deliver a more efficient organisation.
- Implementing strategy focused on customer insight, digital innovation and wholesale expansion.

Previous senior roles include: CEO of Superdry plc, the global digital brand and The Co-op Group; Group COO & CEO UK at Kingfisher plc, and background in global FMCG (fast moving consumer goods) brands including Mars and Coca-Cola.

Other roles
Non-Executive Director of Britvic plc (appointed February 2016).

3. James Quin

E

Group Chief Financial Officer

Appointed
1 January 2019

Key strengths and experience

- Fellow of the Institute of Chartered Accountants in England and Wales.
- Seasoned insurance executive with over 28 years of senior leadership experience.
- Extensive strategic, investor and operational finance experience within the insurance industry.

Previous roles include: Zurich Insurance Group (most recently UK Chief Financial Officer); Citigroup Global Markets; Lehman Brothers; and PwC.

4. Cheryl Agius

E

Chief Executive Officer of Insurance

Appointed
1 January 2020

Key strengths and experience
- Fellow of the Institute of Actuaries.
- Over 25 years' experience in insurance, retirement and pensions.
- Strong track record of delivery in senior strategic roles.
- Leading an organisational transformation and change programme to create a data-driven, digitally led business.

Previous roles include: Legal & General (UK Strategic Retirement Director, UK International Development Director and most recently Chief Executive Officer of General Insurance business); Aon Hewitt, Lloyds TSB and Towers Watson.

5. Orna NiChionna

N A RI R

Senior Independent Non-Executive Director

Appointed
Senior Independent Director on 31 March 2017/ 29 May 2014 as Non-Executive Director

Key strengths and experience
- Significant experience in strategy and new concept development and launch, business turnaround, logistics redesign and supply chain management.
- Previous client portfolio included many consumer-facing clients.

Previous roles include: Senior Independent Director of Royal Mail plc, HMV plc, Northern Foods plc and Bupa; Non-Executive Director of Bank of Ireland UK Holdings plc and Bristol & West plc; former Partner at McKinsey & Company.

Other roles
Non-Executive Director and Chair of the Remuneration Committee at Burberry Group plc (appointed January 2018), Non-Executive and Chair of Founders Intelligence Limited (appointed July 2019), Deputy Chair of the National Trust (appointed January 2014) and Trustee of Sir John Soane's Museum (appointed January 2012).

6. Eva Eisenschimmel

N R

Independent Non-Executive Director
Customer Champion

Appointed
1 January 2019

Key strengths and experience
- Over 30 years of experience as a brand and marketing professional.
- Experience in customer membership schemes.
- Appointed 'Customer Champion' – chairs Saga's Customer Forum.

Previous roles include: Non-Executive Director (and a member of the Audit, Nomination, Remuneration and Risk Committees) of Virgin Money plc; Managing Director of Marketing, Brands and Culture at Lloyds Banking Group plc; Chief Customer Officer at Regus plc; Chief People and Brand Officer at EDF Energy; senior positions at Allied Domecq and British Airways.

Other roles
Chief of Staff at Lowell (appointed February 2016).

7. Julie Hopes

RI R

Independent Non-Executive Director

Appointed
1 October 2018

Key strengths and experience
- Associate with the Chartered Institute of Bankers.
- Wealth of insurance experience coupled with over 20 years in a variety of roles, specialising in general insurance and predominantly in personal lines.
- Highly customer-focused, with a breadth of functional, membership and affinity experience and a track record of driving growth.

Previous roles include: Non-Executive Director and Chair of Risk Committee of Co-Operative Insurance; Tesco Bank; and CEO of The Conservation Volunteers, a UK community volunteering charity.

Other roles
Chair of Police Mutual and its Remuneration Committee (appointed May 2014), Deputy Chair, Senior Independent Non-Executive Director and Remuneration Committee Chair of West Bromwich Building Society (appointed April 2016).

8. Gareth Hoskin

A RI

Independent Non-Executive Director

Appointed
11 March 2019

Key strengths and experience
- c.20 years' experience in insurance, in a variety of roles.
- Accountant: recent and relevant financial experience and competence in accounting.

Previous roles include: main Board Director and CEO International; and finance, retail marketing and HR roles in Legal & General; accountant at PwC.

Other roles
Audit Chair and Senior Independent Director at Leeds Building Society (appointed November 2015); Trustee, Non-Executive Director and Chair of the Audit and Risk Committees at Diabetes UK (appointed January 2015).

9. Ray King

N A RI R

Independent Non-Executive Director

Appointed
29 May 2014/retiring 22 June 2020

Key strengths and experience
- Strong background in business and financial management.
- Significant financial experience and non-executive director experience (including chairing audit committees).

Previous roles include: Group Chief Executive and Chief Financial Officer of Bupa; Director of Group Finance and Control at Diageo plc; Group Finance Director of Southern Water plc; senior roles at ICI plc; Non-Executive Director at the Financial Reporting Council, Infinis Energy plc and Friends Provident plc; Reporting Panel Member of the Competition and Markets Authority.

Other roles
Non-Executive Director of Rothesay Holdco UK Ltd (appointed April 2014) and its regulated subsidiary, Rothesay Life plc (appointed April 2014).

10. Gareth Williams

N A RI R

Independent Non-Executive Director
Employee Champion

Appointed
29 May 2014/retiring by the end of December 2020

Key strengths and experience
- Expertise in all aspects of human resource and people strategy.
- Brings unique perspective to discussions, drawn from his experience of working at Director level in a consumer facing organisation and knowledge of corporate relations, management development and resourcing.

Previous roles include: Human Resources Director of Diageo plc (including oversight responsibility for corporate relations); key positions in human resources at Grand Metropolitan plc.

Other roles
Non-Executive Director of WNS (Holdings) Limited (appointed January 2014) and Trustee of Cicely Saunders International (appointed April 2019).

Annual re-election

The Directors (with the exception of Ray King, who will not be seeking re-election) are standing for election or re-election at the AGM. The Board's view is that each of the Directors standing for re-election should be re-appointed and that Euan Sutherland and Cheryl Agius, who are 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 64-65. The details on the specific reasons why each Director's contribution continues to be important to the Company's long term sustainable successes will be included in our Notice of Annual General Meeting.

Evaluation of the Board, Committees and Directors

Steps were taken to improve the assessment of the effectiveness of the annual evaluation exercise. This year, Non-Executive Directors were asked to complete and discuss a self-evaluation with the Chairman. The Senior Independent Director and the other Non-Executive Directors also evaluated the Chairman's performance and the Senior Independent Director provided feedback to the Chairman.

An externally facilitated, interview-based evaluation was undertaken by Independent Audit Limited for the Company and FCA regulated entities, Saga Services Limited and Saga Personal Finance Limited. Independent Audit Limited does not have any other connection to the Company or individual Directors.

The interviews took place in person to allow individuals to have an honest and open discussion. The evaluation was focused on assessing progress in the areas identified during last year's review as opportunities for further development (see Table 1 opposite). Independent Audit Limited considered Director and meeting attendees' views of:

- the Board dynamics and focus on delivery of long term strategy;
- how well we understand our customers and use data to gain valuable insight;
- how we stay alert to the competition;
- how investment should be made in the Possibilities programme and brand awareness;
- the risk associated with technology, projects and delivery of strategy; and
- the performance of the Committees and Committee Chairs.

The review concluded that the Board now benefits from a stronger composition, with increased oversight of insurance due to having added specialist insurance expertise and individual Directors playing to their personal strengths. This has allowed the Board to remain effective during a time of challenge by having honest and open discussions to ensure that the focus remained on the right things. Interaction with senior management has been positive and transparent throughout the year.

Looking forward, the focus will be on building a culture of accountability and deliverability and reinforcing efforts to establish strong and pro-active attitudes to control and risk management throughout the businesses. Board agendas will reflect the top priorities for the Group in a thematic way. Talent management and succession planning will continue to play an important part in providing a solid base and management capability to support the future strategy.

Development plan for 2020/21

- Providing increased visibility around performance, ensuring key messages and discussion points are highlighted.
- Simplifying the governance between subsidiary boards and the Company.
- Re-evaluating our 'Touchstones' to ensure these are focused and aligned with strategy.
- Developing a set of cultural indicators to monitor and measure progress against.

Table 1 – Findings from the 2018/19 evaluation

The 2018/19 review concluded that areas of focus should include the following:

- Setting out credible plans for the long-term future of the Group.
- Considering the impact of decisions on stakeholders in more detail.
- Focusing on competition and what differentiates Saga.
- Assessing the impact of digital and artificial intelligence.

Process for Board and Committee evaluation

Chairman and Group Company Secretary met with Independent Audit to discuss the objectives of the review and suggested areas of focus.

A series of interviews with the individual Directors and senior management was conducted between November 2019 and January 2020 with Board members and senior management covering both standard topics and others aligned to individual roles and experience.

External evaluators attended the Committee and Board meetings in December 2019 and January 2020 to observe Board dynamics and individual Director contributions. Access was provided to the meeting packs.

Overall findings and confidential feedback was provided to the Chairman before the external evaluators attended the Board meeting to present their report and recommendations in March 2020.

Board discussion identified priority development areas for 2020/21.

Action plans prepared. Progress will be tracked at future Group Executive and Board meetings

GENERAL INFORMATION

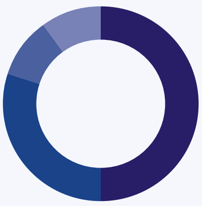
The Committee's remit

- To review the structure, size and composition (including the independence, experience, diversity and need for progressive refresh of membership) of the Board.
- To prepare a description of the role, skills, knowledge and expected time commitment required for appointments.
- To consider how to develop a diverse pipeline in succession planning and talent development for Executive Directors and other senior executives.
- To review the results of the Board performance evaluation process that relate to the composition of the Board.

The Committee's terms of reference (approved by the Board on 27 January 2020) are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Board composition	50%
Executive succession and talent development	30%
Board evaluation	10%
Diversity	10%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Patrick O'Sullivan (Chair)	18/05/18	8	8
Eva Eisenschimmel	04/04/19	7	6
Ray King	29/05/14	8	8
Orna NiChionna	29/05/14	8	7
Gareth Williams	29/05/14	8	8

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see pages 66-67). The review indicated that the Committee had handled the appointments made during the year well. It was felt that areas of focus for 2020/21 should include whether the appointment process could be made more efficient and ensuring appropriate non-executive succession planning was in place given future strategy and developing risks.

Dear Shareholder,

I am pleased to present this report from the Nomination Committee. This year saw the Committee appoint a new Group Chief Executive Officer, a Chief Executive Officer of Insurance and a Chief People Officer and Chief Strategy Officer. Following the appointments of two new Executive Directors and departure of Lance Batchelor, we achieved a gender balance of 40% women on the Board.

The focus during the year was on ensuring that there was a Board and Committee structure in place that supported our strategy to return to our direct heritage and which provided the right skills to take the Group forward, and built a culture that was aligned with our strategy and which promoted talent, diversity and fostered high performance. I was delighted that this resulted in the appointments of Euan Sutherland as Group Chief Executive Officer and Cheryl Agius as Chief Executive Officer of Insurance.

In addition, Nick Stace was appointed as Chief Strategy Officer, a Group Executive member, who will provide useful skills as we refine our focus on our core customers and further evolve the Saga brand. The appointment of Jane Storm as Chief People Officer and Group Executive member will further develop our approach to succession planning and talent development at and below Board level. We recognise the importance of this in supporting the delivery of our strategy.

Board evaluation

Committee members also discussed the findings of the report produced by Independent Audit Limited in relation to the composition of the Board. The evaluation was based on individual interviews between the external evaluators and all Directors and regular Board attendees, which facilitated honest and open discussion around general topics and around individuals' roles and experience. The outcome of the evaluation was that it was felt that individual Directors were selected for the experience and skills that they contribute and that this fitted with the Group strategy. The report also highlighted the need to consider how Board composition should include travel industry experience. We also concluded that the selection process for the Group Chief Executive Officer and Chief Executive Officer of Insurance had resulted in a Board comprised of the skills needed to take the Group forward.

Board composition
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.

The Committee considered the skills needed to support delivery of the strategy. Following notification of Lance Batchelor's intention to retire (announced on 12 June 2019) as Group Chief Executive Officer at the end of the financial year, a search was instigated for his replacement. MWM Consulting was appointed by the Committee to assist with the search.

We concluded that there was also a need to appoint an Executive Director with strong insurance experience and a focus on customer outcomes, who would assume responsibility for our Insurance division. Redgrave Partners were appointed to conduct a search for a Chief Executive Officer of Insurance. Neither MWM Consulting or Redgrave Partners have any other connection with the Company or individual Directors.

Job specifications were carefully crafted to reflect the requirements for each role, including time commitment and experience. A shortlist was considered for each role and a series of interviews with all members of the Committee and the Group CFO followed for preferred candidates. References were obtained and terms of appointment were considered. Candidates were assessed against their strategic skill set, experience, and personality and fit. Consideration was also given to diversity.

Re-election and election of Directors
During the year, the Committee considered the profiles of the Directors and recommended to the Board that all should be put forward for re-election or election at the 2019 AGM. Individuals did not participate in the discussion when their own re-appointment 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 (or election) at the 2020 AGM with the exception of R. King, who will be retiring as a Non-Executive Director on 22 June 2020.

Succession planning and talent development
The Committee recognises that appropriate leadership is one of the key drivers of embedding the right culture as it can effectively tackle poor behaviour and underlying causes and deliver cultural change across the organisation. The Committee has continued to oversee the development of Group Executive Committee members and senior management. An established talent review framework is in place, which identifies potential successors for each role, a pipeline of candidates for the Executive Team and a development process. Diversity is considered as part of this discussion.

As part of the talent review framework, a review of suitability and performance is completed including Executive Directors' and senior management's ability to take reasonable steps to address misconduct and risk management and internal control failures. We consider an ability of senior managers to take responsibility for what happens in their areas to be an important part of their fitness and propriety assessment.

> **"The Committee recognises that appropriate leadership is one of the key drivers of embedding the right culture."**

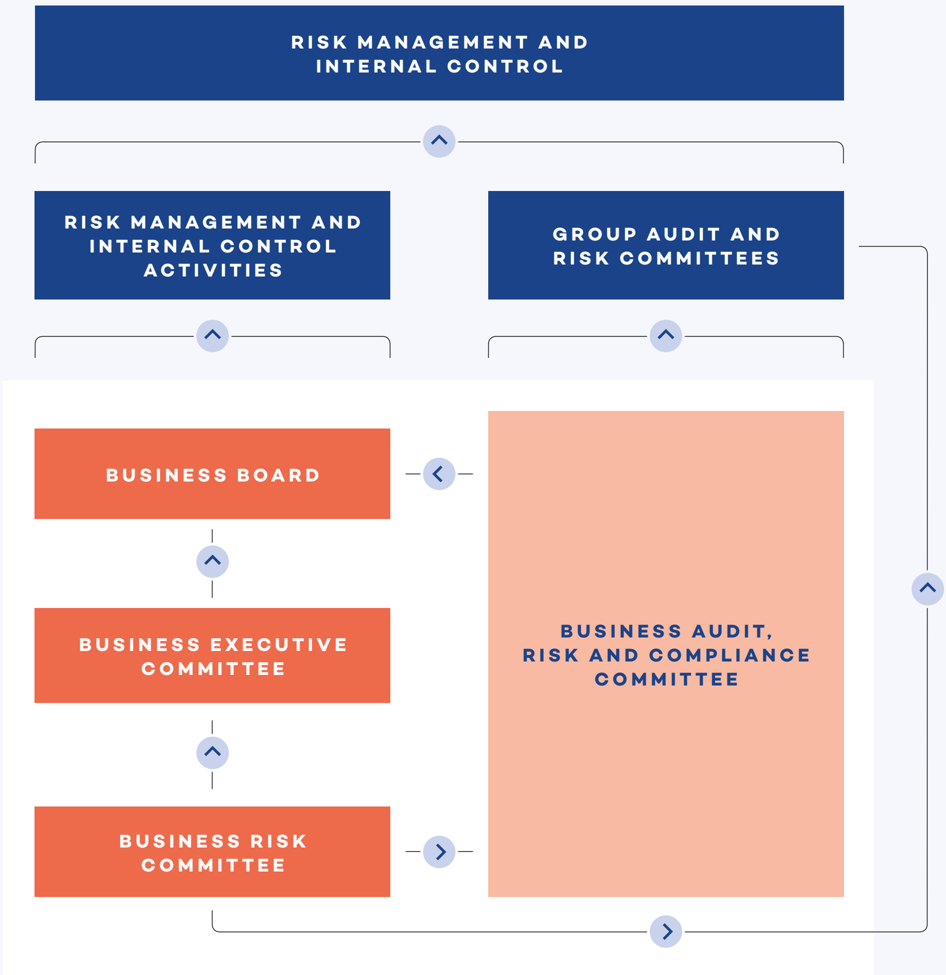
The Committee recognised the importance of the Board having access to senior management and meeting individuals in the talent pool. This was achieved through visits to key business areas and attendance by senior management at Committee and Board meetings.

Diversity
The Company has a Diversity and Dignity Policy in place to provide equal opportunity for all individuals including in relation to those with protected characteristics. This policy applies to the Group, including the Board of Directors, and is linked to Company strategy and communicated to all colleagues. All colleagues are expected to co-operate in making this policy effective and to adhere to it and report any breaches, whether actual or perceived, to their line manager or to human resources. This equal opportunities policy entails taking practical steps to promote a working environment in which all colleagues are treated with dignity and respect, free from discrimination and harassment. We recognise diversity and inclusivity as one of the facilitators of an environment in which it is safe to speak up, the best talent is retained, the right business choices are made and the right risk decisions are taken.

