Our internal governance procedures must support our strategic priorities

Key features – corporate governance report

- An explanation of how governance works to support our strategic priorities whilst supporting the Saga Way and the Saga Model.
- How performance is reviewed to ensure that our customers and shareholders are listened to and remain at the heart of what we do.
- The findings of our first externally facilitated Board and Committee evaluation exercise.

Board discussion topics:

- How to become more customer-centric.
- Strategy – how to grow our existing businesses and invest for future growth.
- Financial performance.
- How we can develop our people.
- Risk appetite.
- Brand and reputation.

During our third year as a public company, our strategic priorities for the future have evolved (as outlined on pages 01-39). This year is about ensuring that our governance framework supports growth in our businesses and our focus on becoming even more customer-centric, allowing our customers to live the life they want to lead.

The Board is structured to support the Group with its relentless desire to put the customer at the centre of everything it does. Every Board decision includes consideration of how it will affect our customers. Details of Board activities during the year and how the governance structure supported key decisions (such as the decision to build our new ship) can be found on page 47.

The Audit, Risk, Remuneration and Nomination Committees (the 'Committees') have also played an important role in setting the strategic direction. The Group's risk management processes were reviewed by the Risk Committee, which discussed our risk appetite and tolerance levels, and considered how these would affect our strategic direction. The principal risks and uncertainties analysis played an important part in the formulation of the viability statement (see page 57). The Audit Committee considered the approach taken and the viability statement itself (see page 42), and provided assurance that the relevant systems and processes were in place to ensure that the annual report as a whole is 'fair, balanced and understandable'.

> "This year is about ensuring that our governance framework supports growth in our businesses and our focus on becoming even more customer-centric, allowing our customers to live the life they want to lead."

Details can be found in the Audit Committee Report on pages 58-61.

Our brand and reputation

The Board is committed to ensuring that our brand and reputation for outstanding levels of customer service are never compromised. We also remain focused on delivering the best service to our shareholders and it is vital that our corporate governance procedures support our strategic direction.

Whilst there have been no changes to the Board during the year, the Nomination Committee did discuss how the Company would ensure that there is the right level of oversight of the regulated businesses and that those companies had senior leaders with the right experience in place. This Committee also considered how we manage our talent and succession planning – for more details see pages 52-53.

During the year, we announced that Philip Green will resign from the Board and his position as Senior Independent Director on 31 March 2017, to chair another business. He will be replaced as Senior Independent Director by Orna NiChionna, one of our current Non-Executive Directors. Orna will also become Chair of the Nomination Committee at this point.

I'd like to thank Philip very much for his contribution to the Board during the Company's first three years as a listed business. Given the opportunity that he has been offered, I fully understand the rationale for his decision and wish him continued success in the future. Orna has extensive experience within listed companies, sits on our Audit, Nomination and Remuneration Committees and chairs the Risk Committee. I am delighted that Orna has agreed to take over from Philip as Senior Independent Director. She has a good feel for what we do as a business, our values, and what's right for our customers, and she has made a strong contribution during her time on the Board.

On 22 April 2016, as a result of the share placing undertaken by Acromas Bid Co Limited, Non-Executive Director James Arnell resigned from the Board. This was in accordance with the Relationship Agreement dated 8 May 2014 which required his resignation once the indirect shareholding of the Private Equity Investor he represented ceased to exist. We comply with the recommendation in the UK Corporate Governance Code 2016 (the 'Code') that at least half of our Board members are independent Non-Executive Directors. For full details of Board composition see pages 48-50.

Our people

As well as setting the strategic direction of the Group, the Board has taken steps to support and develop leadership and management, recognising that our people are core to the success of delivery of our strategy. A key part of our Saga People Action Plan to address themes from Becoming the Best employee survey and to ensure we are embedding the Saga Way, was to develop a Leadership Development Programme – see page 16 for more details. We also awarded eligible employees with free shares for the second year running under the 2014 Share Incentive Plan to reward their hard work.

