

Saga plc
Audit Committee Terms of Reference
 adopted by the Board on 27 January 2023

Purpose	<p>The Audit Committee (the Committee) is a Committee of the Saga plc (the Company) Board of Directors (the Board). Its principal role is to work closely with the Risk Committee to monitor the integrity of the Company and its subsidiaries' (together, the Group) financial statements and the effectiveness of the systems of internal control and to monitor the effectiveness, performance and objectivity of the internal and external auditors.</p>
Reports to	<p>The Board of Directors (the Board) of the Company via the Committee Chair (the Chair) and Internal Audit and Assurance Director (IAAD), who will report on the Committee's proceedings after each meeting and will make recommendations to the Board where necessary.</p> <p>The reports to the Board will include reference to how it has discharged its responsibilities, including (when appropriate):</p> <ol style="list-style-type: none"> a. the significant issues that it considered in relation to the financial statements and how these were addressed; b. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; c. its assessment of the effectiveness of the internal audit process; and d. any other issue on which the Board has requested the Committee's opinion.
Membership	<ul style="list-style-type: none"> • At least three members, all of whom shall be independent non-executive directors and shall include at least one member of the Risk Committee, and where possible, a member of the Remuneration Committee. • Appointments shall be for a period of up to three years, extendable for up to two further periods of up to three years. • At least one member shall have significant, recent and relevant financial experience and with competence in accounting and/or auditing. • Members collectively shall have competence relevant to the sector in which the Company operates. • The Chair of the Board shall not be a Committee member.
Chair	<ul style="list-style-type: none"> • The Chair shall be appointed by the Board. • In the absence of the Chair and/or an appointed deputy, the remaining Committee members present shall elect one of themselves as Chair. • The Chair shall attend the Company's AGM prepared to respond to any shareholder questions on the Committee's activities and responsibilities. • The Chair should engage with shareholders on significant matters related to the Committee's areas of responsibility.
Secretary	<p>The Company Secretary, or their nominee, (the Secretary) shall act as secretary of the Committee and will ensure timely delivery of papers to enable full and proper consideration to be given to the issues.</p>
Quorum	<p>Two Committee members, at least one of whom should have significant, recent and relevant financial experience.</p>

Attendance	<ul style="list-style-type: none"> • Only Committee members can attend and vote at Committee meetings. • Regular attendees invited to the meeting include the Group Chief Financial Officer (Group CFO), the IAAD, the external auditor and the Group Financial Controller. • Directors or other executives of the Company and external advisers may be invited to attend all or part of any meetings at the discretion of the Chair.
Frequency	<ul style="list-style-type: none"> • The Committee shall meet at least three times a year. • Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Company's governance.
Notice	<ul style="list-style-type: none"> • Shall be given to each member and attendees at the request of any of its members, the external audit lead partner or IAAD. • Where possible, notice shall be given at least five working days before the date of the meeting.
Minutes	<ul style="list-style-type: none"> • Shall be prepared by the Secretary. • Draft minutes shall be circulated promptly to the Chair and, once agreed, to all Committee members and other Board members, unless the Chair considers it inappropriate to do so.
Review	<p>At least annually, review performance and terms of reference, to ensure the Committee is operating at maximum effectiveness and any changes to be recommended to the Board for approval.</p>
Duties	<p>The Committee shall consider any matters relevant to the Committee's remit that are referred to it by the Board or Board committees. The Committee shall:</p> <ol style="list-style-type: none"> 1. Financial Reporting <ol style="list-style-type: none"> 1.1. Monitor the integrity of the Company's financial statements, including its annual and half-yearly reports, preliminary results announcement and any other formal financial performance announcements (as requested by the Board), reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor or internal audit. 1.2. In particular, the Committee shall review and challenge where necessary: <ol style="list-style-type: none"> 1.2.1. the consistency of, application of and any changes to, significant accounting and treasury policies both on a year on year basis and across the Company and Group; 1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible; 1.2.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; 1.2.4. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; 1.2.5. all material information presented with the financial statements, such as the strategic report, the corporate governance statements relating to the audit and to risk management and the internal control and risk management statement; and 1.2.6. the effectiveness of the Group's financial reporting procedures.