Whilst consideration is given to diversity as part of the appointment process, individuals (including executives and Board members) are selected, promoted and treated according to their ability, merits and the requirements of the relevant position. The policy does not set specific targets. Consideration is also given to the length of service of the Board as a whole and the need for a progressive refresh of its members; reference to diversity 'of perspective, including gender, social and ethnic backgrounds'; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning.

Patrick O'Sullivan
Chair, Nomination Committee

RISK MANAGEMENT AND INTERNAL CONTROL



Top down
- Group Risk Policy and strategy
- Group risk appetite
- Principal risk oversight
- Group compliance oversight

Bottom up
- Business risk appetite definition and policy
- Identification, assessment and mitigation of business-specific risks
- Upward review and reporting of all risk exposures, key residual risks and risk mitigation activities

Board assessment of risk management and internal control

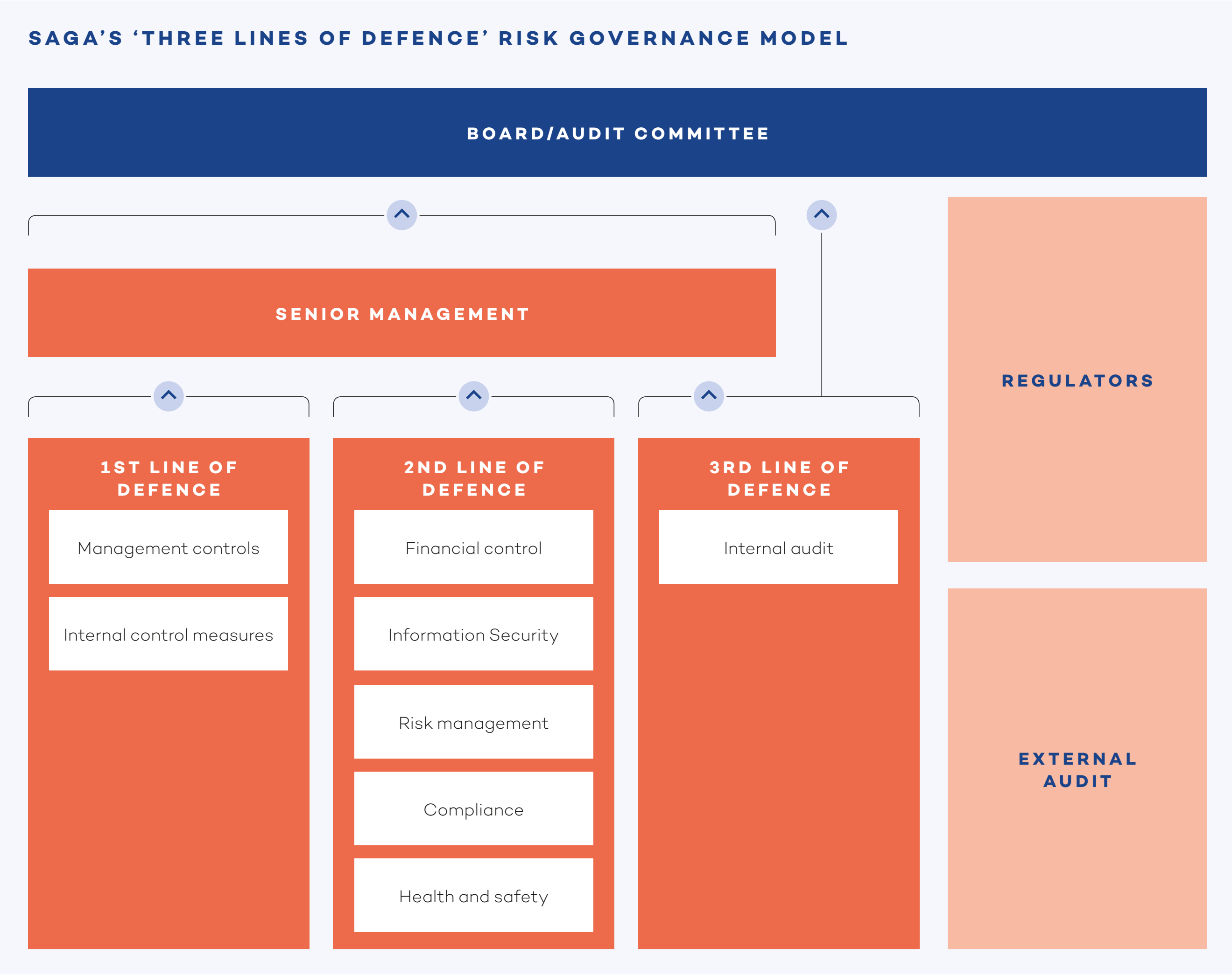
The Board has ultimate responsibility for the Group's risk management and internal control, and for the Company's risk culture. In accordance with Provision 29 of the Code, the Board is responsible for reviewing the effectiveness of risk management and control systems, ensuring that:

- there is an ongoing systematic process for identifying, evaluating and managing the emerging and 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 2019, the Group experienced heightened levels of change activity driven primarily by regulation, Saga's ongoing IT transformation and the evolving nature of the threat of a cyber security attack. In response to these management and system changes and to improve risk management maturity in the Group, steps were taken to further strengthen the risk management framework and system of internal controls across the Group. To ensure that internal governance supports strategic priorities, the focus was and will continue to be on ensuring that rigorous and consistent risk management is embedded across the Group and that risk management maturity in the Group is strengthened. Therefore in 2019 the Group began a multi-year risk transformation programme which includes the roll out of an updated risk management framework.

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, practices and internal control systems in the Group. The Board has agreed risk policies, risk appetite and the strategic approach to risks and has overseen the identification and mitigation of emerging and principal risks. The Risk Committee also reviewed areas identified as requiring improvement that related to particular subsidiaries and activities carried out by the Group. Senior management were invited, when relevant, to provide an update on areas of concern including root cause analysis and an update on improvement action plans. Further 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 79 and 76 respectively.

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



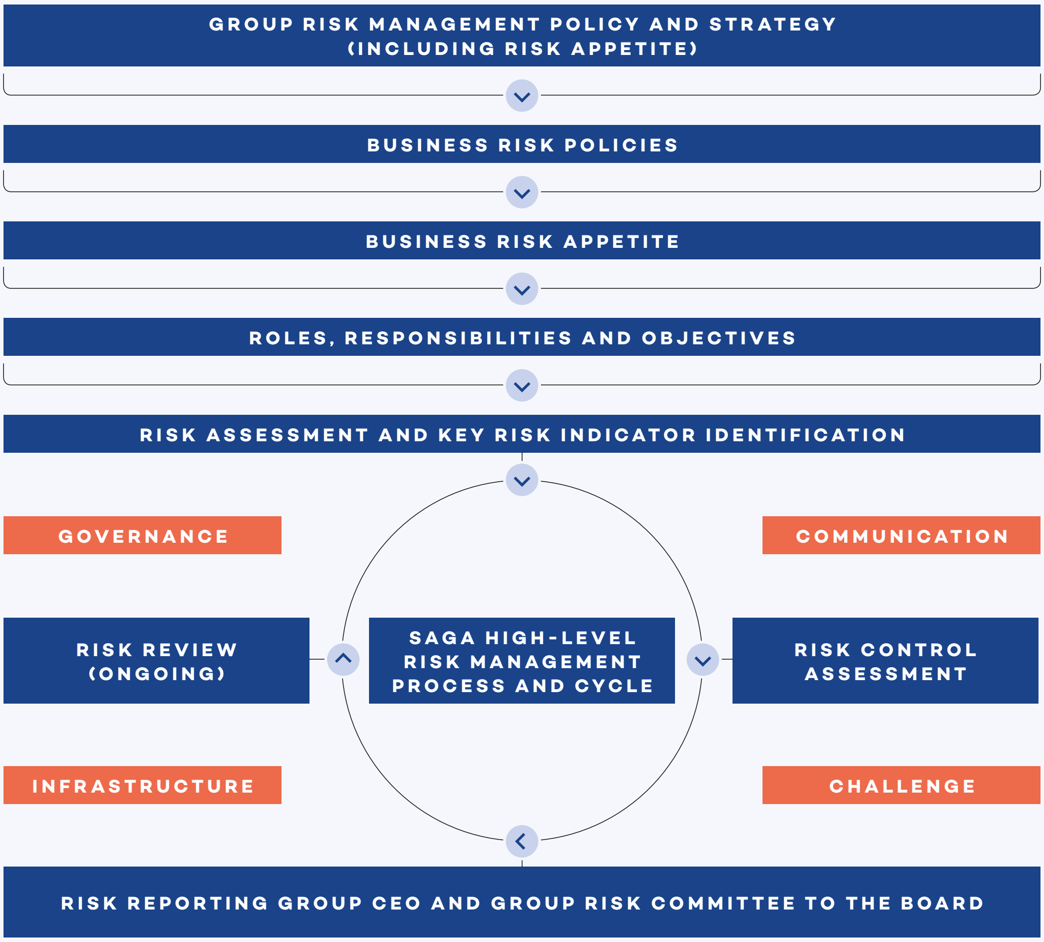
1st line of defence – Colleagues across Saga are responsible for identifying and managing risk in line with agreed risk appetite, risk policies and procedures.

2nd line of defence – Independent oversight is provided by the control functions. They are responsible for designing the risk management framework and policies, independent review of risk management within the 1st line and reporting to the Board.

3rd line of defence – Internal audit is responsible for 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.

The variety of business operations throughout the Saga Group require risk and internal control issues to be considered at both subsidiary business level and aggregated at Group level.

RISK MANAGEMENT FRAMEWORK



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

Risk policies

Saga has a Group Risk Policy that defines our risk management strategy, framework, governance structures, and detailed assessment and mitigation processes. Individual operating company policies are also created, where necessary, to reflect specific business characteristics but that still remain consistent with the overall risk management framework. All risk policies are reviewed at least annually and approved at business or Group boards, as appropriate.

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 strategy. Risk appetites are created for each of our operating companies, reviewed annually and derived from strategic objectives. Risk appetites are used as a measure against which all of our current and proposed activities can be tested.

Risk and control assessment

Each Saga operating company is responsible for identifying and managing its risks, which are captured on risk registers and scored using a Group Risk Scoring matrix that rates risk against both likelihood and severity. Key controls are also reviewed and enhanced where required in response to risk incidents and also as part of ongoing controls framework assurance activity.

Risk review and reporting

Risk reports are reviewed at business risk committees, which are attended by key management from the 1st and 2nd lines of defence. An aggregated Group view of the emerging and principal risks and uncertainties is subject to independent review by the Risk Committee. Explicit consideration is also given as to whether risks lie within or outside the respective risk appetite and tolerance. Risks moving out of tolerance or appetite are subject to actions to restore the risk within appetite/tolerance and are closely tracked through the relevant risk committee and Board.

Significant control weaknesses or failures are escalated to the risk committee and board of the specific operating company. Each subsidiary risk committee considers cross-Group risks and incidents to ensure the risk of contagion is minimised.

Process feedback

Outputs from the risk management cycle are fed back to the Risk Committee and Board by exception to ensure the risk framework remains effective and supports the strategy and decision making processes of the firm.

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.

A statement confirming that the Board has carried out a robust assessment of risks is on page 55.

Internal control

Internal audit acts as the 3rd line of defence within Saga's 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, Lynn Fournier, 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 remit of internal audit and there are no restrictions on the scope of internal audit's work. Internal audit fulfils its role and responsibilities by delivering the annual, risk-based audit plan. Each audit provides an opinion on the control environment and details of issues found. Internal audit works with the businesses to agree the remedial actions necessary to improve the control environment, and these are tracked to completion. Lynn Fournier, 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 and Risk Committees.

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. This year the Group has developed a revised strategy that will set a platform for renewed growth in both customers and profits.

Regular weekly and monthly reporting cycles allow management to assess performance and identify risks and opportunities at the earliest possible time. 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.

The outcome of this modelling confirmed that none of the top three PRUs would compromise the Group's viability. 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.

Statement of review

As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that there is an appropriate framework for identifying, evaluating and managing the Group's risks and internal controls and up to the date of the approval of this annual report and accounts, it is regularly reviewed. The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is set out on page 55.

The system of risk management and internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and breaches of risk appetites.

There has been regular reporting to the Audit and Risk Committees throughout the year to ensure that outstanding areas of improvements were both identified and remediated. The details of key failings or weaknesses were reported to the Committees and the Board on a regular basis. Whilst there has been substantial progress during the year, ongoing work is required to ensure that further improvements in risk management maturity and the 1st line of defence is accountable for fully embedding the revised risk management framework, risk reporting and appropriate responses. This includes enforcement of the incident management framework and a risk maturity assessment. The Committees on behalf of the Board will continue to monitor progress throughout 2020.

GENERAL INFORMATION

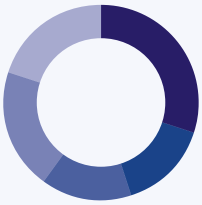
The Committee's remit
Our purpose is to help the Board discharge its responsibilities for monitoring the following:

- Integrity of the Company's financial statements.
- Adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- Effectiveness of the Company's Internal Audit function and the external auditors.

The Committee's terms of reference (approved by the Board on 18 September 2019) are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Financial statements	c.30%
Internal financial controls	c.15%
Internal audit	c.15%
Business reviews	c.20%
External audit	c.20%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Ray King (Chair)	29/05/14	7	7
Gareth Hoskin	04/04/19	4	4
Orna NiChionna	29/05/14	7	6
Gareth Williams	29/05/14	7	6

On 2 April 2020, it was announced that Gareth Hoskin would replace Ray King as Chair when he retires on 22 June 2020. The Board is satisfied that both Ray King and Gareth Hoskin have recent and relevant financial experience and competence in accounting, reflected by their professional qualifications as chartered accountants and relevant experience during their careers. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sector in which the Company operates. The Board of Directors' biographies on pages 64-65 contain details of each Committee member's skills and experience. Gareth joined the Committee on 4 April 2019.

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see pages 66-67). Overall, the review concluded that it has continued to act in accordance with its terms of reference, management was held accountable for its areas of responsibility and KPMG continued to deliver an effective audit.

Ray King
Chair, Audit Committee

Dear Shareholder,
I am pleased to set out in this report an update on the activities of the Audit Committee during the year to January 2020. This has been another busy year, as we continued to deliver our transformation programme by returning to Saga's heritage and improving cost and capital efficiency. More recently the COVID-19 outbreak has created significant new challenges for Saga. Against this background, the Committee provided independent scrutiny of the Group's financial reporting and the internal controls in its businesses.

Reporting

Interim and full year results
The interim and full year results were reviewed, together with the appropriateness and application of key accounting policies and areas of significant judgement and how these were made. KPMG provided reports throughout the year, with focus on areas identified as having significant audit risk.

Key areas of focus

- Consideration of the financial implications of COVID-19 for liquidity, going concern and viability.
- Valuation of insurance contracts' liabilities. The analysis and justification prepared by management was reviewed alongside that of the Group's external auditor.
- Valuation of goodwill. The Committee reviewed the recoverability of goodwill and discussed with management the basis of its impairment assessment. The review confirmed that impairment of £370m was appropriate (for more information, see pages 159-160).
- Valuation of the parent company's investment in subsidiaries. The Committee reviewed the recoverability of the carrying value of the investment in subsidiaries held in the Company balance sheet of Saga plc. The review confirmed that an impairment of £518m was required (for more information, see page 199).
- Accounting for the new three-year fixed-price Insurance (3YFP). The Committee considered

the accounting methodology for the three-year fixed-price Insurance product (launched in April 2019 by Saga Services) and supported the basis of accounting for revenue.
- FCA Market Study. The Committee received regular updates on management's responses to the FCA's requests for disclosure as part of the Market Study into General Insurance Pricing Practices and considered a range of potential outcomes from the study.

The Committee considered the internal control observations identified by the external auditor as part of the audit and management attended Committee meetings to provide context and assurance regarding appropriate actions. We noted that many open actions were due to legacy IT platforms and would be removed once new system implementations have been completed.

The Committee was satisfied that the key accounting policy choices and judgements were appropriate and served to provide a true and fair view of the Company's financial statements (page 55).

Fair, balanced and understandable
We advised the Board that we supported the statement (see page 55) that this 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. This was following consideration of whether:

- the report was clear, presented a balanced view of opportunities and challenges;
- key messages were prominent and an appropriate level of KPIs were disclosed;
- business segments, significant issues and key judgements reporting was consistent with disclosures in the financial statements; and
- definitions provided were explained and alternative performance measures were reconciled with the closest International Financial Reporting Standards (IFRS) measure in the financial statements.

Going Concern and Viability
The going concern statement is set out on page 49 and the viability statement and the methodology for assessing the Group's ongoing viability are set out on page 48.

Our review took account of the Company's current position and PRUs (as reviewed and approved by the Risk Committee (see pages 32-33) and the methodology used to provide an assessment of ongoing viability over the chosen five year period of review. We considered the relevant assessment time horizon, severe but plausible potential outcomes and the appropriateness of the scenarios modelled. In particular, we considered the likely impact that the COVID-19 outbreak could have on the Group's financial performance and position, and how this could affect both the viability of the Group and the going concern basis of preparation that underpins the Group's financial statements. Based on this review, we confirmed to the Board that we considered that it was reasonable for the Directors to make the statements on going concern and viability on pages 49 and 48.

Audit and control

Financial controls
The Committee reviewed the outcome of the audits of key financial controls included in the Internal Audit programme. The Group Financial Controller also provided an update on accounting issues and key aspects of financial controls at each meeting.

Financial crime
We reviewed policies covering financial crime (including anti-bribery, anti-corruption and anti-fraud). A summary of current issues and trends identified by the Financial Crime, Data and Information Security Committee was regularly considered. We concluded that the actions taken to manage the threat of financial crime were appropriate.

Whistleblowing and open door reporting
As 'Whistleblowing Champion' I am responsible for ensuring the integrity, independence and effectiveness of the Company's Whistleblowing and Open Door Policy and procedures. The Committee reviewed all reported incidents at each meeting and concluded that these had been handled appropriately, with no material issues identified. I provided a formal annual report to the Board in respect of my responsibilities.