Board evaluation

We conducted our first externally facilitated Board and Committee evaluation during the year. The exercise identified that our governance has developed well and is sound and that there is a healthy culture of transparency, greater strategic clarity and good coverage of the main risks, The experience of the Directors, combined with a stable and strong senior management team, means that the interests of all stakeholders, including shareholders, are considered, A full explanation of the evaluation exercise can be found on page 51.

The Remuneration Report was approved by our shareholders at our AGM: over 90% voted in favour. The full Remuneration Report can be found on pages 67-89.

UK Corporate Governance Code

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

A summary of how we have complied with the Code is set out overleaf. Our approach to leadership and effectiveness is detailed on pages 45-46 and 50-51 respectively, accountability on pages 54-57, and relations with shareholders on page 66.

Governance continues to support our strategic priorities in a practical way. Having the right structure in place means that the decisions we make as a Board go through a rigorous procedure, allowing for discussion at the committees and at the Board, to enable us to grow, continue to pay down debt and enhance long-term returns to our shareholders through a progressive dividend policy.

Our shareholders and our AGM

We continue to offer a DRIP for those shareholders who wish to turn cash dividends into more shares. At our second AGM at our head office in Folkestone, Kent on 21 June 2016, all resolutions were passed with a significant majority and all Directors standing for re-election were re-appointed. I look forward to this year's AGM and meeting our shareholders. I also welcome comments from shareholders at any time.

Andrew Goodsell
Chairman
28 March 2017

The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the Code. A full version of the Code can be found on the Financial Reporting Council's ('FRC') website www.frc.org.uk. The Company complied with all of the provisions of the Code throughout the year.

Viability statement

The Directors have considered the viability of the Group over the five-year period to January 2022 and have concluded there to be a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period.

The Directors have determined the five year period to January 2022 to be an appropriate period over which to assess the Group's viability, as this period:

- is consistent with the planning horizon over which the Directors normally consider the strategic direction, future performance, capital and solvency requirements of the business;
- includes the delivery of the contracted new ship and the optional second ship in 2021; and
- includes the refinancing of the senior bank facilities that mature in April 2019.

In making this statement the Directors have considered the resilience of the Group, taking account of its current position and long-term strategic plan, the principal risks facing the business in severe but plausible scenarios, and the effect of any mitigating actions.

The Directors have considered each of the Group's principal risks and uncertainties detailed on pages 20-22 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have made a key assumption that it is reasonable to believe that debt funding to replace the existing senior bank facilities when they mature will be available in all plausible market conditions.

Fair, balanced and understandable

In accordance with the principles of the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, its exposure to risk and its management of these risks, details of its financial instruments and derivative activities, and details of other financial and non-financial liabilities are described throughout the annual report (principal risks and uncertainties pages 20-22; Group Chief Financial Officer's review pages 30-39; accountability pages 54-57; Audit Committee report pages 58-61; Risk Committee report pages 62-65); and notes 17, 18, 23, 24 and 25.

The Group has access to sufficient cash and other financial resources together with a large renewing income stream from insurance policies and high-repeat purchase levels from customers of its other products, and long-term contracts with a number of suppliers across different industries. As a consequence, the Directors believe that the Group is well placed to successfully manage its business risks.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the financial statements.

Assessment of risk

Through the risk cycle detailed on pages 54-57, the Board is able to confirm that it has carried out a robust assessment of the principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity, in accordance with section C 2.1 of the Code.

Statement of review

The risk management process detailed on pages 54-57 was in place for the year under review and up to the date of approval of this report.

The Board has conducted a review of the effectiveness of Saga's risk management and internal control systems, including all material financial, operational and compliance controls, and concluded that these are acceptable.

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

A. Leadership

A1 The role of the Board

The Board met formally six times during the year. The schedule of matters reserved for the Board was reviewed on 20 September 2016. There is a clear governance structure throughout the Group, which sets out delegated authorities.

A2 Division of responsibilities

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer. A document clarifying these and the role of the Senior Independent Director was reviewed and approved by the Board on 1 November 2016. This document is reviewed annually.