- 1.3. The Committee shall review any other statement requiring Board approval which contains Group financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- 1.4. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
2. Narrative reporting
 - 2.1. Review the content of the annual report and accounts (ARA) and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
 - 2.2. Review the assumptions on which the assessment of statement of going concern are based and confirm to the Board whether it is considered appropriate.
 - 2.3. Confirm to the Board whether it is reasonable to expect that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary and recommend to the Board a viability statement.
3. Internal controls
 - 3.1. Keep under review and assess the adequacy and effectiveness of the Company's internal financial controls and internal control systems.
 - 3.2. Review and recommend to the Board the internal controls statements to be included in the ARA.
4. Compliance, fraud and speak up procedures
 - 4.1. Review the adequacy and security of the Company's arrangements for its colleagues and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
 - 4.2. Review the Group's procedures for detecting fraud and systems and controls for the prevention of bribery and approve financial crime policies.
 - 4.3. Review and recommend to the Board any changes to the Group's Speak Up procedures and Policy.
5. Internal audit
 - 5.1. Approve the appointment or termination of appointment of the IAAD.
 - 5.2. Review and approve the budget for the internal audit function.
 - 5.3. Review and approve the role, mandate and charter of the internal audit function. Ensure the function has unrestricted scope and the necessary resources (including skills and experience) and access to information to enable it to fulfil its mandate effectively and commensurate with the risks of the Group. Ensure the function is equipped to operate in accordance with appropriate internal audit professional standards and is free from management or other restrictions.
 - 5.4. Ensure the IAAD has direct access to the Chair of the Board the Chair and Committee and is accountable to the Committee.

- 5.5. Review and approve the annual internal audit work plan and any proposed amendments, to ensure alignment with Group strategy and principal risks and uncertainties.
- 5.6. Ensure that the internal audit function evaluates the effectiveness of risk, compliance and finance functions as part of its internal audit plan.
- 5.7. Receive periodic (at least once a year) assurance from internal audit on its third line of defence review of the functioning of the risk management framework.
- 5.8. Assess the effectiveness of the internal audit function, and as part of this assessment:
 - 5.8.1. meet with the IAAD at least once a year without management present to discuss their remit and any issues arising from the internal audit reviews and the effectiveness of the function;
 - 5.8.2. receive a report on the results of the internal audit's work on a periodic basis;
 - 5.8.3. review and monitor management's responsiveness to the internal audit's findings and recommendations and actions taken by management to implement internal audit's recommendations; and
 - 5.8.4. monitor the role of the Company's internal audit function (including its quality, experience and expertise), in the context of the Company's overall risk management system.
- 5.9. Consider whether an independent, third party review of processes is appropriate.
- 5.10. The Chair shall (taking into account the views of the Group CFO):
 - 5.10.1. be accountable for setting the IAAD's objectives and for appraising their performance, independence, objectivity and tenure; and
 - 5.10.2. recommend the remuneration of the IAAD to the Remuneration Committee and ensure that the remuneration of the IAAD and other internal audit staff: (i) is structured to avoid conflicts of interest; (ii) does not impair independence and objectivity; and (iii) is not directly or exclusively linked to the short-term performance of the Group.
6. External Audit
 - 6.1. Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.
 - 6.2. Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other audit firms. Oversee the tender selection process and ensure that all tendering firms have necessary access to information and individuals during the tendering process. Where the Company has not completed a competitive tender process in five consecutive financial years, the Committee shall determine in which financial year it is in the best interest of the Company's members to next complete a competitive tender process and provide a relevant explanation in the Committee report in accordance with the Statutory Auditors and Third Country Auditors Regulations 2016.
 - 6.3. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.