Internal Audit

We approved the Internal Audit programme and considered the internal audits conducted throughout the year. We were satisfied that the Internal Audit function, a team of nine people with a broad range of skills, when combined with the use of external resource for specialised audits, had appropriate resources. Lynn Fournier, Head of Internal Audit attends Committee meetings and provided regular reports on the progress of the Internal Audit monitoring plan.

The Committee monitored whether the Internal Audit function was independent of management and so able to exercise independent judgement throughout the year and was satisfied that this was the case.

Last year, the Committee approved a flexible Internal Audit planning methodology to be more adaptive to changes and emerging risks within the business. We continued with this approach this year and considered it effective. The Committee (in co-operation with the Risk Committee) monitored the work of the risk, compliance and internal audit functions to ensure that their activities complemented each other appropriately. We approved the Internal Audit Charter, which is available on the Saga website at www.corporate.saga.co.uk/about-us/governance

Internal Audit carried out thirty three audits, two post implementation reviews and six consultancy reviews during the year. Work conducted over the year was risk-based, and covered both financial and non-financial controls and a selection is shown below:

- Insurance Pricing and Customer Outcomes: an audit of the pricing strategy, governance, principles, methodologies and oversight of pricing practices, including the approach to ensure fair customer outcomes and the treatment of potentially vulnerable customers.
- GDPR Compliance: an audit of key controls to ensure GDPR compliance, including the responsibilities of lead generators, partnerships and third party suppliers.
- Cruises, New Builds and Transformation: a programme audit to verify progress against the project plans to deliver the Spirit of Discovery on time, cost and quality standards. Progress of planning and delivery of the second ship, Spirit of Adventure, was also assessed.
- Data Security and Resilience: an audit of key IT security controls, including penetration testing, coverage over critical assets and user access controls.
- A gap analysis of the business operational resilience framework in preparation for new FCA regulation coming into force.
- Business Continuity: an audit of the design and execution of the business continuity framework including the role and responsibilities of the crisis management team, scenario exercises and reporting.

The Committee received a report on each internal audit. Where improvements were identified, an action plan was agreed with management and appropriately tracked. Internal Audit also conducted the annual year-end review of the effectiveness of the risk management and controls framework. This showed that the internal control environment remained effective, but that risk management maturity in the Group needs to be strengthened, notably in response to management and system changes over time. This is being addressed through a multi-year risk transformation programme commenced by Group Risk in 2019.

Further details of the review can be found in the Risk Committee Report on pages 78-80 and Internal Control section on pages 70-73.

An external review of the effectiveness of the Internal Audit function (in line with the recommendations of the IIA Standards) was conducted during the financial year ended 31 January 2017. The Committee will consider in due course when it is appropriate to undertake a further external review.

"This has been another busy year, as we continued to deliver our transformation programme by returning to Saga's heritage and improving cost and capital efficiency."

Subsidiary audit committees

We received an update on activities from the independent Non-Executive Directors who chair the Saga Services, Saga Personal Finance and AICL audit and risk committees to facilitate an appropriate level of oversight and ensure a sufficient level of transparency was in place. Minutes from these meetings were also noted at each meeting.

External audit

KPMG was appointed as the Company's external auditor for the financial year ended on 31 January 2018 (following a competitive tender process in 2016) and has been re-appointed annually since then. The current audit partner Stuart Crisp has been in place since its appointment. The audit partner is due to be rotated after completion of the January 2022 year end reporting process.

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report on pages 114-124.

The Committee considered the audit scope, materiality 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. We also considered and approved KPMG's engagement terms and fee proposal for 2019/20.

Auditor independence and non-audit services
During the year, the Committee met twice with the external auditor without members of management being present.

The objectivity, challenge and independence of KPMG were continuously monitored by the Committee and independence was confirmed by the auditor throughout the year in letters to the Committee.

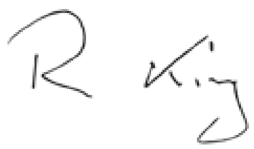
In line with the Revised Ethical Standard issued by the FRC in 2016, the Committee has adopted robust policies on non-audit fees and employment of former employees of the external auditor. The Non-Audit Fee Policy includes a list of non-audit services where we are satisfied that the external auditor can carry out those services without affecting its 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.

The audit fees payable to KPMG in respect of the year ended 31 January 2020 were £1.7m (2019: £1.3m) and non-audit service fees incurred were £0.2m (2019: £0.2m), the latter being incurred for work to review the Group's interim results and essential reporting to our banks and travel industry regulators. This equates to a non-audit to audit fee ratio of 0.12 (2019: 0.14). A summary of fees paid to the external auditor is set out in note 4 to the consolidated financial statements on page 152. KPMG has discontinued the provision of non-audit services to the current and recent members of the FTSE 350 index that they audit other than those required by law or closely related to the audit.

Audit quality and effectiveness of external auditors
To assess the effectiveness of the external auditors, we considered and discussed:

- our perception of the external auditor's understanding and insights into the Group's business model;
- how KPMG approached key areas of judgement, the extent of challenge and the quality of reporting;
- the content of (and management's responsiveness to) the external auditor's management letter; and
- feedback from management following completion of an evaluation survey on the audit process (including audit scope, audit communication, independence and objectivity).

The Committee is satisfied that the audit continues to be effective and provides an appropriate independent and objective challenge to management's thinking. A recommendation was made to the Board to propose a resolution for the re-appointment of KPMG as the Company's auditors at the forthcoming AGM.



Ray King
Chair, Audit Committee

GENERAL INFORMATION

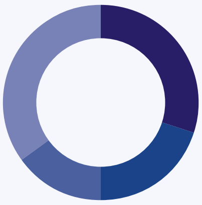
Summary of Committee's remit
Our main purpose is to assist the Board in discharging its responsibilities for monitoring the following:

- The Group's overall risk appetite, tolerance, strategy and risk assessment processes.
- The effectiveness of the Group's risk management systems and compliance management procedures.
- The Group's capability to identify and manage new and emerging risk.
- Any material breaches of risk limits and adequacy of action.

The Committee's terms of reference (approved by the Board on 18 September 2019) are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Management and reporting	c.30%
Risk strategy, policy and appetite	c.20%
Compliance	c.15%
Business reviews	c.35%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Orna NiChionna (Chair)	29/05/14	5	4
Julie Hopes	04/04/19	3	3
Gareth Hoskin	04/04/19	3	3
Ray King	29/05/14	5	5
Gareth Williams	29/05/14	5	5

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 66-67). The review indicated that the Committee has an established, effective way of working and good relationships with Helen Webb, Chief Risk and Compliance Officer and Lynn Fournier, Head of Internal Audit. Focus for 2020/21 will be on assessing the impact of COVID-19 and the effectiveness of our response plans.

Orna NiChionna
Chair, Risk Committee

Dear Shareholder,
I am pleased to present our report, which summarises the activities of the Risk Committee during the year. As the Group continued to focus on returning to its heritage as a direct to consumer brand and deliver the IT transformation programme, the Committee reviewed progress of key projects against the Group's operational efficiency and how these projects would deliver fair customer outcomes.

Throughout the year, the Committee received thematic reviews on the current and emerging risks and updates on these from senior management. The Committee changed the focus of its annual agenda for the 2019/20 financial year, to ensure that risks were considered horizontally across the Group and were linked to the projects and matters which were material.

The Committee continued to receive a regular update on the external regulatory and macroeconomic landscape. A significant amount of time was dedicated to our regulated entities and their relationship with the regulators. We continued to measure and discuss emerging and principal risks and uncertainties (PRUs), aiming to ensure that processes were aligned with strategy.

Management and reporting
A Group Risk Report (submitted at each meeting) provided a comprehensive unit dashboard for all Saga businesses. The Committee reviewed and considered top risks and the rationale for these, the risk development plan and compliance monitoring plan for each business. This enabled the Committee to have a holistic overview of the risk environment in the Group and facilitated discussion about emerging risks.

We also reviewed the risks relating to each business area's performance and arising from incidents, particularly those relating to control failures or weaknesses. We reviewed and discussed these incidents in the context of their risk framework to identify causes, necessary actions, lessons learnt and monitoring requirements. All business CEOs certified compliance with the risk management framework at the year end.

The insurance programme for the Group was considered, including whether any additional cover was required, specifically in relation to the threat of cybercrime.

Reporting, oversight and escalation of risk matters, including those pertaining to climate and the environment, takes place through subsidiary risk governance committees. Saga's PRUs are refreshed on (at least) an annual basis, ensuring that new and emerging risks are captured and remain at the forefront of the Group's strategic planning.

Climate change is increasingly becoming a feature of executive and senior management engagement and will continue to feature in Saga's strategy and future planning.

Risk management and internal controls
Following a review of risk management maturity, it was recognised that risk management maturity in the Group needed to be strengthened, notably in response to management and system changes over time. A revised risk management framework was launched across the Group in 2019 focusing on proactive risk identification, root cause analysis and third party risk management. This was developed by applying lessons learned from historic issues and incidents that impacted our customers in the Insurance business and the insolvency of Thomas Cook. The updated framework was designed to increase rigour and discipline around risk management. The Committee recognised that this is a multi-year risk transformation programme which commenced in 2019. This will take time to fully embed.

In co-ordination with the Audit Committee, the Committee discussed a review of the effectiveness of the risk management framework and internal control systems. This included reference to all material financial, operational and compliance controls. The Committee concluded that:

- the restructure of the Risk team had strengthened its experience;
- the risk management framework in place had been enhanced by the improvements made to the framework but that risk management maturity in the Group needs to be strengthened;
- there had been appropriate consideration of the emerging and principal risks of the Group throughout the year, including those that would threaten the business model, future performance, solvency or liquidity; and
- it would be appropriate for the Group CEO and CEO of Insurance, as new leaders within the Group, to review and provide a fresh perspective on what the focus of the Risk, Compliance and Internal Audit functions should be going forward, priorities for 2020/21 and the resource required to achieve this.

Noting the enhancements made and the intention to further strengthen key risk management processes, we recommended to the Board that the appropriate statements could be made regarding robust assessment of emerging and principal risks facing the Group and the review of the effectiveness of the risk management process (see page 55).

"The Committee changed the focus of its annual agenda for the 2019/20 financial year, to ensure that risks were considered horizontally across the Group and were linked to the projects and matters which were material."

Risk strategy, policy and appetite
The risk reporting framework continues to provide a holistic approach that is tangibly linked to the Company's strategy. This is reconciled with the viability statement.

Changes and additions to the PRUs were scrutinised in line with agreed strategy and the results of this process are shown in the Strategic Report on pages 32-33. These formed the basis of the scenario testing used for the production of the viability statement (see page 48). Our risk management processes are described on pages 70-73. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our discussions also considered conduct risk as an essential part of our review. We reviewed how our decisions and behaviour could impact our customers, or affect our reputation with stakeholders, including shareholders and our regulators.

Actions were reviewed against risk appetite and tolerance, with close attention paid to scenarios that were 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. We remain satisfied that controls are in place, meaning that the risk of significant failing across the business model is unlikely.

The Group Risk Policy was reviewed during the year and while no material changes were proposed, it was presented in a simplified format, to reflect the review and simplification of the risk management framework.

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. IT operations are run by dedicated teams, structured around business processes and project delivery. In addition, the risk associated with the Group IT systems (and in particular the introduction of new software platforms in Insurance and Travel) was discussed and it was noted that a replacement HR system is a priority for the financial year ending on 31 January 2021.

Supplier risk management continues to be an ongoing process, with contracts above a certain threshold being subject to a review process. As a Committee we are acutely aware of the need for the organisation to focus on the risks associated with larger suppliers and those that carry reputational risk.

Compliance
At every meeting a Group regulation report was received, which included the status of the monitoring plan for the regulated financial businesses. The relationships of individual businesses with regulators, management of incidents and the impact of the FCA annual business plan were considered and discussed. Material changes to compliance regulations were noted and the FCA Market Study was discussed in detail.

Thematic reviews
The Committee refreshed its approach to review current and emerging risks. Instead of considering this vertically via a series of reviews in business units, the Committee considered risk that sits horizontally across the Group during the financial year. As a result, the Committee discussed one or two thematic reviews at each meeting.

Thematic reviews during the year included the following:

Five-year planning
The Committee considered an assessment of the risks and sensitivities in the assumptions underpinning the five-year plan and the impact of possible scenarios. The plans were considered to be aligned with overall business strategy and the level of risk incorporated into the plans was felt to be commensurate with the ambition to grow the business. All of the five-year plans were considered achievable if the strategy was delivered successfully.

Data compliance and quality
Data quality is recognised as an area of focus. The review included an assessment of how data was being managed in line with GDPR and whether there were any gaps that required action. The Committee discussed the quality of our data and how this supported strategy. The Committee also discussed plans to re-platform our current customer database to modernise it and optimise its use.

Conduct risk framework
Conduct risk continues to be a key regulatory priority for Saga. Last year the Risk team introduced a programme of work to refresh and update Saga's approach to conduct risk, resulting in a new Conduct Risk Policy, a conduct risk appetite statement and the addition of conduct risk to the Group Risk framework. The Committee received an update on progress made to date and reviewed an assessment of the framework for managing conduct risk across the regulated entities and concluded that this would support fair customer outcomes. It was also felt that the introduction of the Senior Managers and Certification Regime in December 2019 represented an opportunity to drive further positive change in this area.

Business continuity, cybercrime and disaster recovery
The Committee considered a review of business continuity and crisis management process and controls, and issues that were identified. The Committee also discussed the Group's approach to technical cyber breach limitation and readiness which included a new framework, training, roles and responsibilities which should ensure a quick response to a cyber breach. The Chief Information Security Officer provided an update to the Committee regarding the integration of the new framework. The Committee noted that the cyber and information security strategy for the Group is reviewed regularly, together with consideration of vulnerability of management of information systems and the adequacy of IT crisis management and communication plans. Processes are in place to deal with malware and ransomware threats; these are kept under constant review and development as the threat evolves.

GDPR and PECR risk exposure and data management
We continued to monitor how GDPR (which came into force in May 2018) affects how we do business. The Committee considered and discussed a review of GDPR/PECR risks, which supplemented an Internal Audit review of GDPR conducted earlier in 2019. The Committee also received an update on actions agreed with management. The conclusion was that the business was taking the right approach but would benefit from business awareness and clarifying the division of responsibilities and accountabilities. There were initiatives in progress which aimed to address these issues. It was also noted that the Internal Audit team would need to work closely with colleagues to ensure that audit actions had the appropriate impact.

COVID-19
After the year end, the Committee reviewed in detail the impact of the pandemic on Saga, and the actions that management were taking to ensure that the Group remains operationally and financially resilient. The Committee concluded that management had taken appropriate steps to protect customers and colleagues, and to ensure that the insurance business could continue supporting existing and new customers. The Committee is also considering how COVID-19 is changing the risk landscape beyond the immediate short term impact, to ensure that Saga's response is appropriate.

Orna NiChionna
Chair, Risk Committee

Eva Eisenschimmel
Chair

Contents

Dear Shareholder,

Since I took over the role from Gareth Williams on 1 February 2020, this is my first statement as Chair of the Remuneration Committee. I'm very pleased that Gareth remains a Committee member and I would like to formally thank him for his support and commitment to ensuring an efficient handover and transition of the Chair position.

When preparing this statement, the focus on responding to the societal and business disruption caused by the COVID-19 pandemic is immense and the Remuneration Committee is acutely aware of its responsibilities in taking account of this context in its discussions and decisions in the current performance year.

However, the following statement describes the activities and decisions of the Saga Remuneration Committee over the 12 months up to January 31, 2020 – a period before the pandemic – and therefore follows the standard report structure and best practice guidance.

The report covers the required regulatory information, while remaining mindful of sensitivities, and it also provides further context and insight into our Director pay arrangements. It provides the structure and scale of our remuneration framework, its alignment with the rest of the workforce, as well as the decisions made by the Committee as a result of business performance for this year. Where the Committee has exercised its judgement or discretion, this has been clearly set out.

In one further note before continuing, I would like to call out that a process of shareholder engagement on a proposed new Remuneration Policy is currently underway as I write and which I hope to be well progressed by the time of the 2020 AGM. Our intention is that this Policy will be brought to shareholders and subject to a separate binding vote; therefore this Report deals solely with the current Policy and its implementation in the year being reported on; with the new Remuneration Policy to be set out in the notice of the general meeting at which shareholder approval will be sought.

Company performance for the 2019/20 financial year
The implementation of our strategy (as outlined on pages 14-15) has been measured against the KPIs set out below:

- Underlying Profit Before Tax down 39.0% at £109.9m (the measure used for assessing management bonus).
- Loss before tax of £300.9m after goodwill impairment of £383.0m.
- Available operating cash flow of £92.7m.
- Execution of a new IT platform in support of both Insurance and Travel businesses.
- Excellent progress in Cruise. Prior to current market disruption, Spirit of Discovery was fully operational; launch of Spirit of Adventure was on track and forward bookings for both ships were meeting expectations.
- Upweighted investment in Membership and the Saga brand.

Changes to the Board
Lance Batchelor, our former Group Chief Executive Officer, retired from Saga on 31 January 2020. Upon his departure from the Board, Lance's unvested awards under the LTIP lapsed and he received no payments for loss of office. His IPO awards lapsed upon his announcement to retire, and Lance has two outstanding deferred bonus awards which will vest in line with their original schedules as these represent remuneration that Lance has already earned. In line with the Company's post-cessation shareholding requirement, Lance is required to hold shares worth 250% of his salary for 12 months from his date of leaving. Upon leaving, Lance held shares worth 55% of salary, and is therefore required to hold all of these shares for 12 months. More detail in relation to Lance's leaving arrangements can be found on page 98 of this report and on the Company's website.