A3 The Chairman

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

A4 Non-Executive Directors

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

B. Effectiveness

B1 The composition of the Board

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

B2 Appointments to the Board

The appointment of new Directors to the Board is led by the Nomination Committee and the process is such that candidates are selected on merit, and with due regard for the benefits of diversity. Further details of the activities of the Nomination Committee can be found on pages 52-53.

B3 Commitment

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

B4 Development

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

B5 Information and support

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

B6 Evaluation

The Board conducted an externally facilitated annual evaluation of its own performance and that of its Committees and individual Directors, as set out on page 51.

B7 Re-election of Directors

All Directors are subject to shareholder annual re-election.

C. Accountability

C1 Financial and business reporting

The Strategic Report is set out on pages 01-39 (inclusive) and this provides information about the performance of the Group, the business model, strategy and principal risks and uncertainties relating to the Group's future prospects.

C2 Risk management and internal control

The Board sets out the Group's risk appetite and risk policy. The effectiveness of the Group's risk management and internal control systems is reviewed annually. The activities of the Risk Committee, which assists the Board with its responsibilities in relation to the management of risk, are summarised on pages 62-65.

C3 Audit Committee and auditors

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by the external auditors. During the year, the Audit Committee oversaw a formal and thorough audit tender process. This is explained in the Audit Committee report on page 61.

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

D. Remuneration

D1 The level and components of remuneration

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

D2 Procedure

Details of the work of the Remuneration Committee and Remuneration Policy can be found in the Directors' Remuneration Report on pages 67-89 (inclusive).

E. Relations with shareholders

E1 Dialogue with shareholders

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

E2 Constructive use of general meetings

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

Details of how the Board engages with shareholders can be found on page 66.

A key part of our Saga People Action Plan to address themes from Becoming the Best employee survey and to ensure we are embedding the Saga Way, was to develop a Leadership Development Programme across a range of levels across the Group. This started with the Group Executive and was then cascaded to their direct reports, approximately 72 people. The programme is made up of three workshops, due to complete in November 2017. This investment in people is core to the success of our strategy and our aim is to filter this to all senior managers so that the leadership team are aligned in how growth is delivered. For more details, see page 16.

All Directors, members of the Group Executive Committee and persons discharging managerial responsibilities receive training on an ongoing basis, to ensure they remain aware of regulatory and statutory responsibilities. In addition, all Non-Executive Directors visit business areas so that they remain close to what Saga does, see how strategy works in action and how the discussion in the boardroom translates to the front line of the business, including our call centres and cruise ships.

The Board of Directors

The Board is responsible for, and provides, the overall direction for management, debating what our strategic priorities are and setting Saga's values and standards. A fundamental part of this role is considering the balance of interests between our shareholders, our customers, our employees and the communities in which we work.

We also provide oversight and supervision of Saga's operations ensuring:

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

Our Board

The Board has a clearly articulated set of matters which are specifically reserved to it and this is reviewed annually (the last review being 20 September 2016). These include:

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

A review of our strategic objectives and financial performance takes place at each Board Meeting.

Details of the Board activities during the year can be found on page 47.

Board attendance during the year

The Board is scheduled to meet at least six times a year and then meets on an ad hoc basis as necessary. During the year it met formally on six occasions. In addition, meetings were convened as necessary to approve strategic matters, and a strategy event was held in November where annual and five year plans for each of the businesses were presented to the Board and discussed. The Chairman meets regularly with the Senior Independent Director and Non-Executive Directors outside of the formal meetings.

Member	Role	Attendance at Board meetings
Andrew Goodsell	Chairman (Leadership, Board governance, setting tone for agenda and facilitating open Board discussions, performance and shareholder engagement)	6
Lance Batchelor	Group Chief Executive Officer (Developing strategy for Board approval and Group performance)	6
Jonathan Hill	Group Chief Financial Officer (Group financial performance, including creation of budget and five-year plans for recommendation to the Board)	6
Non-Executive Directors:		
James Arnell[1]	Private Equity Investor appointed	2
Independent Non-Executive Directors:		
Philip Green	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.	6
Ray King		5
Bridget McIntyre		6
Orna NiChionna		5
Gareth Williams		6

Note:
1 James Arnell resigned on 22 April 2016 and attended all Board meetings prior to his resignation.