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| | <p>6.4. Oversee the relationship with the external auditor, which includes (but is not limited to):</p> <ul style="list-style-type: none"> 6.4.1. approving their remuneration, including both audit and non-audit services fees, and ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; 6.4.2. approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit; 6.4.3. assessing annually their independence and objectivity taking into account relevant UK law, regulation, the ethical standards and other professional requirements and the relationship with the external auditor as a whole, including any threats to the external auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services; 6.4.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company which could adversely affect the external auditor's independence and objectivity; 6.4.5. ensuring that the employment of former employees of the Company's external auditor, will take into account relevant ethical standards and any legal requirements, and monitoring the implementation of such standards; 6.4.6. monitoring the provision of non-audit services by the external auditor, in accordance with the Auditor Independence Policy (see 6.9), and assessment of whether non-audit services have a direct or material effect on the audited financial statements; 6.4.7. assessing annually the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (including an assessment of the audit quality, the auditor's handling of key judgements, and the auditor's response to questions from the Committee) taking into account the relevant professional and regulatory requirements, which shall include a report from the external auditor on their own internal quality procedures and steps taken by the external auditor to respond to changes in regulatory and other requirements; 6.4.8. seeking to ensure co-ordination between the external auditor and the activities of the internal audit function; and 6.4.9. evaluating the risks to the quality and effectiveness of the financial reporting process and including consideration of the risk of the external auditor's withdrawal from the market. <p>6.5. Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet without management present, to discuss the external auditor's remit and any issues arising from the audit.</p> <p>6.6. Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.</p> <p>6.7. Review the audit findings with the external auditor. This shall include but not be limited to, the following:</p> |
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	<ul style="list-style-type: none"> 6.7.1. a discussion of any major issues, difficulties or reservations which arose during the audit; 6.7.2. key accounting and audit judgements; 6.7.3. levels of errors identified during the audit; 6.7.4. the effectiveness of the audit process including the external auditor's explanation of how the risks to audit quality were addressed; 6.7.5. the external auditor's view of their interactions with senior management; 6.7.6. the basis for the going concern assumption; and 6.7.7. compliance with relevant financial reporting standards and relevant financial and governance reporting requirements. <p>6.8. Review the management letter and management's response to the external auditor's findings and recommendations.</p> <p>6.9. Develop, approve and implement policy on Auditor Independence, including the following:</p> <ul style="list-style-type: none"> 6.9.1. approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved; 6.9.2. threats to the external auditor's independence and objectivity and any safeguards in place; 6.9.3. monitoring the employment of the external auditor's employees and former employees; 6.9.4. the nature of the non-audit services; 6.9.5. whether the external audit firm is the most suitable supplier of the non-audit service; 6.9.6. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; 6.9.7. the criteria governing compensation; 6.9.8. monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related regulatory requirements; and 6.9.9. monitoring the Group's use of other external audit firms. <p>7. Other</p> <p>7.1. When requested by the Board, conduct post-investment reviews.</p>
<p>Annual Report</p>	<ul style="list-style-type: none"> • The Committee shall produce a report to be included in the Company's ARA about: its activities and issues in relation to the financial statements which the Committee deems significant; • how the Committee has addressed the effectiveness of the external audit process and how auditor independence and objectivity are safeguarded; • the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; • the significant matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement;

	<ul style="list-style-type: none"> • a statement from the Committee on whether it is satisfied that the internal audit function has the appropriate resources; • a statement of compliance with the provisions of the Statutory Audit Services for Large companies Market Investigation (Mandatory Use of Competitive Tender Process and Audit Committee Responsibilities) Order 2014; and • all other information requirements set out in the UK Corporate Governance Code (the Code).
Authority	<ul style="list-style-type: none"> • Undertake any activity within its terms of reference; • Seek any information, it requires from any colleague/director of the Group in order to perform its duties; • Obtain, at the Company's expense (within the limits authorised by the Board of the Company from time to time), external legal or other professional advice on any matter within its terms of reference where required and invite persons giving such advice to attend Committee meetings; • Request the attendance of any colleague at a Committee meeting; and • Delegate any of its powers to one or more of its members or the Secretary.
Governance and Process	<p>The Committee shall:</p> <ul style="list-style-type: none"> • Have access to sufficient resources to carry out its duties, including access to the Secretary and other Group functions for assistance. • Be provided with appropriate and timely training, including an induction programme for new members. Committee members may request specific training where required. • Give due consideration to laws and regulations, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules sourcebook and any other applicable rules, as appropriate. • Monitor the co-ordination of the internal and external auditors. <p>Conflicts of interest:</p> <ul style="list-style-type: none"> • At the beginning of each meeting, all Committee members shall declare the existence of any conflicts of interest arising. • Any member declaring an interest may speak and be counted in the quorum for that business at the Chair's discretion, subject to the Company's Articles of Association.
Standing Agenda	<ul style="list-style-type: none"> • Welcome/Declaration of Interests • Internal Audit Effectiveness • Effectiveness of systems of internal controls • External Reporting (Group Finance Report) • External Audit Effectiveness • Financial Crime report • Minutes of last meeting(s)/matters arising • Whistleblowing report (at least twice a year, or by exception) • Governance Matters/ policies for approval • Minutes from last subsidiary ARCCs • Appendices – latest annual planner and rolling work plan/ regulatory update