The Board is pleased to welcome Euan Sutherland, Group Chief Executive Officer and Cheryl Agius, Chief Executive of Insurance, who joined the Saga Board in January 2020.

Upon appointment, the Company entered into a commitment with Cheryl to provide a buyout award to the value of £245,250 in the form of Saga shares which will vest in two tranches. This award is in respect of forfeited awards from her previous employer and is structured in a way such that Cheryl will be neither better nor worse off than had she remained with her previous employer. Cheryl also received a buyout for a foregone cash award from her previous employer. The value of this award is £112,250 which is subject to continued employment for 12 months. More detail on the awards can be found on page 97.

Euan Sutherland did not receive any buy-out awards.

Both Euan and Cheryl were appointed with a pension contribution of 6% of salary which is the majority contribution available to employees across the business.

The remuneration of both Euan and Cheryl is in line with the current Remuneration Policy of the Company.

2019/20 bonus
The Committee carefully considered the decision to award bonuses in respect of 2019/20, and noted that the key financial achievements were within the ranges we had previously highlighted and that the performance of the business against key operating metrics was largely positive.

Page 85 sets out the calculation for the 2019/20 bonus which paid out at between 53% and 67% of maximum for the executive directors. The bonuses for Euan Sutherland and Cheryl Agius reflect the portion of the year worked since appointment and they will receive £58,456 and £24,532 respectively.

James Quin will receive a bonus of £308,980.

All bonus awards are provided one-third in deferred shares and two-thirds in cash.

Taking all factors into consideration, the Committee decided to award the former Group CEO, Lance Batchelor a bonus of £190,414 which is 27.6% of salary. In addition, the portion of bonus which would be awarded in deferred shares will lapse due to his cessation of employment, hence the actual bonus to be paid will be £126,943 or 18.4% of salary.

2017 LTIP vesting
It is currently anticipated that 0% of the 2017 LTIP will vest on 1 May 2020. The EPS performance condition resulted in 0% of this proportion of the award vesting (50% of the award). No proportion of the LTIP award is currently expected to vest in respect of the Total Shareholder Return (TSR) performance of the Company over this performance period (50% of the award). The only Executive Director granted this LTIP award was Lance Batchelor (CEO) and his award lapsed on his retirement.

2019 LTIP awards
In the 2019 Directors' Remuneration Report, the Committee indicated that it would reach out to shareholders to discuss revised performance conditions for the 2019 LTIP as a result of the fundamental change to the Group's strategy announced on 4 April 2019.

The Committee commenced a consultation with major shareholders on 1 May 2019 regarding the LTIP measures to support the strategy and carried out multiple stages of meetings and calls. The Committee carefully considered the feedback from shareholders throughout the consultation which concluded on 15 July 2019 and subsequently wrote to shareholders to confirm the agreed metrics of:

- Relative TSR (25%)
- ROCE (25%)
- Operational & Strategic metrics (50%) comprising:
  1. Cruise EBITDA
  2. Tour Ops net profit margin
  3. SSL retention
  4. SSL direct
  5. Cash conversion

The full details of these metrics including targets and rationale can be found on page 96.

As a result of announcing his retirement it was agreed that Lance Batchelor was not given an LTIP award for 2019. Awards were made with the above performance conditions to Euan Sutherland of 100% of salary, which is 50% of the normal annual LTIP award and reflected his recruitment part-way through the LTIP annual award cycle and for James Quin of 200% of salary for this year only, which was agreed as part of his offer when joining Saga. The award to James was agreed as part of his recruitment; his normal ongoing LTIP grant will be 150% of salary.

Salary increases for FY2020/21

As noted above, we are currently engaged in a consultation on a new Remuneration Policy, and any salary increases awarded will be considered as part of this and communicated accordingly to shareholders.

2020 Remuneration Policy Review

Whilst under the normal three-year Remuneration Policy cycle, shareholder approval for a binding Policy would be sought at the 2021 AGM, the Committee is currently consulting with shareholders regarding putting forward a new Policy at the 2020 AGM.

Full details and rationale of the new Policy will be disclosed in the relevant notice of meeting, however, the key reasons for the change are:

- to support the implementation of the new strategy communicated in April 2019;
- to align the interests of the new team of Executive Directors with shareholders as soon as possible;
- a drive to simplify our remuneration;
- a desire to incentivise the creation of long term shareholder returns through sustainable long term performance; and
- to address the historic challenge the Company has experienced in determining the right performance conditions and targets for its long term incentive arrangements, as demonstrated by the number of consultations held with shareholders on this point over the years since the IPO and the variety of shareholder views on the issue.

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

- Made grants in August 2019 under the Saga 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 2019.
- Reviewed the governance and processes of the three Saga Share Plans in operation in the Company and confirmed that they met the necessary standards and were well-communicated.
- Supported base salary increases of 1.5% (average) for the employee population. Agreed that Executive Director salaries would be frozen at their current level, pending the Policy review. Concurrently agreed that Non-Executive Director fees would remain at their current level.
- Reviewed and approved the bonus outcomes for Executive Directors for 2019/20 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 full consideration was given to individual bonus outcomes.
- Approved the business and personal objectives for 2019/20. These were considered in light of both overall performance expectations for 2019/20 and the medium-term business strategy. Details of the personal objectives for the Executive Directors are on page 94.
- Noted the voting results on our Remuneration Report at the 2019 AGM and consulted with shareholders following the significant vote against the Report to understand the reasons for the vote and took appropriate actions to resolve the issues identified.
- Considered the operation of the Remuneration Policy (we have now commenced a review of the Policy in respect of 2020/21 and beyond).
- Finalised procedures for a one-year post-termination shareholding requirement.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy and reviewed terms of reference for the People Committee. The Chair of the Remuneration Committee attended the People Committee meetings on 19 June 2019 and 12 November 2019.
- Reviewed and agreed the compensation package for the new Group Chief Executive Officer, Euan Sutherland, and for the Chief Executive Officer of Insurance, Cheryl Agius.
- Reviewed and agreed the leaving arrangements for the retiring Group Chief Executive Officer, Lance Batchelor.
- Considered how 'smarter working' initiatives introduced by the Company could help with the adoption of agile working and improve employee retention and engagement levels.(Note: this pilot has been of benefit in building a rapid remote working capability to meet the needs of the COVID-19 pandemic response).

Wider workforce considerations

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 and to enable this, we offer a Share Incentive Plan (SIP) through which employees can buy shares and in 2019 we also provided all employees with more than one year's service Free Shares.

We believe that employees should have the opportunity to save for their future and to this end, we have in place pension arrangements for all employees.

As part of our commitment to fairness, this report contains details of the pay conditions of our wider workforce, the cascade of incentives throughout our business and our Group CEO to employee pay ratio, our gender pay statistics, and our diversity policy.

Shareholder consultation and looking ahead

The Committee consulted with shareholders at various points throughout the year, primarily on the performance measures for the 2019 LTIP (as described above) and our response to the significant minority vote against (28.17% vote against) the Annual Report on Remuneration at the 2019 AGM.

From discussions with shareholders, the Committee is aware that the two key areas of concern in respect of the remuneration approach as set out in the 2019 Annual Report on Remuneration were:

- the potential award of an LTIP at 200% of salary to the former Group CEO, Lance Batchelor, in FY20 against the backdrop of the significant decline in share price; and
- the proposed FY18/19 CEO annual bonus payout which was not considered to be aligned to Company performance.

In respect of the first point, shareholders may recall that the Company released an RNS on 12 June 2019 which included the announcement that Lance Batchelor would be retiring from his role as Group CEO, and that as a result the LTIP award referred to above would not be made.

In respect of the second point, the Committee carefully considered the formulaic out-turn of the annual bonus plan for 2018/19 which would have resulted in a bonus payout of 77.4% of salary for the Group CEO (£533,893).

The Committee then exercised its discretion taking the following three steps:

1. the Committee, with the support of the Group CEO, exercised its discretion to depart from the formulaic out-turn and decided to award the Group CEO a reduced bonus of 52.65% of salary (£363,171). The Committee made this decision based on its view that whilst the PBT targets for the Insurance business had been satisfied it was intended that they be met more through Retail Broking than reserve releases;

2. the Committee determined that there should be no cash bonus awarded and that the entire bonus should be awarded in shares which would be deferred for three years to increase the alignment of the Group CEO to shareholders and support a focus on the announced strategy and long term shareholder value;

3. the Committee used a higher share price to determine the number of shares granted under the award which had the effect of reducing the value of the bonus on grant to 19.49% of salary (£134,422).

The Committee made the first two of these decisions prior to the publication of the 2019 Directors Remuneration Report (DRR) and these were therefore communicated in the DRR. The third step was taken after publication of the DRR and following the subsequent fall in the Company's share price in March/April 2019.

The Committee determined that a share price of 110.5p would be used to determine the number of shares awarded which was the share price at the time the bonus award was determined and pre-dated the subsequent share price fall. As a result, an award over 328,661 shares was made to the Group CEO (£363,171 divided by 110.5p). Taking these points together, the award value at the time the award was made had therefore been further reduced to £134,422 (328,661 shares at 40.9p). The net effect of these decisions was that a bonus valued at 19.49% of salary was awarded to the Group CEO in respect of 2018/19, reduced from the formulaic outcome of 77.4% of salary.

Summary of outcomes

Actual performance and remuneration outcomes for 2019/20

How we have performed in 2019/20

Bonus (audited in conjunction with details on page 153)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2019/20 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 maximum performance achieved	Annual bonus value achieved (% of salary) Lance Batchelor	James Quin	Euan Sutherland[5]	Cheryl Agius[4,5]
Group PBT[1]	55%	£105.0m	£115.0m	£120.0m	£109.9m	20% 100%	39.6%	32.7%	27.3%	2.7%	2.5%
Group cash flow[2]	15%	35.1%	38.7%	42.5%	60.7%	20% 100%	100%	22.5%	18.8%	1.9%	1.1%
Personal objectives	30%	See page 94 for details of personal objectives and their achievement				0% 100%		0%	37.5%	3.8%	3.1%
Total	100%							55.2%	83.5%	8.4%	6.7%
Total calculated (£)								£380,828	£308,980	£58,456	£24,532
Total payable[3] (£)								£190,414	£308,980	£58,456	£24,532

Notes:
1 Defined as Underlying Profit Before Tax excluding derivatives, the impairment of goodwill and cruise ships, and in the prior year excluding restructuring costs and debt issue costs
2 Defined as net available cash generation
3 The Committee awarded a reduced bonus as set out on page 82. The resultant figure will be awarded two-thirds in cash and one-third in shares; the portion to be awarded in shares will lapse immediately due to his cessation of employment.
4 A proportion of Cheryl Agius's bonus is attributed to Insurance PBT and Cash which paid out at 47% and 42.4% respectively.
5. The bonus for both Euan Sutherland and Cheryl Agius was pro-rated for the period of the financial year during which they were employed
See the Remuneration Committee Chair Annual Statement on pages 81-84 for an explanation of the difference

LTIP

KPIs	Threshold	Target	Maximum	Actual	Percentage of current potential LTIP vesting
2017 LTIP award as at year end 31 January 2020					
Basic Earnings Per Share (EPS)[1] growth (p.a.)	5%	–	12%	-13.4%	0%
Organic EPS[2] growth (p.a.)	12%	–	21%	-12.3%	0%
TSR	Median	–	Upper quartile	Below median	0%

Notes:
1 Defined as PBT divided by the number of shares in issue
2 Defined as post-tax profit excluding the effect of reserve releases divided by the fully diluted number of shares in issue
3 The 2017 LTIP will vest on 1 May 2020 and 2 October 2020. The indications for the LTIP performance in the table above are as at 31 January 2020. The relative TSR target for the 2017 LTIP is substantially (but not fully) completed as at 31 January 2020. The basic EPS and organic EPS targets are complete. 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. It should be noted the Committee does not expect any of the 2017 LTIP to vest

Single total figure of remuneration for Executive Directors for the 2019/20 financial year

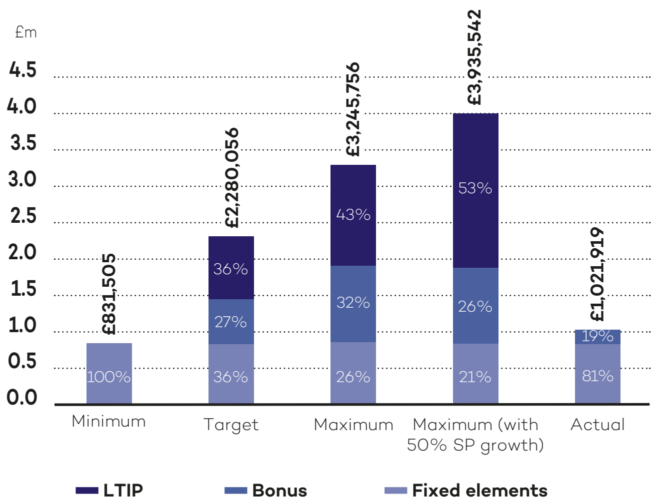
Executive Directors	Period	Salary £	Taxable benefits £	Pension	Bonus £	LTIP £	Recovered amounts £	Total £
Lance Batchelor	2019/20	689,785	38,252	103,468	190,414	0	(63,471[2])	1,021,919
(Group Chief Executive Officer)	2018/19	689,785	35,319	103,468	363,171[1]	0	0	1,191,743
James Quin	2019/20	370,000	25,505	37,000	308,980	0	0	741,485
(Group Chief Financial Officer)	2018/19	30,833	3,097	3,083	25,686	0	0	62,699
Euan Sutherland	2019/20	53,846	1,002	3,231	58,456	0	0	116,535
(Group Chief Executive Officer)	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Cheryl Agius	2019/20	30,417	937	1,825	24,532	0	0	57,711
(Chief Executive Officer of Insurance)	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a

Notes:
1 The 2018/19 bonus for the Former Group Chief Executive Officer was paid fully in shares. The share price used to calculate the number of shares was 110.5p and the share price on the date of grant was 40.9p. Therefore the face value of this bonus on the date the award was paid was £134,422
2 This represents the sums awarded in deferred shares which will lapse immediately
3 James Quin's reportable remuneration number for FY 2018/19 was pro-rated due to his start date on January 2019

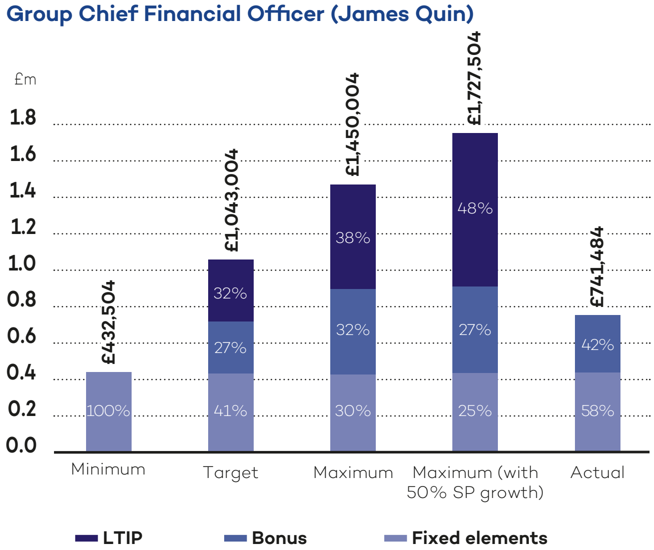
For the full single figure table, please see page 93 in the Annual Report on Remuneration.

Illustration and application of current Remuneration Policy in 2019/20
The following charts show the 2019/20 actual remuneration against the current Policy levels of remuneration for the Executive Directors.

Group Chief Executive Officer (Lance Batchelor)

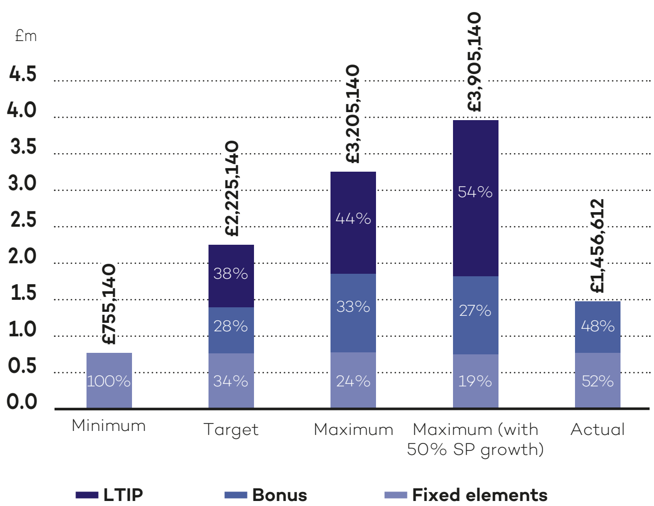


Group Chief Financial Officer (James Quin)

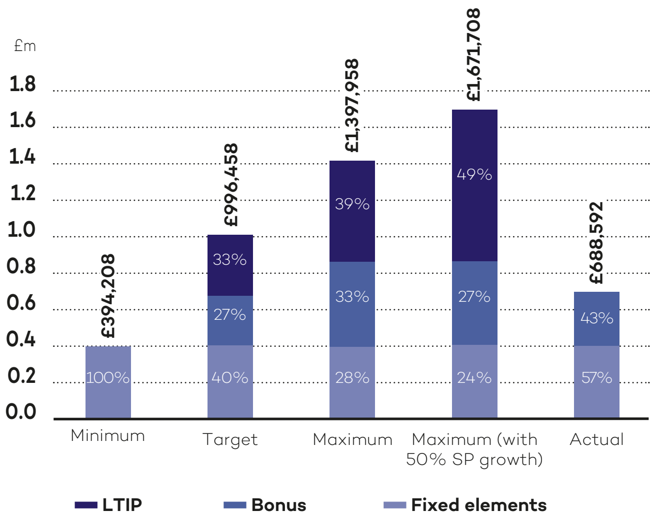


To aid comparability we have used Euan Sutherland and Cheryl Agius' full year annualised remuneration elements for their actual remuneration.