The Company Secretary attends all meetings as secretary to the Board. In addition, other executives and directors from around the Group, and external advisers, are also invited, to provide insight into key strategic areas.

The Board's responsibilities

- Strategic direction of the Group.
- Leadership and management.
- Setting values and standards (in accordance with the Saga Model and the Saga Way – see pages 10 and 16 respectively).
- Considering the needs of our shareholders, employees and customers.
- Ensuring compliance with statutory and regulatory obligations.
- Managing risk and control.

The Nomination Committee's responsibilities

- Providing recommendations on size, structure and composition of the Board.
- Succession planning.
- Evaluating 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.

See pages 52-53 for the Nomination Committee report.

The Audit Committee's responsibilities

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

See pages 58-61 for the Audit Committee report.

The Risk Committee's responsibilities

- Advising on the Group's risk appetite, tolerance and strategy.
- Overseeing and advising the Board on current risk exposures and future risk strategy.
- Reviewing risk assessment and management procedures.
- Monitoring principal business risks.
- Reviewing the adequacy and effectiveness of risk management systems and the compliance function.
- Reviewing and monitoring management response to the Chief Risk Officer's findings and recommendations.

See pages 62-65 for the Risk Committee report.

The Remuneration Committee's responsibilities

- Setting and monitoring the Remuneration Policy for senior executives.
- Recommending and monitoring remuneration packages for Executive Directors, the Chairman and senior management.
- 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 Remuneration Committee Report is contained within the Directors' Remuneration Report on pages 67-89 and is incorporated into this Corporate Governance Statement by reference.

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

- Implementing strategy as determined by the Board.
- Executive management – monitoring trading against strategy.
- Day to day operational management and cultural leadership and people development.
- Managing risk and conduct.

Board activities during the year

1	**Strategy**
	Our Board is structured to support becoming a more customer-centric business
		• Reviewed strategic initiatives:
		  • Membership.
		  • Brand proposition.
		  • Adobe Marketing Cloud.
		  • New holidays proposition.
		  • The impact of the quota share arrangement.
			• Performance of Saga Investment Services.
			• Progress of building our new ship.
			• The Saga Healthcare pilot; discussed how the business can be scaled.
			• Discussed financing strategy and dividend policy – approved change in the target range from 40-60% to 50-70%.

2	**Customers** Every Board decision includes consideration of how it will affect our customers	• Discussed how to re-position our brand and communicate brand values. • Identified core group of (and discussed how to look after) our HACs.	• Reviewed customer engagement – identified how we can improve our customer journeys, and offer our customers differentiated products, whilst maintaining outstanding levels of service.
3	**Shareholder engagement** Effective communication with our shareholders	• Listened to our shareholders before, during and after the AGM.	• DRIP allowed cash dividends to be turned into shares.
4	**Leadership and employees** Ensuring our people are core to the success of our strategy and are aligned in how growth is delivered	• Introduced the Leadership Development Programme, to put the Saga Way at the centre of what we do and planned how to roll this out to all senior management. • Annual review of talent development and succession planning. • Acted on the results of the 'Becoming the Best' employee engagement survey – introduced better communications and reviewed the appraisal system.	• Free shares awarded to eligible employees under the Share Incentive Plan for the second year running. • Discussed how reward should link to performance. • Improved the recruitment process to help with finding, selecting and onboarding great Saga people.
5	**Governance and risk** Governance to support our strategy	• Reviewed our risk appetite and tolerance levels/thresholds. • Ensured our risk policy continued to meet Code requirements. • Frequent business and regulatory updates presented to the Board. • Introduced new share dealing codes following the introduction of the EU's Market Abuse Regulation.	• Approved the Audit Committee's recommendation to re-appoint external auditors and sign off financial crime policies. • Approved tax, environmental, health and safety and communication policies, matters reserved for the Board and Committees' terms of reference. • Externally facilitated Board and Committee evaluation exercise, which included a review of the previous year's action plans.

Governance in action

Becoming an ever more customer-centric organisation →	Membership/HACs/Brand
Growing our insurance business →	Adobe Marketing Cloud/ new insurance platform
Growing our travel business →	New holidays proposition/ monitoring progress of new ship build
Investing for future growth →	Saga Money/ Saga Healthcare/ Saga Retirement Villages
Developing our people →	Leading the Saga Way

→

Detail considered by Risk and Audit Committees

Reviewed by Executive Committee

Built in to senior executives' objectives (Remuneration Committee)

Strategic discussion/ decision at Board

Communicated to shareholders and the market

Board of Directors

1 Andrew Goodsell
Chairman
Skills, competencies and experience: Andrew joined Saga in 1992 as Business Development Manager, Saga Services. He became Saga Group Business Development Director in 1995, Chief Executive of Saga Services and Saga Investment Direct in 1999, Deputy Group Chief Executive in 2001 and Chief Executive and Chairman in 2004. He has led two management buyouts at Saga. The second, in 2007, brought together Saga and the AA under the holding company Acromas Holdings. Andrew was Executive Chairman of the AA from 2007 until Acromas Holdings sold it in 2014; and Executive Chairman of Saga from 2007 until he became Non-Executive Chairman on 1 July 2015. Andrew has an established track record of driving growth in the companies he has led. His in-depth knowledge of Saga and his well-established relationship with Saga's regulators are invaluable to the Group.
Other roles: Andrew is also Chairman of Age UK's Fundraising and Development Board.
Committee membership: Nomination.

2 Lance Batchelor
Group Chief Executive Officer
Skills, competencies and experience: Lance joined Saga as Group Chief Executive Officer in March 2014. Prior to that he was CEO of Domino's Pizza Group plc from 2011-2014 and CEO of Tesco Mobile from 2008-2011. His earlier experience includes senior marketing roles at Procter & Gamble, Amazon.com and Vodafone. Lance's first career was as a Royal Navy submarine officer. He holds an MBA from Harvard Business School. Lance has worked in consumer-facing businesses and brand-centric roles throughout his career, focusing on creating products that are tailored to the customer. Lance also has a wealth of senior operational experience in listed companies which he brings to his role at Saga.
Other roles: Lance is a Trustee of the National Gallery and White Ensign Association. He is also a Vice Patron of the Royal Navy & Royal Marines Charity.
Committee membership: Executive.

3 Jonathan Hill
Group Chief Financial Officer
Skills, competencies and experience: Jonathan joined Saga in April 2015 from Bovis Homes Group plc where he was Group Finance Director. Prior to that, he held various senior roles within TUI Travel and Centrica. Jonathan qualified as a Chartered Accountant at Price Waterhouse in London. Jonathan has experience in strategic planning and development, and delivery of large corporate projects. He brings this and a wealth of senior financial operational and listed company experience to his role at Saga.
Committee membership: Executive.

4 Philip Green CBE
Senior Independent, Non-Executive Director
Skills, competencies and experience: Philip joined the Company in May 2014, on listing. Philip was previously Chairman of Clarkson plc, Chief Executive of United Utilities Group plc and Chief Executive of Royal P&O Nedlloyd NV. His earlier business experience includes serving as Chief Operating Officer of Reuters Group plc and Chief Operating Officer of DHL for Europe and Africa. Philip was awarded a CBE in the 2014 Queen's Birthday Honours List. This was for services to business and to charity in the UK and South Africa. Philip brings his experience of running a variety of complex international organisations and acting as an Executive and Non-Executive Director of many public companies to the Board. Philip will retire from the Company with effect from 31 March 2017.
Other roles: Philip is currently Chairman of Carillion plc. He is also Chairman of BakerCorp, a US industrial services company owned by Permira and Chairman of Corsair Infrastructure Management, based in New York. Philip is also the UK Prime Minister's adviser on corporate responsibility and Chairman of Sentebale, a charity set up by HRH Prince Harry.
Committee membership: Nomination (Chair), Audit, Remuneration and Risk.