Group Chief Executive Officer (Euan Sutherland)



Chief Executive Officer of Insurance (Cheryl Agius)



The following table[4] outlines the elements included in the illustration on page 86:

Element	Description	Minimum	Target	Maximum	Maximum (with 50% SP growth)
Fixed	Salary, benefits and pension[1]	Included	Included	Included	Included
Annual bonus	Annual bonus (including deferred shares)	No annual variable	60% of maximum bonus (target performance is set above budget)	100% of maximum bonus[2]	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]	100% of the maximum award[3] plus the increase in value resulting from a 50% share price growth

Notes:
1 Based on 2019/20 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, it should be noted the initial award to the Group Chief Financial Officer as part of his recruitment was 200% of salary; this would revert to 150% for ongoing awards.
4 Participation in the SIP has been excluded given the relative size of the opportunity levels

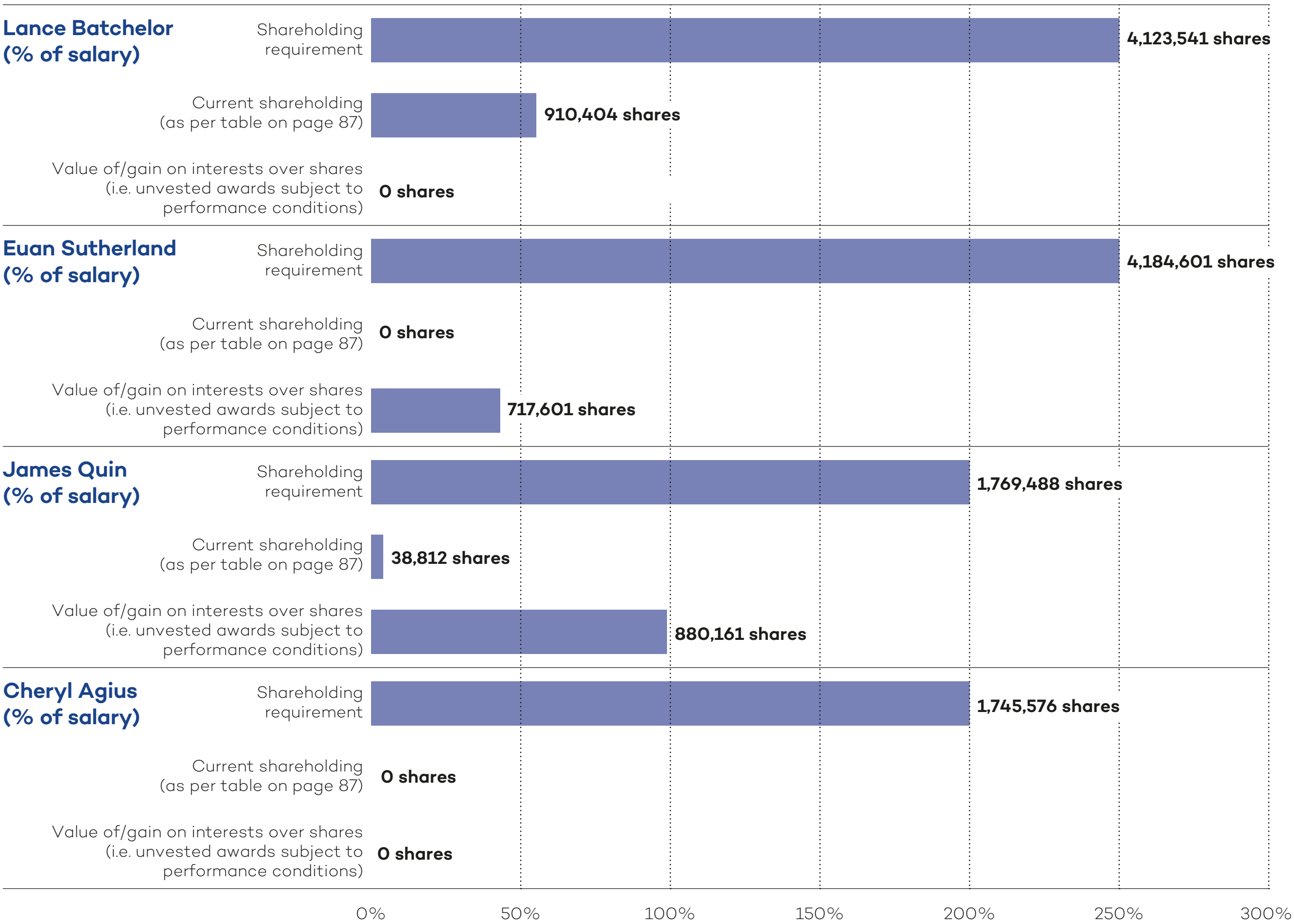
In accordance with the new regulations, share price growth has been added to the LTIP only for the 'maximum (with 50% share price growth)' scenario. Dividend equivalents have not been added to deferred share bonus and LTIP share awards.

Directors' share interests (audited)
The following table and chart set 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]	Shares counting towards shareholder requirements[3]	Beneficially owned[4]	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	LTIP interests vested but not yet exercised	Lapsed	Vested	Unvested	Outstanding interests in the SIP	Shareholding requirement met?
Executive Directors												
Lance Batchelor[5]	250%	55%	910,404	219,818	667,552	–	619,847	3,835,646	–	–	8,265	No
James Quin	200%	4%	38,812	34,706	7,748	1,660,682	–	–	–	–	–	No
Euan Sutherland	250%	0%	–	–	–	1,353,965	–	–	–	–	–	No
Cheryl Agius	200%	0%	–	–	–	–	–	–	–	–	–	No
Non-Executive Directors												
Patrick O'Sullivan	–	–	–	260,000	–	–	–	–	–	–	–	n/a
Ray King	–	–	–	43,879	–	–	–	–	–	–	–	n/a
Orna NiChionna	–	–	–	29,195	–	–	–	–	–	–	–	n/a
Gareth Williams	–	–	–	43,817	–	–	–	–	–	–	–	n/a
Julie Hopes	–	–	–	42,617	–	–	–	–	–	–	–	n/a
Eva Eisenschimmel	–	–	–	41,354	–	–	–	–	–	–	–	n/a
Gareth Hoskin	–	–	–	135,178	–	–	–	–	–	–	–	n/a

Notes:
1 Shareholding requirements are those that were in existence throughout the course of the year and as at 31 January 2020
2 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements
3 Shares counting towards shareholding requirements for Lance Batchelor is calculated on a net of tax basis for both the deferred shares (233,132) and vested but not exercised LTIP interests (328,518)
4 Lance Batchelor – IPO options with an exercise price of £1.85; 540,540 options vested on 29 May 2017; 540,540 options vested on 29 May 2018; and the remaining 1,081,082 options vested on 29 May 2019 however these vested but unexercised options lapsed when Lance Batchelor gave notice to retire on 12 June 2019.
5 Since the year end, Lance Batchelor has bought an additional 330 shares through the SIP; Euan Sutherland purchased 253,984 shares and James Quin purchased 108,258 shares.

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 Directors had a beneficial interest and details of long term incentive interests as at 31 January 2020 are set out below:



Notes:
The mid-market quoted share price of 41.82p as at 31 January 2020 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary.
Value of/gain on interests over shares comprises unvested 2016, 2017 and 2018 LTIP awards for Lance Batchelor on a net of tax basis.
Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

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 any time at Eva.Eisenschimmel@saga.co.uk if you have any questions or comments on this report. I look forward to hearing your views.

Eva Eisenschimmel
Chair, Remuneration Committee

SUMMARY DIRECTORS' REMUNERATION POLICY

Remuneration Policy and its implementation
The current Remuneration Policy was approved by shareholders at the Company's AGM on 21 June 2018. The Remuneration Policy can be found on pages 112-120 of the 2018 annual report available on our website, www.corporate.saga.co.uk/media/1248/saga_ar18_drr.pdf and from the Group Company Secretary at Saga's registered office.

Current 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

Year ending January	2020	2021	2022	2023	2024
Base salary	✓				
Benefits and pension	✓				
Annual bonus – cash	✓				
Annual bonus – deferred shares	✓	✓	✓	✓	
LTIP	✓	✓	✓	✓	✓
Shareholding requirement	✓	✓	✓	✓	✓ (Ongoing)
All colleague share plan	✓	✓	✓		
Chairman and Non-Executive Director fees	✓				

Key
- ✓ Performance period
- ✓ Vesting period
- ✓ Holding period

Details of each of these elements and their implementation are included in the table below, which provides the following information:

- a summary of the key elements of the current Remuneration Policy;
- the operation of the Policy in 2019/20; and
- proposed changes in the new Remuneration Policy which is currently being consulted on with shareholders. As described in the Remuneration Committee Chair Statement, the Committee is currently consulting with shareholders on a new Remuneration Policy to operate for the 2020/21 financial year, the full details of which will be disclosed in the relevant notice of meeting and will be subject to a binding vote.

Remuneration Policy element	Operation in 2019/20	Proposed operation in 2020/21
Base salary The Remuneration Committee ensures that maximum salary levels are positioned competitively to attract and retain talent. In general, salary increases for Executive Directors will be in line with the increase for colleagues.	The annual salaries for the Executive Directors were: • New Group Chief Executive Officer: £700,000 • Group Chief Financial Officer: £370,000 • Chief Executive Officer of Insurance: £365,000	The Committee will review salary levels for the Executive Directors as part of its Policy review with any increases being disclosed accordingly.
Benefits 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 colleagues.	Standard benefits.	No change.
Pension The current maximum value of the pension contribution allowance is 15% of gross basic salary. From 1 January 2020 the maximum amount of pension supplement for new Executive Directors will be 6% of gross basic salary which is the majority pension contribution available across the Company.	Executive Directors received the following: • New Group Chief Executive Officer: 6% of salary supplement in lieu of pension. • Group Chief Financial Officer: 10% of salary supplement in lieu of pension. • Chief Executive Officer of Insurance: 6% of salary supplement in lieu of pension.	Pensions for current executives will form part of the Policy review.
Annual bonus 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 Deferred Bonus Plan. 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; and • the participant's continued employment at the end of the deferral period unless he/she is a good leaver.	Maximum bonus opportunity: • New Group Chief Executive Officer: 150% • Group Chief Financial Officer: 125% • Chief Executive Officer of Insurance: 125% The Group Chief Executive Officer and Chief Executive of Insurance's annual bonus will be prorated for time served. 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 85 and page 94 for full details on the full year 2019/20 targets).	No change is anticipated to maximum opportunity. To reflect the current external climate, the bonus measures are being reviewed to ensure they are relevant to business priorities. Details will be included as part of the Policy review process.

Remuneration Policy element	Operation in 2019/20	Proposed operation in 2020/21
LTIP Awards are designed to incentivise the Executive Directors over the longer term to successfully implement the Company's strategy.	Following his decision to retire, the outgoing Group Chief Executive Officer did not receive an award under the LTIP • Group Chief Financial Officer: 200%[3] • New Group Chief Executive Officer: 100%[4] • The Chief Executive Officer of Insurance did not receive an LTIP in 2019/20 Performance measures for the 2019 LTIP were: i) comparative TSR (25%) ii) Attainment of five specific operational and strategic measures (50%): a) Cruise EBITDA (£m per ship) b) Tour Ops Net Profit margin (%) c) Saga Service Limited retention (% of average across home and motor) d) Saga Services Limited direct (% of new business) e) Cash conversion iii) ROCE[5] (25%) – 8% p.a. for 25% of this element of the award to vest with full vesting at 10% p.a. • straight-line vesting to take place from 25% to 100% of the award • two-year holding period. See page 96 for full details of the performance conditions.	The LTIP arrangements for 2020 are included in the Policy review. Details will be provided following the completion of the Policy review.

Remuneration Policy element	Operation in 2019/20	Proposed operation in 2020/21
Shareholding requirement The Remuneration Committee sets 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: 250% of salary • Other Executive Directors: 200% of salary	The shareholding requirement for 2020 is included in the Policy review. Details will be provided following the completion of the Policy review.
Post-cessation shareholding requirement	12 month post-cessation shareholding requirement equal to the in-employment requirement.	The post-cessation shareholding requirement for 2020 are included in the Policy review. Details will be provided following the completion of the Policy review.
All colleague share plan The Company operates an HMRC SIP.	Saga continued to operate the SIP for all colleagues in 2019, with a Free Share award of £300 made in July 2019 to all eligible full-time colleagues.	Saga will continue to provide all colleagues the opportunity to participate in all colleague equity arrangements.
Chairman and Non-Executive Director fees 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.	No increase in the Board fee, Committee Chair fee or Senior Independent Director fee. Non-Executive fees were, from 1 June 2019: • Chairman fee: £325,000 • Board member fee: £63,672 • Committee Chair fee: £10,000 • Senior Independent Director fee: £20,000	No change.

Notes:
1 Defined as Underlying Profit Before Tax excluding derivatives, the impairment of goodwill and cruise ships, and in the prior year, excluding restructuring costs and debt issue costs
2 Defined as net available cash generation
3 James Quin joined the Company on 1 January 2019. It was agreed as part of his recruitment that he would be awarded an LTIP of 200% of salary for his first award in 2019/20
4 Euan Sutherland joined the Company on 6 January 2020 and received an LTIP of 100% of salary which is 50% of the normal CEO opportunity as he joined half way through the Company's annual LTIP grant cycle
5 Defined as earnings before interest and tax divided by the carrying value of equity plus net debt

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 2019/20 financial year. Comparative figures for the 2018/19 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013.

	Period	Salary/ fees £	Taxable benefits[1] £	Pension[3] £	Bonus[4] £	LTIP[2] £	Amounts Recovered £	Total £
Executive Directors								
Lance Batchelor (Former Group Chief Executive Officer)	2019/20	689,785	38,252	103,468	190,414	0	(63,471)[11]	1,021,919
	2018/19	689,785	35,319	103,468	363,171	0	0	1,191,743
Euan Sutherland[5] (Group Chief Executive Officer)	2019/20	53,846	1,002	3,231	58,456	0	0	116,535
	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a
James Quin (Group Chief Financial Officer)	2019/20	370,000	25,505	37,000	308,980	0	0	741,485
	2018/19	30,833	3,097	3,083	25,686	0	0	62,699
Cheryl Agius[6] (Group Chief Executive Officer of Insurance for Saga Plc)	2019/20	30,417	937	1,825	24,532	0	0	57,711
	2018/19	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Non-Executive Directors								
Patrick O'Sullivan[7] (Chairman)	2019/20	325,000	0	0	0	0	0	325,000
	2018/19	243,750	0	0	0	0	0	243,750
Ray King (Non-Executive Director, Audit Committee Chair)	2019/20	73,672	0	0	0	0	0	73,672
	2018/19	73,672	0	0	0	0	0	73,672
Orna NiChionna (Senior Independent Non-Executive Director, Risk Committee Chair)	2019/20	93,672	0	0	0	0	0	93,672
	2018/19	96,710	0	0	0	0	0	96,710
Julie Hopes[8] (Non-Executive Director)	2019/20	125,788	0	0	0	0	0	125,788
	2018/19	36,224	0	0	0	0	0	36,224
Eva Eisenschimmel[9] (Non-Executive Director)	2019/20	63,672	0	0	0	0	0	63,672
	2018/19	5,306	0	0	0	0	0	5,306
Gareth Williams (Non-Executive Director, Remuneration Committee Chair)	2019/20	73,672	0	0	0	0	0	73,672
	2018/19	73,672	0	0	0	0	0	73,672
Gareth Hoskin[10]	2019/20	106,202	0	0	0	0	0	106,202

Notes:
1 The types of benefits provided included family private health cover, death in service life assurance, a car allowance or company car, subsistence expenses and staff discounts in line with other colleagues
2 Values shown for 2019/20 represent the indicative vesting of the 2017 award. The performance period of the TSR element of the award is due to be tested in May 2020, the value in the table above assumes zero vesting under the TSR element based on performance to year end. For 2018/19 the final value of the 2016 LTIP award as at vesting date is shown which is as stated in the 2018/19 annual report
3 Reflects the value of the pension supplement
4 See the Chair of Remuneration Committee's Annual Statement for the details of the Committee's deliberations on bonus
5 Euan Sutherland joined the Board on 6 January 2020, replacing Lance Batchelor who left the Company on 31 January 2020
6 Cheryl Agius joined the Board on 1 January 2020 as CEO of Insurance
7 Patrick O'Sullivan was appointed Chairman on 1 May 2018
8 Julie Hopes joined the Board on 1 October 2018; she became a statutory director of SSL on 26 February 2019 and was appointed Chair of the SSL Board on 8 March 2019
9 Eva Eisenschimmel joined the Board on 1 January 2019
10 Gareth Hoskin joined the Board on 11 March 2019; he was appointed Chair of AICL Board on 29 April 2019
11 This represents the sums awarded in deferred shares which will lapse immediately due to cessation of employment

Annual bonus[3]

See page 85 for details of the financial performance conditions and their level of satisfaction which are incorporated into this Annual Report on Remuneration by reference.

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	15%	Transform Saga into a Membership organisation which is truly customer centric	• Prove that Membership can deliver against specific KPIs: – 4,000 incremental Travel passengers (target) – 10k incremental policies (target) – 25k incremental policies (stretch)	n/a
	10%	Deliver sustainable growth	• Sell three-year fixed-price product to meet the business plan for FY19/20 of 141k new customers and 364k total fixed-price policies sold • Increase of direct insurance policies from 51.0% to 58.8% • Increasing Motor and Home retention: – Motor FY 67.7% to 69.6% – Home FY 78.5% to 79.3% on a policies basis • Deliver Cruise passenger growth by 27% on prior year, equating to 33k • Achieve retail broking home and motor gross margin (less marketing costs) target of £71-£74 per policy, on external basis of reporting	n/a
	5%	Deliver increase in colleague engagement	• Deliver a targeted 3% increase in Group-wide colleague engagement	n/a
James Quin Group Chief Financial Officer	15%	Deliver sustainable growth	• Sell three-year fixed-price product to meet the business plan for FY19/20 of 141k new customers and 364k total fixed-price policies • Increase of direct insurance policies from 51.0% to 58.8% • Increasing Motor and Home retention: – Motor FY 67.7% to 69.6% – Home FY 78.5% to 79.3% on a policies basis • Achieve retail broking home and motor gross margin (less marketing costs) target of £71-£74 per policy, on external basis of reporting • Develop and refine a clear view of historical, current and future profitability of AICL • Deliver Cruise passenger growth by 27% on prior year, equating to 33k at per diems in line with plan	15% Achieved
	10%	Manage balance sheet	• Execute agreed strategy for non-core disposals • Agree amended covenants with lending banks • Effective monitoring of risks in Cruise, three-year fixed-price products, FCA pricing, CAA cash requirements and defined benefit pension scheme	10% Achieved
	5%	Deliver increase in colleague engagement	• Deliver a targeted 3% increase in colleague engagement	5% Achieved

Notes:
1 In line with the Committee's decision to reduce the formulaic out-turn from the bonus for the former CEO the achievement of these objectives is not applicable

Long term incentives vesting in respect of 2019/20 performance (audited)

The LTIP awards granted on 1 May 2017 have not yet vested but as performance was substantially completed during the 2019/20 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 2021 Annual Report on Remuneration to reflect the final vesting outcome and the actual share price on the date of vesting (as required).

2017 LTIP Performance measures

Performance measures	Percentage of award	Date measured	Range	Achieved	Percentage of LTIP vesting
Basic EPS	30%	31 January 2020	5% – 12%	-13.4%	0%
Organic EPS	30%	31 January 2020	12% – 21%	-12.3%	0%
Relative TSR	40%	1 May 2020	Median – Upper Quartile	Below Median	0%

The table below presents the indicative vesting of the 2017 LTIP award for Lance Batchelor.

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
Lance Batchelor	200% of salary	0%	0%	0%	£0

Notes:
1 Based on TSR performance against the peer group to 31 January 2020

Long term incentives awarded in 2019/20 (audited)

In the 2019 Directors' Remuneration Report, the Committee indicated that we would reach out to shareholders to discuss revised performance conditions for the 2019 LTIP as a result of the fundamental change to the Group's strategy announced on 4 April 2019.

A key aspect of the Group's strategy is to return the whole business to its heritage as an organisation that offers differentiated products and services. This will give our customers and members a compelling reason to come to us and stay with us. During the year we announced a new approach to Insurance which focuses on direct channels and products that offer attractive innovative features, moving the conversation from price to value. Our new three-year fixed-price insurance offering is a powerful indication of our change in approach. They will support future growth in customers and profits, and generate attractive cash flows for Saga.

The Committee commenced a consultation with major shareholders on 1 May 2019 regarding the LTIP measures to support the strategy and carried out multiple stages of meetings and calls. The Committee carefully considered the feedback from shareholders throughout the consultation which concluded on 15 July 2019 and subsequently wrote to shareholders to confirming the agreed position which is as follows:

Performance measures	2018 LTIP weightings and targets	Final Proposed 2019 LTIP weightings and targets with rationale
Organic EPS	Weighting: 30% Threshold (25%): 12% p.a. Maximum (100%): 21% p.a.	Removed. In line with the New Strategy there is expected to be a decline in profit in 2019/20 with underlying profit before tax expected to be £105-£120m due to a reduction in reserve releases, as well as a decline in Broking gross margins (less marketing costs) from £80 to between £71-£74 per policy. The execution of the strategy is better incentivised and measured by focussing management on key operational and strategic metrics including cash conversion and ROCE.
Relative Total Shareholder Return (TSR)	Weighting: 40% Measured against FTSE 250 (excluding investment trusts) Threshold (25%): median Maximum (100%): upper quartile	Weighting: reduced to 25% The Committee feels that is important to retain an output based measure which reflects the market's view of the success of the implementation of the New Strategy. In addition, the Committee wishes management to be focused on recovering and enhancing shareholder value. The Committee has further reduced the weighting of TSR to 25% to ensure there is a sufficient focus on the execution of the strategy measured through the new operational and strategic measures, including cash conversion. This is based on feedback to date from shareholders around their confidence in the execution.

Performance measures	2018 LTIP weightings and targets	Final Proposed 2019 LTIP weightings and targets with rationale
Return On Capital Employed (ROCE)	Weighting: 30% Threshold (25%): 10.5% p.a. Max (100%): 11.5% p.a.	Weighting reduced to 25% Threshold (25%): 8% p.a. Max (100%): 10% p.a. The ROCE metric will ensure that the management are focused on generating an appropriate level of return on the investments being made over the next period. The ROCE range has been reduced to reflect the expected decrease in profit as a result of the implementation of the New Strategy and the increased focus on margins and quality of earnings. The Committee has further reduced the weighting of ROCE to 25% to ensure there is a sufficient focus on the execution of the strategy measured through the new operational and strategic measures, including cash conversion.
Operational and Strategic Measures	New measures for 2019 including: • Cruise EBITDA • Tour Ops net profit margin • SSL retention • SSL direct • Cash conversion	Weighting: 50% These operational and strategic measures are some of the key inputs to ensuring the execution of the Company's New Strategy. The following table sets out the threshold, target and maximum performance conditions for each of these performance measures.

Performance condition	Percentage of award vesting 25%	Percentage of award vesting 60%	Percentage of award vesting 100%
Cruise EBITDA (£m per ship)	£37m	£40m	£43m
Tour Ops net profit margin (%)	6.0%	6.5%	7.0%
SSL retention (% average across home and motor)	72.5%	75%	77.5%
SSL direct (% of new business)	62.5%	65%	67.5%
Cash conversion in years 2 and 3	85%	87.5%	90%

The award over 200% of salary for James Quin, which was agreed as part of his joining terms, was granted on 12 August 2019; the face value is calculated with reference to the share price on 9 August 2019 of £0.4456. The award over 100% salary for Euan Sutherland, which represents a pro-rata award as he joined part-way through the Company's normal LTIP cycle, was granted on 6 January 2020; the face value is calculated with reference to the share price on 3rd January 2020 of £0.5170. The awards will vest, subject to the level of performance achieved, on 12 August 2022 and 6 January 2023 respectively.

As Lance Batchelor gave notice of his intention to retire from the Board on 31 January 2020, the Remuneration Committee agreed that no award would be granted to him under the LTIP in 2019.

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
James Quin	LTIP	Annual	£740,000	1,660,682	25%	100%	Organisational and Strategic measures – 50%, Comparative TSR – 25%, ROCE – 25%
Euan Sutherland	LTIP	Annual	£700,000	1,353,985	25%	100%	Organisational and Strategic measures – 50%, Comparative TSR – 25%, ROCE – 25%

Other awards

A buyout award to the value of £245,250 will be made to Cheryl Agius; the granting of this award is as a replacement for awards forfeited at her previous employer and the intention is for Cheryl Agius to be no better or worse off than had she retained those awards.

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
Cheryl Agius	Buyout	One-off	£245,250	466,822	25%	100%	See below

The buy-out award for the CEO of Insurance is structured in a way such that the face value of the award matches the estimated value of the foregone awards from her previous employer.

The award will be made in the form of Saga shares (466,822 shares based on Saga's MMQ on 31 December 2019 given Cheryl Agius' commencement date with Saga of 1 January 2020). The award will vest in two tranches – the first tranche of 162,723 shares will vest on 6 April 2021; the second element of 304,099 will vest on 6 April 2022. The vesting of each award is subject to her continued employment with Saga.

The ultimate number of shares vesting may therefore vary up or down depending on the attainment of the performance conditions of the associated LTIP awards of her previous employer.

The CEO of Insurance also received a buyout for a foregone cash award from her previous employer. The value of this award is £112,250 which is subject to continued employment for 12 months. The value of the award may ultimately vary up or down depending on the conditions attached to this award by her former employer.

Pension entitlements (audited)

			Accrued pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
Name	Age at 31/01/2020	Pensionable service at 31/01/2020	01/02/2019	31/01/2020	Pension salary supplement[1]	Value x20 over year[2]	Value x20 over year[2]	Normal retirement age
Lance Batchelor	56	3 years, 9 months	£6,213	£6,213	£103,468	£0	£103,468	65

Notes:

1 Pension salary supplement paid is 15% for Lance, Euan and Cheryl's pension salary supplement is 6% which aligns to the majority of our colleagues contribution. James' supplement was set at 10% when he was recruited

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

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.

However, the Company entered a retirement agreement with Lance Batchelor on his cessation of employment with the Company on 31 January 2020. The full retirement package announcement is available on the Company website (https://corporate.saga.co.uk/about-us/governance/) but is summarised below:

1. Lance remained an employee of the Company and received his salary, benefits and pension allowance until his cessation of employment on 31 January 2020.
2. Lance will be eligible to receive a bonus in respect of his time served as CEO for FY2019/20. This bonus will be based on achievement of the agreed performance measures. Should there be a payout under the annual bonus for FY2019/20 this will be made in the form of cash and/or deferred in shares as determined by the Remuneration Committee.
3. Awards of deferred shares made to Lance under the Company's DBP in 2017 and 2019 will vest at their normal vesting dates (26 May 2020 and 11 July 2022 respectively) and remain subject to the scheme rules, including malus and clawback provisions. Awards will be exercisable for six months after vesting.
4. Awards made to Lance under the Long Term Incentive Plan granted in 2017 and 2018 will lapse on retirement. No LTIP award was made to Lance in 2019.
5. Lance's IPO awards lapsed on the announcement of his retirement.
6. Lance will be able to withdraw shares held under the all-employee Share Incentive Plan in accordance with the scheme rules.

Lance is required to retain 250% of his salary or (if lower) his final shareholding in shares for a period of 12 months from the Retirement Date i.e. until 31 January 2021. Lance will not receive any payments for loss of office.

Directors' share interests

Directors' share interests are discussed in the Annual Statement on page 87 and are incorporated into this Annual Report on Remuneration by reference.

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 was a Trustee of the charity the White Ensign Association; in January 2019, he was appointed as a Non-Executive Director on the Board of the Royal Navy. He did not receive a fee for his position with the White Ensign Association. He received a fee for the Navy Board position of £15,000 per annum. Euan is a Non-Executive Director of Britvic plc for which he receives a fee of £57,707.84 per annum. Neither James Quin nor Cheryl Agius hold any external directorships.

Implementation of policy

Implementation of policy is discussed in the Summary Director' Remuneration Policy on page 89 and is incorporated into this Annual Report on Remuneration by reference.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2019/20 financial year and 2018/19 financial year compared with other disbursements. All figures provided are taken from the relevant company accounts.

	Disbursements from profit in 2019/20 financial year (£m)	Disbursements from profit in 2018/19 financial year (£m)	Percentage change
Profit distributed by way of dividend	25.8	100.9	(74.4%)
Total tax contributions[1]	50.1	74.6	(32.8%)
Overall spend on pay including Executive Directors	125.6	123.9	1.4%

Note:
1 Total tax contributions include corporation tax, national insurance contributions, VAT and air passenger duty

Our colleagues

Saga is committed to creating an inclusive working environment and to rewarding our colleagues throughout the organisation in a fair manner. In making decisions on executive pay, the Remuneration Committee considers wider workforce remuneration and conditions.

Committee Report

Process

In order for the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at the Remuneration Committee meetings, setting out key details of remuneration throughout the Company. The following table sets out a summary of the information received by the Committee at the end of the financial year:

Element of remuneration	Saga plc
Alignment with remuneration principles	One of Saga's reward principles is to create fair and flexible reward structures for all Saga colleagues. In the past two years we have reviewed and redesigned most of our compensation and benefit structures in line with this principle.
Salary	For full year 2019/20 Saga has awarded an annual pay review of 1% for the Leadership team and 1.5% for colleagues. Colleagues rated as 'achieving' received 1.5%; higher performers received a higher rate up to a maximum of 2.7%. Our annual pay review in February is managed centrally, with recommendations for the Group being presented to the Group Executive in December. **National Living Wage** For most colleagues, we maintain a 20p uplift between minimum pay levels and the National Living Wage. MetroMail has maintained an uplift of 5p to reflect our approach to allow flexibility in our reward structures and to sustain financial viability.
Bonus	Saga operates three separate bonus schemes, which have different methods of calculation (excluding Group Executives' bonus): 1. Top Team Bonus Scheme 2. Management Bonus Scheme 3. Company Bonus Scheme. Our Top Team Bonus Scheme is based on Group and divisional profit and cash performance. Our Management Bonus and Company Bonus Schemes are based on the performance in three areas: • Group profit: Group PBT, reported at the end of the financial year • Divisional profit: Divisional PBT for the employing division, reported at the end of the year (Group roles are based solely on Group profit) • Individual contribution: performance against the bonus objectives set at the start of the financial year. Our Top Team Bonus Scheme levels range between 40% and 60% of salary. Management Bonus Scheme levels range between 10% to 20% depending on the level within Saga. Company Bonus Scheme levels range between 0% and 7.5% of salary. Malus and clawback provisions are in place. Bonuses are paid annually in May subject to Company results.

Element of remuneration	Saga plc
Sales and commission plans	Sales and commission schemes operate in the following companies within the Saga Group: Saga Services (including Bennetts), ST&H, Destinology, Saga Healthcare, Saga Personal Finance and Titan Travel. The method of calculation varies dependent on business area and product. The majority of these plans are paid monthly. Governance of the sales and commission plans is managed at a divisional Board or Executive Committee level. We review these schemes regularly to ensure they adhere to our reward principles and support good customer outcomes. There are adequate recovery provisions in place for all plans to deal with payments made in error or in breach of our values. These provisions are communicated to all eligible colleagues.
LTIP	The LTIP is currently only available to Group Executive, Top Team roles or in exceptional circumstances senior management. These are awarded annually. Malus and clawback provisions are in place. The vesting period is three years. Our Executive Directors are subject to an additional two-year holding period. Eligible colleagues:

Level	Number of eligible colleagues[1]	Award type	Targeted ranges
Group Chief Executive Officer	1	Group shares	200%
Group Chief Financial Officer	1	Group shares	150%
Chief Executive Officer of Insurance	1	Group shares	150%
Group Executive	7	Group shares	60%-100%
Top Team	63	Group shares	40%, 50%, 60%

Note:
1 As at 31 January 2020

Element of remuneration	Saga plc
Pension	Saga operates a defined benefit (DB) scheme and a defined contribution (DC) scheme. Membership figures (as at 31 January 2020) are as follows: DB scheme: 1,187 DC scheme: 2,116

The Remuneration Committee receives feedback from colleague surveys and from the People Committee which meets regularly throughout the year. The first People Committee meeting was held in January 2019 following an election process for the 18 representative positions which draw from all areas of our business.

Alongside its review of the wider workforce remuneration, the Remuneration Committee considers the approach applied to the Executive Directors and senior management. In particular, the Committee is focused on ensuring the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

Overview of findings
The key findings of the Committee's review for this financial year are as follows:

- Salary increases for colleagues across the Company are being applied on an equitable basis. Average increases are considered when setting salary increases for the Executive Directors.
- The majority of colleagues have the ability to share in the success of the Company through incentive compensation. In line with market practice, the level of incentive compensation and whether it is paid solely in cash or in a mixture of cash and deferred shares depends on the level of seniority of colleagues. The incentive approach applied to the Executive Directors aligns with the wider Company policy on incentives; which is:
  – to have a higher percentage of at-risk performance pay the more senior the colleague; and
  – to increase the amount of incentive deferred, provided in equity and/or measured over the longer term the more senior the colleague.

The following table shows the cascade of incentives throughout the Company:

Competitive pay and cascade of incentives

Organisational level	Colleague[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%	✓
Chief Executive Officer of Insurance	1	125%	67%[2]	33%[2]	150%	✓
Executive Team	6	100%	67%[2]	33%[2]	100%	✓
Executive Team	1	80%	100%	0%	80%	✓
Executive Team	1	60%	100%	0%	60%	✓
Directors[3]	13	60%	100%	0%	60%	✓
Senior leadership	51	40%	100%	0%	40%	✓
Other bonused colleagues	2,509	20%	100%	0%	n/a	✓
Non-bonused colleagues	1,390	n/a	n/a	n/a	n/a	✓

Notes:
1 Colleagues of the Group as at 31 January 2020
2 The maximum level of deferral of bonus in shares for these colleagues 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 plc Board or members of the Executive Team

- Equity participation is offered to all colleagues of the Company through the SIP. Senior colleagues are eligible for LTIP and deferred shares.
- In line with the Company's wider policy on pay, all colleagues have the opportunity to participate in a Company pension arrangement.
- They also receive benefits appropriate to their level of seniority.

Conclusion

In summary the Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. In the Committee's opinion the approach to executive remuneration aligns with wider Company pay policy and there are no anomalies specific to the Executive Directors.

The following sets out a summary of the Company's general policies:

Communication with colleagues

The Group's colleagues are kept informed of Company 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 colleagues to ask questions about the Company.