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5 Ray King
Independent Non-Executive Director
Skills, competencies and experience: Ray joined the Company in May 2014, on listing. Previously, Ray was Chief Executive of Bupa from 2008-2012, after serving as Group Finance Director from 2001-2008. Before Bupa, Ray was a Non-Executive Director of Friends Provident plc, Deputy Chief Executive of Parity Group plc, Director of Group Finance and Control at Diageo plc and Group Finance Director of Southern Water plc. In 2015, Ray resigned as a Reporting Panel Member of the Competition and Markets Authority and as a Non-Executive Director of Infinis Energy Plc. Ray's financial experience, his detailed knowledge of regulatory and compliance requirements and experience of running a business similar to Saga, and his Non-Executive Director experiences (including that of chairing audit committees) are all immensely helpful to the Board.
Other roles: Ray is currently Chairman of Rothesay Holdco UK Ltd and of its regulated subsidiary, Rothesay Life plc. He is also a Non-Executive Director of the Financial Reporting Council where he is a member of the Codes and Standards Committee and chairs the Audit and Assurance Council.
Committee membership: Audit (Chair), Nomination, Remuneration and Risk.

6 Bridget McIntyre
Independent Non-Executive Director
Skills, competencies and experience: Bridget joined the Board in January 2016. Bridget was previously Chief Executive of the RSA UK business and a Director of RSA Insurance Group plc having held senior roles at Aviva (and pre-merger Norwich Union). Bridget is an associate of the Chartered Institute of Management. In addition to her extensive insurance experience, Bridget has a strong understanding of how retail businesses work and a track record in improving business performance. She also brings considerable general and financial management experience to the Board. Bridget was recently appointed Senior Independent Director of Saga Services Limited.
Other roles: Bridget is currently a Non-Executive Director and Chair of the Audit Committee of Adnams plc, Director of Jarrold & Sons Limited and is founder of her own social enterprise organisation 'Dream On', a Suffolk-based community interest company focused on improving the lives of women. She is also a Trustee of The Health Foundation, where she chairs the Audit and Risk Committee, and a Trustee of The Blossom Charity.
Committee membership: Audit, Nomination, Remuneration and Risk.

7 Orna NiChionna
Independent Non-Executive Director
Skills, competencies and experience: Orna joined the Company in May 2014, on listing. Previously, Orna was Senior Independent Non-Executive Director of HMV plc, Northern Foods plc and Bupa and a Non-Executive Director of the Bank of Ireland UK Holdings plc and Bristol & West plc. She was a former Partner at McKinsey & Company, where her client portfolio included many consumer facing clients. Orna has significant experience in strategy and new concept development and launch, business turnaround, logistics redesign and supply change management. She brings these skills to the Board along with her considerable experience in other Non-Executive Director roles. Orna will assume the position of Senior Independent Director and Chair of the Nomination Committee of the Company with effect from 31 March 2017.
Other roles: Orna is currently Senior Independent Non-Executive Director and Chair of the remuneration committee of Royal Mail plc. Orna is also currently the Deputy Chair of the National Trust, Trustee of Sir John Soane's Museum and Chair of Client Service at Eden McCallum.
Committee membership: Risk (Chair), Audit, Nomination and Remuneration.

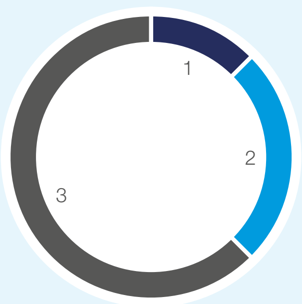
8 Gareth Williams
Independent Non-Executive Director
Skills, competencies and experience: Gareth joined the Company in May 2014, on listing. Previously, Gareth was Human Resources Director of Diageo plc (where he also had oversight responsibility for corporate relations) and held a series of key positions in human resources at Grand Metropolitan plc. Gareth's contributions to the Board are on all aspects of human resources and people strategy and this, combined with his experience of working at Director level in a consumer facing organisation and his knowledge of corporate relations, management development and resourcing, brings a unique perspective to discussions with the Board and its Committees.
Other roles: Gareth is currently Chairman of YSC Limited and a Non-Executive Director of WNS (Holdings) Limited.
Committee membership: Remuneration (Chair), Audit, Nomination and Risk.

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

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

Composition of Board

1 Chairman **1**
2 Executive Directors **2**
3 Non-Executive Directors **5**



Independence of Non-Executive Directors
The Board considers five of the 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. These Directors are Philip Green, Ray King, Bridget McIntyre, Orna NiChionna and Gareth Williams. Philip will be resigning from the Company on 31 March 2017, as detailed below.

Changes to the Board
Whilst we did not make any appointments to the Board during the year, the Nomination Committee did discuss how the Company would ensure that there is the right level of oversight of the regulated businesses within the Group and that those companies had senior leaders with the right experience in place. More details can be found in the Nomination Committee report on pages 52-53.

During the year, we announced that Philip Green will resign from the Board and his position as Senior Independent Director on 31 March 2017, to chair another business. He will be replaced as Senior Independent Director by Orna NiChionna, one of our current Non-Executive Directors. Philip and Orna both joined the Board during the Company's IPO in 2014.

Orna was selected as the replacement Senior Independent Director due to her experience (as Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Royal Mail plc, Chair of client service at Eden McCallum, and Deputy Chair of the National Trust) and within the Group. She sits on our Audit, Nomination and Remuneration committees and chairs the Risk Committee. The Board was of the opinion that Orna has a good feel for what we do as a business, our values, and what's right for our customers, and has made a strong contribution during her time on the Board.

On 22 April 2016, as a result of the share placing undertaken by Acromas Bid Co Limited, Non-Executive Director James Arnell resigned from the Board. This was in accordance with the Relationship Agreement dated 8 May 2014 which required his resignation once the indirect shareholding of the Private Equity Investor he represented fell below 10%.

We continue to comply with the Code's recommendation that at least half of our Board members are independent Non-Executive Directors. For full details of Board composition see pages 48-50.

Appointment of Directors
Our Nomination Committee terms of reference explain how we recruit and appoint Directors to the Board. We will use open advertising or the services of external advisers to facilitate our search for the best possible candidates from a wide range of backgrounds, as appropriate.

Ongoing training and induction of Non-Executive Directors
All Non-Executive Directors attended meetings with senior management and subsidiary directors and strategy sessions for each of our businesses to understand the short and long-term

goals of the Group. They continue to visit all areas of the business to gain first-hand experience of how Saga works, including listening to calls during visits to our call centres.

Our induction process was reviewed to ensure that it will serve to familiarise new Directors with our strategy, competitive and industry environment, Group structure, governance and risk profile/appetite and provide for meetings with key members of senior management.

Board effectiveness review

The Board and its Committees undertook their first externally facilitated evaluation of their performance during the year. The evaluation was conducted by Independent Audit Limited. Independent Audit Limited does not have any other connection to the Company.

Independent Audit Limited's review consisted of a review of Board and Committee papers, observation of Board and Committee meetings, and interviews were held with Directors/Committee members and attendees to give them an opportunity to express their views about questions such as:

- whether the Board gets what it needs to facilitate a well-structured and focused discussion;
- how well the Board agenda and discussion is focused on strategy and the main market and competitive challenges;
- how the Board gets a picture of how our culture and risk are embedded;
- the line of sight Non-Executive Directors have into the way in which the Group is run and controlled;
- steps taken to develop a strong management team through succession planning and talent management;
- organisation of meetings, including agenda setting, time spent on each item and quality of papers; and
- corporate governance and regulatory compliance support.

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

The review concluded that governance had developed well since the Company had listed. Strengths identified included a stable and strong senior management team, a healthy culture of transparency, and a consistent and concerted effort to communicate openly with the Non-Executive Directors. There was good coverage of the principal risks and subsidiary level governance worked well, with appropriate escalation when necessary. Interests of a wide group of stakeholders, including shareholders, was considered and a lot of weight and attention was given to the 'people strategy' of the Group. It was now time for the Board to focus on successful execution of Group strategy.