From January 2019, Saga set up a People Committee which is comprised of 18 elected members who act as representatives from all areas of the business. The People Committee exists to achieve the following:

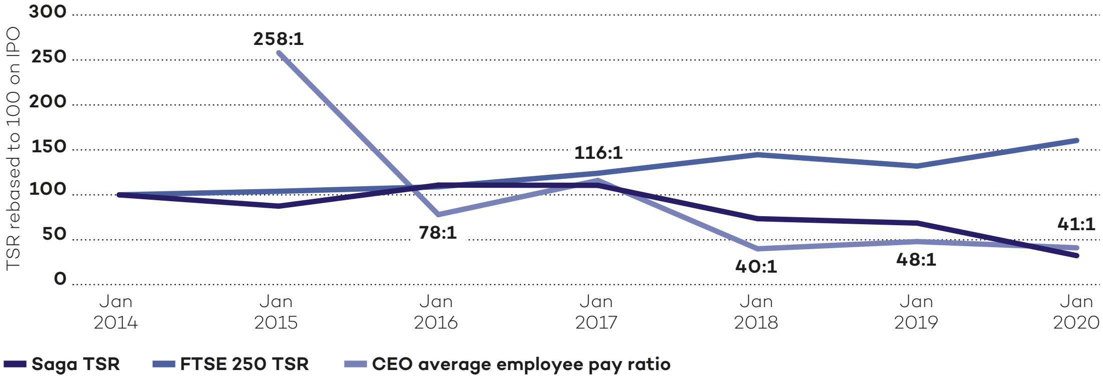
- Improved colleague engagement across the Group and confidence in the leadership of the business.
- A structured and recognised mechanism for collective consultation/feedback which meets the 2018 UK Corporate Governance Code and our legislative responsibilities including but not limited to pay review.
- A regular forum for open discussion and debate which is representative of our whole workforce.
- Supplement our regular engagement surveys by providing an important two-way dialogue with our colleagues and demonstrate where actions are being taken where appropriate.
- Improve and enhance our current working environment.
- Improve and help define our culture at Saga.

Equal opportunities

The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, to 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 colleagues, 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 colleagues and the provision of equal opportunities for the training and career development of all colleagues.

Area	Considerations
Pay comparisons	**CEO ratio**

Our CEO to average colleague pay ratio for 2019/20 is 41:1. To give context to this ratio, we have set out below a chart tracking the CEO to average colleague pay ratio since 2014/15 alongside Saga's TSR performance since IPO. We also show this against the performance of the FTSE 250 during the same time span.



The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company was a long standing member of this index since IPO and has strong aspirations to re-joining this index in the future. This graph has been calculated in accordance with the Listing Regulations. It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2020.

In summary there is significant volatility in Group Chief Executive Officer pay, and we believe that this is caused by the below. Please note pay for the former Group CEO has been used for this calculation.

- Our Group Chief Executive Officer pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio.
- The value of long term incentives which measure performance over three years is disclosed in pay in the year it vests, which increases the Group Chief Executive Officer pay in that year, again impacting the ratio for that year.
- Long term incentives are provided in shares, and therefore an increase in share price over the three years magnifies the impact of a long term incentive award vesting in a year.
- We recognise that the ratio is driven by the different structure of the pay of our Group Chief Executive Officer versus that of our colleagues, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the Group Chief Executive Officer and wider workforce.

Where the structure of remuneration is similar, as for the Executive Committee and the Group Chief Executive Officer, the ratio is much more stable over time.

Area	Considerations
Pay comparisons continued	**Colleague and 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		2019/20	2018/19	2017/18	2016/17	2015/16
Total single figure		£1,062,887[1]	£1,191,743	£1,025,146[3]	£2,490,617	£1,600,287
Annual bonus payment level achieved (percentage of maximum opportunity)		33.6%[2]	35.1%	0%	67.5%	78.6%
LTIP vesting level achieved (percentage of maximum opportunity)		0%	0%[4]	26.0%	65.6%	n/a
Ratio of CEO single total remuneration figure to all colleagues[4,5,6,7]	25th percentile	46:1	59:1	8:1	n/a	n/a
	Median[8]	41:1	48:1	40:1	116:1	78:1
	75th percentile	29:1	36:1	33:1	n/a	n/a
Ratio of single total remuneration figure shown to Executive Committee members		2:1	3:1	3:1	4:1	2:1

Notes:

1 For the single total figure for the Group CEO a combination of Lance Batchelor and Euan Sutherland's remuneration for their respective time in the role of Group CEO has been used

2 The annual bonus payment level achieved is the combination of time prorated achievement levels for Lance Batchelor and Euan Sutherland for their respective time in the role of Group CEO

3 For 2017/18 the final value of the 2015 LTIP award as at vesting date is shown and has been restated from the 2017/18 annual report. The share price at vesting date of 30 June 2018 was 125.6p

4 The fall in the ratio in 2017/18 is due to the forfeiture of bonus by the Group Chief Executive Officer and the relatively low payout on the LTIP. This reflects the fact that shareholders want executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group Chief Executive Officer 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 Group Chief Executive Officer and average colleague are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year-on-year

5 The increase in ratio for 2018/19 is due to the Group Chief Executive Officer receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout

6 The fall in ratio for 2019/20 is due to the rebalancing of base pay and commission in our call centres

7 For the colleague ratio Saga has chosen to use Option B, identifying colleagues using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time colleagues for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18, 2018/19 and 2019/20 using the April 2017, April 2018 and April 2019 gender pay gap data. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018 and 31 January 2019, for these colleagues calculated in line with the single total figure methodology. For colleagues who participate in a defined benefit scheme, the value of the pension for the purposes of total pay has been estimated based on the individual's accrual rate and length of service

8 The median ratios shown for 2015/16 and 2016/17 have been recalculated to allow a comparison to the 2017/18, 2018/19 and 2019/20 figures which have been calculated in line with the methodology prescribed by the regulations

The colleague pay figures used to calculate the ratio are as follows:

		25th percentile	Median	75th percentile
2019/20	Salary	£19,000	£22,980	£32,978
	Total pay	£22,750	£25,919	£35,889
2018/19	Salary	£18,360	£22,448	£29,655
	Total pay	£20,253	£24,919	£33,235
2017/18	Salary	£17,144	£22,065	£25,220
	Total pay	£21,496	£25,427	£30,950

Area	Considerations
Pay comparisons continued	**Percentage change in Group Chief Executive Officer remuneration**

The following table sets out the change in the remuneration paid to the Group Chief Executive Officer from 2018/19 to 2019/20 compared with the average percentage change for colleagues.

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 colleague 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; annual bonus – Company bonus, management bonus, commission and incentive payments.

	£ Salary			£ Taxable benefits			£ Bonus		
	2019/20	2018/19	Percent-age change	2019/20	2018/19	Percent-age change	2019/20	2018/19	Percent-age change
Group Chief Executive Officer[1]	694,108	689,785	0.6%	36,507	35,319	3.4%	233,002	363,171	-35.8%
Average per colleague	30,961	28,418	8.9%	1,038	993	4.5%	2,527	2,971	-15.0%

Notes:
1 The increase in benefits is driven by HMRC annual increases to the company car tax and fuel benefit charge as reported on P11D
2 For the single total figure a combination of Lance Batchelor's and Euan Sutherland's remuneration for their respective time in the role of Group CEO has been used
3 Average salary per colleague increased due to the rebalancing of base pay and commission in our call centres

Saga Group gender pay gaps

Gender pay reporting legislation came into force in April 2017 and requires all UK employers with 250 or more colleagues to publish annual information illustrating pay differences between male and female colleagues.

We welcomed the opportunity to report our findings last year and saw it as an opportunity to test the effectiveness of our existing reward strategies and embraced this as an opportunity to drive our focus on diversity forward.

Our 2019 results demonstrate that Saga has broadly maintained our overall gender pay gap position when comparing against 2018's reportable numbers. As a result, the narrative is consistent with what was reported in 2017 and 2018. Like many organisations, the representation of females in our upper pay quartile remains the key contributor to our gender pay gap in both pay and bonus. Our disclosed findings and actions can be found on our corporate website.

Our reward principles fully support the work on gender pay and we are confident that men and women are paid fairly and equally for doing equivalent jobs across our business.

Area	Considerations
Pay comparisons continued	**Definitions** Difference between gender pay and equal pay: A gender pay gap is the difference between average male and female pay for 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 colleagues 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 colleagues. The median is the number in the middle of a set of ordered numbers. The median calculation focuses on those colleagues in the middle of pay/bonus ranges, thereby reducing the impact of our highest and lowest paid colleagues. The 'median' calculation reduces the very significant impact of our most senior male colleagues, in order to provide a gender pay gap figure which is much more representative of the majority of our colleagues.
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 22-23.

General information

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Eva Eisenschimmel (Chair)[1]	04/04/19	3	3
Julie Hopes	04/04/19	3	3
Ray King	29/05/14	7	6
Orna NiChionna	29/05/14	7	6
Gareth Williams[2]	29/05/14	7	7

Note:
1 Eva Eisenschimmel was appointed as Committee Chair with effect from 1 February 2020.
2 Gareth Williams stepped down as Committee Chair when Eva Eisenschimmel assumed this role but remained a Committee member.

Julie Hopes and I were appointed as Committee members in April 2019. I was subsequently appointed as a Chair with effect from 1 February 2020, at which time Gareth Williams stepped down as a Committee Chair but remains a Committee member. I can confirm that, in line with the UK Corporate Governance Code 2018, before my appointment as a Committee Chair, I had attended the Saga Remuneration Committee since January 2019, been a formal member since April 2019 and previously attended the Remuneration Committee at Virgin Money plc for two years before its acquisition by CYBG plc.

Summary of Committee's remit

The Committee's main purpose is to assist the Board in discharging its responsibilities for:

- reviewing the broad Remuneration Policy for the senior executives;
- recommending and monitoring the level and structure of remuneration for senior management;
- governing all share schemes; and
- reviewing any major changes in employee compensation and benefit structures throughout the Company or Group.

Committee terms of reference were approved by the Board on 18 September 2019 and are available on our website at www.corporate.saga.co.uk/about-us/governance. These are reviewed and updated, as required, annually.

What we have done during the year

Time spent on matters

Remuneration Policy	c.10%
Regulatory developments	c.25%
Senior management remuneration	c.40%
Share schemes	c.15%
Employee compensation and benefit structure	c.10%

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year as part of the Board effectiveness review (for details, see pages 66-67). The review indicated that the Committee covers the ground well and brings the right issues to the table. It was felt that the proposals for employee engagement had been well thought through. In future, there will be a continued focus on ensuring the link between strategy and incentives and on optimising the remuneration structure to reward and retain employees and deliver long term sustainable Company performance.

Shareholder voting at the AGM

The current Directors' Remuneration Policy was put to a binding vote at the 2018 AGM on 21 June 2018 and the Chairman's Annual Statement and the Annual Report on Remuneration were subject to an advisory vote at the 2019 AGM on 19 June 2019. Below we outline the voting outcomes in respect of approving the Directors' Remuneration Report and approving the Directors' Remuneration Policy:

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	514,005,769	71.83	201,619,064	28.17	715,624,833	63.78%	546,076
To approve the Directors' Remuneration Policy	710,588,229	99.49	3,637,508	0.51	714,727,672	63.8%	501,935

In addition, the following resolutions relating to amendments to the LTIP and Deferred Bonus schemes were also passed with overwhelming support by the shareholders at the 2019 AGM.

To amend the rules of the Saga plc Long Term Incentive Plan	702,399,702	98.22	12,708,660	1.78	715,108,362	63.73	1,062,547
To amend the rules of the Saga plc Deferred Bonus Plan	705,803,114	98.69	9,343,145	1.31	715,146,259	63.73	1,024,650

As described in the Remuneration Committee Chair's statement, the Committee has written to shareholders with regards to the 2019 AGM result on the Directors' Remuneration Report and the changes made as a result of the vote and discussions with shareholders. This can be found on our corporate website.

Advisers to the Remuneration Committee

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 was appointed by the Remuneration Committee, and the Committee is satisfied that the advice provided is independent. 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. Fees of £97,250 (2018/19: £80,000) were provided to PwC during the year in respect of remuneration advice received. The increase from the prior year is due to additional support in relation to the renewal of the Remuneration Policy.

The Committee receives assistance from Jane Storm, Chief People Officer and Vicki Haynes, Group Company Secretary.

Our adviser (PwC) attends by invitation. PwC does not have any other connection to the Company or its Directors.

Eva Eisenschimmel
Chair, Remuneration Committee
8 April 2020

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.

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 18-31
Greenhouse gas emissions	Pages 26-29
Section 172 (1) and non-financial information statements and stakeholder engagement	Pages 50-51 and 19-20, 60
Colleagues (employment of disabled persons, workforce engagement and policies)	Pages 22-23, 30-31 and 102
Corporate Governance Statement	Pages 52-80
Directors' details (including changes made during the year)	Pages 52-53, 61 and 64-65
Related party transactions	Not applicable
Diversity	Pages 22, 69 and 106
Share capital	Note 31 on page 184
Viability statement	Page 48
Going concern and Fair, balanced and understandable statements	Pages 49 and 55
Employee share schemes (including long term incentive schemes)	Note 34 on page 186
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2, 3, 7, 8, 19 and 20 on pages 131-151, 153 and 163-172
Additional information	Pages 201-204

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 17 on page 161
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Operating and Financial Review, pages 34-47
9.8.4(4)	Long term incentive schemes (LR 9.4.3R)	Directors' Remuneration Report, pages 81-108
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 81-108
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 81-108
9.8.4(7)	Non pre-emptive issues of equity for cash	Directors' Report on page 111
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	Not applicable
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 112 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 112 (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 loss after taxation of £(312.8m) for the financial year ended 31 January 2020. The Board paid an interim dividend of 1.3p per share. Given the uncertainty around the trajectory of the COVID-19 virus the Board of Directors is not recommending the payment of a final dividend for the 2019/20 financial year.

The Directors have adopted a Dividend Policy (which is reviewed by the Board on an annual basis). While the Directors intend to resume dividend payments in the future, the Group will assess its Dividend Policy for current and future years as the COVID-19 situation becomes more certain. No dividends can be paid while leverage is greater than 3.0x. 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 81-108.

Rules on appointment and replacement of Directors

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.

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 Lance Batchelor, who retired from the Board with effect from 31 January 2020, Ray King who has informed the Board that he will not seek re-election at the AGM and Euan Sutherland and Cheryl Agius, whose elections will be put to the shareholders at the AGM.

Directors' indemnities

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 during the year.

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.

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%, due to expire in May 2024, which has 101% put at change of control leading to a 1 notch credit rating downgrade, a five-year £200m term loan expiring in May 2022 (£140m outstanding at 31 January 2020) and a £100m five-year revolving credit facility, expiring in May 2023.

Twelve-year Export Credit Agency backed funding is in place to finance 80% of the cost of the Group's two new ships. The first of these facilities was drawn on completion of build of the Spirit of Discovery and is secured by way of a charge over the asset. The second facility will be drawn on completion of building of the Spirit of Adventure and will be similarly secured. The Company has provided a guarantee for the ship debt.

In the event of a change of control the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in note 28 to the consolidated financial statements on page 128.

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 colleagues 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.

Share capital and interests in voting rights

The Company's share capital (including movements during the year) is set out on page 184. 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 2020, 1,122,003,328 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 2020:

Name	Ordinary shares	Percentage of capital as disclosed to the Company	Nature of holding
Majedie Asset Management Limited	68,956,717	6.17%	Indirect
Artemis Investment Management LLP	111,601,253	9.98%	Indirect
Royal London Asset Management Limited	55,282,337	4.9271%	Direct
Pelham Capital Ltd	49,867,633	4.44%	Contract for Difference
BlackRock, Inc.	56,034,496	4.99%	Indirect
Aggregate of Standard Life Aberdeen plc	133,057,984	11.86%	Indirect
Setanta Asset Management Limited	123,522,641	11.009%	Indirect
Pictet Asset Management Ltd	57,895,868	5.16%	Direct
Paul Singer (on behalf of Elliott International, L.P., The Liverpool Limited Partnership & Elliott Associates, L.P.)	57,685,669	5.141%	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
2 The Company is aware that Artemis and Pelham are no longer shareholders in the Company and that as at 31 January 2020 Royal London Holdings held 2.40% of issued share capital.

- 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.
- As at 8 April 2020, the Company has been notified of the following interests in the Company's total voting rights.

Name	Ordinary shares	Percentage of capital	Nature of holding
Aggregate of Standard Life Aberdeen plc	111,904,918	9.97%	Indirect
Pictet Asset Management Ltd	56,064,854	4.99	Direct

Authority to allot/purchase own shares
A shareholders' resolution was passed at the AGM on 19 June 2019 which authorised the Company to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the 'Act') (up to £1,122,003.32 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 and it will expire at the forthcoming AGM. 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 £1,122,003.32 and will set out the minimum and maximum price which would be paid.

The Directors of the Company were also granted authority at the 2019 AGM to allot relevant securities up to a nominal amount of £3,736,271. This authority will apply until the conclusion of the 2020 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 £3,736,271; and, (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £7,472,542 (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 2021 or, if earlier, 31 July 2021.

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 £561,001.66 and to make non pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £561,001.66.

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 www.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. No shareholder owns shares with special rights as to control. The Notice of the AGM ('Notice') states deadlines for exercising voting rights and for appointing a proxy/proxies.

The Saga Employee Benefit Trust (the 'Trust') is an Employee Benefit 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 colleagues 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 34 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

Further details on post-balance sheet events can be found on page 189.

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.

Annual General Meeting

The AGM will be held on 22 June 2020 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice contains an explanation of special business to be considered at the meeting and will be available on our website, www.corporate.saga.co.uk, in due course.

By order of the Board

V. Haynes
Group Company Secretary
8 April 2020
Saga plc (Company no. 08804263)

Directors' responsibilities

The Directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable laws and regulations.

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 (see Key Statements on page 55). 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 accounting 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 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 comply with that law and those regulations.

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.

Maintenance of website

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.

Directors' responsibility statement

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 61 and 64-65, 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 Management 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
Group Company Secretary
8 April 2020
Saga plc (Company no. 08804263)

KPMG

1. Our opinion is unmodified

We have audited the financial statements of Saga plc ("the Company" or "Group" or "Parent Company") for the year ended 31 January 2020 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 Balance Sheet, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Parent Company financial statements.

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 2020 and of the Group's loss 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 as applied in accordance with the provisions of the Companies Act 2006; 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 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 first appointed as auditor by the shareholders on 22 June 2017. The period of total uninterrupted engagement is for the three financial years ended 31 January 2020. 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	£3.9m (2019: £6.8m) 3.9% (2019: 3.9%) of normalised profit before tax	
Coverage	95% (2019: 98%) of total profits and losses that made up Group loss before tax	
Key audit matter		**vs 2019**
Event driven	**New:** Going Concern – Impact of uncertainties in relation to Covid-19 on our audit	▲
	The impact of uncertainties due to UK exiting the European Union on our audit	◀▶
Recurring risks	Valuation of claims outstanding (gross and net)	◀▶
	Recoverability of Group Goodwill and the Parent Company's investment in subsidiaries	◀▶

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

Key audit matters are those matters that, in our professional judgement, 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 arriving at our audit opinion above, together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings 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
Going concern – Impact of uncertainties due to the Covid-19 on our audit *Refer to pages 32 to 33 (principal risks), pages 46 to 47 (Strategic Report), page 48 (viability statement), page 49 (going concern statement), pages 74 to 75 (Audit Committee Report) and note 2.1 on page 130 (basis of preparation) and note 37 on page 189 (post balance sheet events).*	**Unprecedented levels of uncertainty** The financial statements explain how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and the Parent Company. The judgement is based on an evaluation of the inherent risks to the Group and Parent Company's business model and how those risks might affect the Group and Parent Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements. The impact of Covid-19 is subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown given the rapidly evolving nature of the situation on financial and operational performance.	Our procedures included: • **Funding assessment:** We considered the Directors' assessment of Covid-19 related sources of risk to the Group's financial and operational resilience compared with our own understanding of these risks and knowledge of the business. Our procedures included: – We agreed the Group's committed level of financing, the availability of facilities and related covenant requirements to signed agreements. – We critically assessed the ability of the Group to meet the revised terms and financial covenants within existing facility agreements in reasonably foreseeable downside scenarios brought about by the Covid-19 crisis. These included challenging and assessing the ability of the Group to withstand an extended and prolonged period of no Cruise or Tour operations, with the support of our own travel industry specialists. – Through enquiry and inspection of recent management information and with the support of our own industry specialists, our evaluation included challenge of the assumptions and an evaluation of the ability of the Directors to take any assumed mitigation actions based on our own expectations based on our knowledge of the entity and experience of the industry in which it operates. – Through enquiry and inspection of the latest banking agreements and the changes to the terms of both the facility agreements and the related covenants, we considered the intent and ability of the Group's lenders to continue to support the Group with existing facilities. – Through enquiry and inspection of correspondence, we considered the likelihood of the Group's financial services and travel regulators (Financial Conduct Authority (FCA), the Gibraltar Financial Services Commission (GFSC) and the Civil Aviation Authority (CAA)) imposing additional financial or operational constraints on the Group and how such risks had been factored into the stress testing performed.

The risk	Our response
The risks most likely to adversely affect the Group and Parent Company's available financial resources over this period are: • the length of time that the impact of Covid-19 will significantly disrupt the Group's Travel operations and constrain its ability to operate, given that the Group's customer demographic is potentially most at risk of infection from this pandemic; • the financial and operational resilience of the Group's Insurance business and its ability to continue to operate and deliver the Insurance strategy through a period of significant disruption brought on by this pandemic; and • the impact, if Travel operations are curtailed for severe but plausible periods of time, on the Group's ability to meet the terms of its ship debt and Group bank debt covenants within a year from the date of approval of the financial statements. This could threaten the availability of existing facilities in the absence of agreement of changes to facility terms and existing covenants. There are also less predictable but realistic second order impacts of a broader economic downturn, the erosion of customer confidence beyond the specific near term issues in responding to Covid-19 and the length of time it may take for each of the Group's businesses to recover which could result in a longer period of and more pronounced reduction in available financial resources. The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed. **Disclosure quality** Clear and full disclosure of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption, represents a key financial statement disclosure requirement. There is a risk that insufficient details are disclosed to allow a full understanding of the assessment undertaken by the Directors.	• **Key dependency assessment:** The continued operation of the Group's Insurance business is a critical factor in assessing the risk of failure; as is the continued availability of the Group's £100m Revolving Credit Facility (refer above) throughout the assessment period. Our procedures included: – We gained an understanding of and assessed the Group's plans and progress to try to ensure the continued operation of the Insurance business in the face of the disruption caused by Covid-19; and – Using our insurance industry experience, we challenged and evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Group's Insurance business were factored into the financial resilience modelling that the Group has performed. • **Benchmarking assumptions and our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our knowledge of the business and our travel and insurance sector experience and assessing the potential risk of management bias. • **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included an assessment of the Group's ability to continue to meet its amended debt covenants through considering a severe reverse stress test. • **Evaluating Directors' intent:** Through enquiry we evaluated the achievability of the actions the Directors may consider they would take to improve the position as risks materialise. • **Assessing transparency:** We critically assessed the completeness and accuracy of the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the transparency of assumptions in the severe but plausible downside stress scenarios performed in making this assessment. **Our findings** We found the going concern disclosure without any material uncertainty to be proportionate (2019 result: proportionate). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Covid-19.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to pages 32 to 33 (principal risks), page 11 (Strategic Report) and page 48 (viability statement).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in the valuation of claims outstanding, recoverability of Group goodwill and the Parent Company's investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see above). All of these depend on assessments of the future economic environment and the Group's and Company's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement 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. Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • Our Brexit knowledge: We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks. • Sensitivity analysis: When addressing valuation of claims outstanding, the recoverability of Group goodwill and the Parent Company's investment in subsidiaries, going concern basis of preparation and other areas that depend on forecasts, we considered the Directors' sensitivity analysis against our understanding of reasonably possible adverse scenarios impacted by Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered the need for adjustments to discount rates for the level of remaining uncertainty. • Assessing transparency: As well as assessing individual disclosures as part of our procedures on valuation of claims outstanding, recoverability of Group goodwill and the Parent Company's investment in subsidiaries and going concern basis of preparation, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our findings** As reported under valuation of claims outstanding, recoverability of Group goodwill and the Parent Company's investment in subsidiaries, we found the resulting estimates to be mildly cautious and related disclosures to be proportionate, the Brexit disclosures to be proportionate and disclosures in relation to going concern to be proportionate. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Valuation of Claims Outstanding (gross and net) *(Gross £338.3 million, 2019: £392.6 million; Net £149.1 million, 2019: £182.8 million)* *Refer to page 74 (Audit Committee Report), pages 140-141 (accounting policy); and note 2.6 on page 144 to 146, note 20.d on pages 171 to 172 and note 26 on page 178 (financial disclosures).*	**Subjective Valuation:** 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 Incurred but not Reported ("IBNR") claims. Certain areas of the claims outstanding balance contain greater uncertainty, for example third party bodily injury ("TPBI") claims exhibit greater variability and are more long tailed than the damage classes. In particular the choice of development pattern, discount rate ("Ogden rate") and Periodic Payment Order ("PPO") propensity allowance to estimate the present value of large bodily injury claims following the Ogden rate change are very uncertain and have a high reserving risk. Similar estimates are required in establishing the reinsurers' share of insurance provisions, in particular the share of IBNR claims. A margin is added to the actuarial best estimate ("ABE") of insurance liabilities to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. 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 control procedures included: • **Control design:** Tested, with the support of our own IT specialists, the design and implementation of key controls over the completeness and accuracy of claims and premiums data used in the calculation of IBNR claims (including both current and prior year case reserve data); and • tested the design and implementation of manual controls over the setting and monitoring of case reserves over large bodily injury claims. We involved our own actuaries in performing the following procedures: • **Evaluate the work of independent and internal actuaries:** Analysed and evaluated the results of reserving reports issued by the internal and external actuaries and assessed the competence of both parties; • **Our actuarial experience:** We evaluated the findings of the Group's internal actuary and the independent actuary's report. Through critical assessment of these actuarial reports and supporting documentation, including the use of benchmarking against market data and through discussion with both actuaries, we analysed and challenged the differences in reserving methodology applied by both actuaries as well as the key assumptions which varies by peril: – Accidental damage ("AD"), Third party property damage ("TPPD") and small TPBI – claims inflation, claims frequency, claims severity including salvage and subrogation. – Larger TPBI – claims inflation, claims frequency, claims severity, PPOs and the impact of legislative developments such as the change to the Ogden rate. – Alternative projections were performed on the large TPBI peril as this was considered the most material area and subject the most uncertainty through the audit; and – Performing diagnostic tests on the development patterns of all material perils, as well as considering the reasonableness of the prior year changes in ultimate reserves and the current year loss ratios in light of experience over the year. • **Margin evaluation:** Evaluated the appropriateness of the management recommended margin held at year end. In order to do this, we assessed the Directors' approach, and supporting analysis for margin to be held, having regard to the allowance for uncertainties inherent in the data and assumptions in developing the ABE. We then considered the relative strength of the margin held against peers and versus the prior period in order to be satisfied that no additional prudence had been recognised in the level of overall reserves held including margin.

The risk	Our response
The valuation of claims outstanding depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of claims outstanding may arise. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contracts liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our other procedures included: • **Data comparisons:** Agreed the relevant financial and non-financial claims and premiums data recorded in the claims and premiums administration systems to the data used in the actuarial reserving calculations, to assess the integrity of the data used by the internal and external actuaries in the actuarial reserving process and then assess that the output of the actuarial re-projections reconciles to amounts recorded in the financial statements; • **Tests of detail:** Corroborated a targeted sample of large loss case reserves to appropriate documentation such as reports from loss adjusters or third party experts; to identify and test the application of significant assumptions applied in determining the level of case reserves; to check the valuation used against the prescribed reserving methodology, and; to evaluate the level of review, oversight and third party evidence available and the frequency of updates against new information; • 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**: Assessed whether the Group's disclosures about the degree of estimation uncertainty and the sensitivity of the balance to changes in key assumptions appropriately reflects the risks inherent in the valuation of claims outstanding. **Our findings** We found that the assumptions and estimates were mildly cautious (2019: cautious) with proportionate (2019: proportionate) disclosure of the sensitivities to changes in key assumptions and estimates as inputs to the valuation.

	The risk	Our response
Recoverability of Group Goodwill and the Parent Company's investment in subsidiaries *(Group goodwill: £778.4 million, 2019: £1,175.0 million; Parent's investment in subsidiaries: £552.3 million, 2019: £1,069.8 million)* *Refer to page 74 (Audit Committee Report), note 2.3 on pages 134 and 135 (accounting policy), note 5 on pages 152, note 16 on pages 159 and 160 and note 2 on pages 199 and 200 (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 business performance for the Group's retail insurance and travel businesses, in particular, were to fall significantly short of business plans and/ or if discount rates increase. The estimated recoverable amount of goodwill and the Parent Company's investment in subsidiaries are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Group goodwill and the Parent Company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: • **Control design:** Evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans, including as applied to the Parent Company; • **Historical comparisons:** Assessed the reasonableness of base line cash flow projections against historical performance; • **Our sector experience:** Evaluated and challenged the assumptions used in cash flow forecasts using our sector knowledge and experience; • **Benchmarking assumptions:** Compared the Group's and the 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 support of our valuation specialists; • **Comparing valuations:** Compared the recoverable amount of each significant cash generating unit ('CGU') by reference to Value in Use ('VIU') relative to the carrying value and evaluating the outcome against comparator industry multiples; and, for the Parent Company investment in subsidiaries, compared the sum of the VIUs for all of the Group's CGUs to the carrying value, market capitalisation and implied multiples of the Group; and corroborating reasons for any significant differences; • **Sensitivity analysis:** Using our analytical tools and professional judgement to: assess the sensitivity of the goodwill headroom and to conclude on the appropriateness of the impairments recognised. This was performed through considering reasonably possible changes in key assumptions including making allowance for the near term weaker trading from the impact of Covid-19, both individually and collectively; in order to assess and conclude on the appropriateness of the impairment recognised in relation to the carrying value of goodwill held in relation to the Insurance and Destinology CGUs and the Parent Company's investment in subsidiaries; and • **Assessing transparency:** Assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and in the carrying value of the Parent Company's investment in subsidiaries. **Our findings** We found that the resulting estimates over the recoverable amount of Group goodwill and of the Parent Company's investment in subsidiaries to be mildly cautious (2019 finding: mildly cautious) and, when taken with the estimates used for the comparative year, the effect on the reported loss for the year to be balanced. We found the disclosures of the drivers of impairment and the sensitivities of goodwill headroom and carrying value of Parent Company investment in subsidiaries to changes in key assumptions to be proportionate (2019: proportionate).

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 £3.9m (2019: £6.8m), determined with reference to a benchmark of Group loss before tax, normalised to exclude this year's goodwill and other impairment charges as disclosed in note 5, of £400.5m (2019: £310.0m), of £99.6m ((2019: £175.4m), of which it represents 3.9% (2019: 3.9%).

Materiality for the Parent Company financial statements as a whole was set at £3.0m (2019: £5.0m), which represents 0.4% of net assets of £587.3m (2019: 0.4% of total assets of £1,395.8m). This is lower than the materiality we would otherwise have determined by reference to Company net assets.

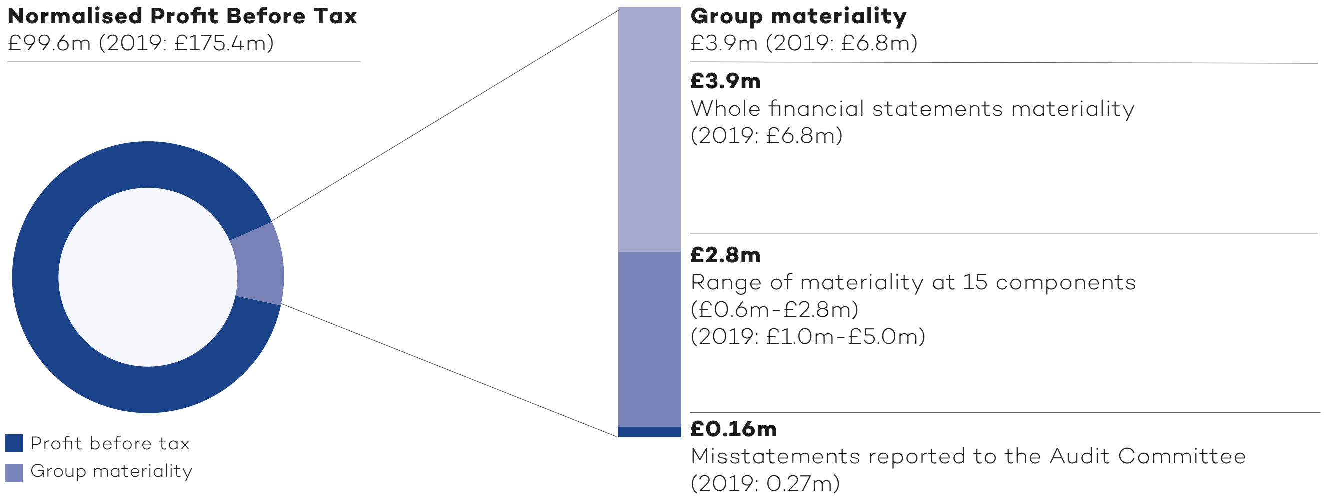
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.16m (2019: £0.27m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 15 (2019: 14) reporting components, we subjected 4 (2019: 4) to full scope audits for Group purposes and 4 (2019: 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.

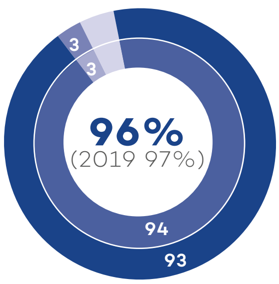
The components within the scope of our work accounted for the percentages illustrated below.

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 £0.6m to £2.8m (2019: £1.0m-£5.0m), having regard to the size and risk profile of the Group across the components. The work on 3 of the 15 (2019: 3 of the 14) components was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group team. The Group audit team performed specific procedures on the impairments of £400.5m (2019: £310.0m) which was excluded in arriving at the normalised Group profit before tax for the year as identified above.

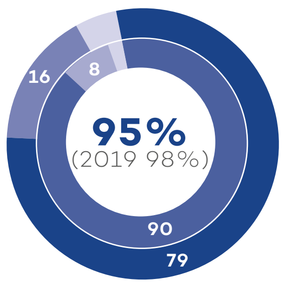
The Group audit team met KPMG Gibraltar who were the component auditor during 2019 and 2020 to assess the audit risks and strategy and to complete a file review. Telephone conference meetings were also held with KPMG Gibraltar regularly through the year. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.



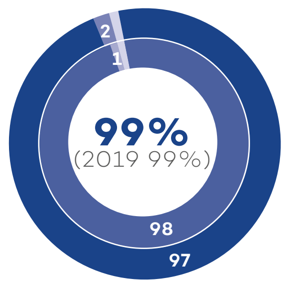
Group revenue



Total profits and losses that made up the normalised Group profit before tax



Group total assets



- Full scope for Group audit purposes 2020
- Specified risk-focused audit procedures 2020
- Full scope for Group audit purposes 2019
- Specified risk-focused audit procedures 2019
- Residual components

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see Section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 2.1 to 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
- the related statement under the Listing Rules set out on page 49 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 emerging and 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 48 that they have carried out a robust assessment of the emerging and 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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 the 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 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 113, 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 or other irregularities (see below), 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.

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

Irregularities – ability to detect
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and 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 and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. 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.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of Group's licences to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, regulatory compliance and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form, with some entities in the Group being authorised and regulated by the FCA, the GFSC and the CAA. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, 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. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 and the terms of our engagement by the Company. 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 the further matters we are required to state to them in accordance with the terms agreed with the Company, 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
8 April 2020