Process for Board and Committee evaluation

Face to face meetings held to facilitate an open discussion between Independent Audit Limited and Directors/meeting attendees

Reports produced by Independent Audit Limited

Review/discussion with Chairman and Committee Chairs

Discussed at Board

Action plans

Board development plan for 2017/18

Looking ahead, the Board will continue to work on ensuring that the content of all Board meetings remains aligned to strategy and the key drivers of performance. Risk management will continue to link directly to strategic drivers, principal risks and uncertainties. The pre-read papers and time allocated for discussion at each Board will support this approach and will include forward thinking analysis, where appropriate.

The results of the evaluation of the Chairman's performance were also considered by the Senior Independent Director and the Non-Executive Directors and were discussed with the Chairman.

Annual re-election

The Directors are standing for re-election at the AGM, with the exception of Philip Green, who is resigning on 31 March 2017. Our view is that each of the Directors standing for re-election should be appointed, as 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 48-49.

Nomination Committee

Dear Shareholder,
This year we have focused on ensuring that there was a structure in place that enabled appropriate challenge, checks and balances throughout the Group.

It was important that we had confidence that we have the right people in senior roles, with the appropriate skill set and that the appropriate strategic and operational discussions were taking place. We have held a number of unscheduled meetings to discuss how best to have a balanced Board and Executive Team that work well together and to identify how best to develop our Executive Team.

Philip Green
Chair, Nomination Committee

Role of the Committee

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

Committee members consist of five independent Non-Executive Directors and the Chairman.

Attendance

During the year, the Committee met on five occasions.

Member	Attendance
Philip Green (Chair)	5
Andrew Goodsell	5
Ray King	5
Bridget McIntyre	5
Orna NiChionna	5
Gareth Williams	5

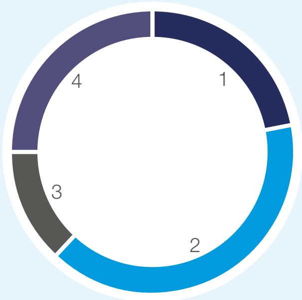
The Company Secretary attends all meetings as secretary to the Committee. In addition, the Group Chief Executive Officer and Group HR Director attend by invitation.

Our remit

- Regularly reviewing the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and making recommendations with regard to any changes.
- Giving full consideration to succession planning for Directors and other senior executives, to ensure progressive refreshing of the Board.
- Evaluating the balance of skills, knowledge, independence, experience and diversity on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment and its expected time commitment.
- Reviewing the results of the Board performance evaluation process that relate to the composition of the Board.

Time spent on matters

1 Board composition **22%**
2 Succession planning **40%**
3 Board skills **13%**
4 Board evaluation **25%**



Our terms of reference

Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 20 September 2016. These explain our role and the authority delegated by the Board and are available on the Saga website at http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

What we have done during the year

Board composition

At the centre of our remit is a detailed understanding of the Board's and the Board Committees' structure, size and composition. Changes to the Board composition throughout the year are explained in the Effectiveness section of the Corporate Governance Statement on pages 50-51.

The 'Division of responsibilities between Chairman, Group Chief Executive Officer and Role of Senior Independent Director' document was reviewed and approved by the Board on 1 November 2016.

On 19 December 2016, the Company announced my resignation from the Board and my position as Senior Independent Director with effect from 31 March 2017. Orna NiChionna will assume the position of Senior Independent Director and Chair of the Committee at this time.

Whilst we did not make any appointments to the Board during the year, we did discuss how the Company would ensure that there is the right level of oversight of the regulated businesses and that those companies had senior leaders with the right experience in place. We concluded that it was Important to have the right governance, leadership and independence for such roles. As a result of this discussion, Bridget McIntyre was appointed as Senior Independent Director for Saga Services Limited on 22 March 2017.

Appointment of Directors

Our terms of reference explain how we recruit and appoint Directors to the Board. We will use open advertising or the services of external advisers to facilitate our search for the best possible candidates from a wide range of backgrounds, as appropriate.

Russell Reynolds Associates were approved as our search consultants and will map candidates against skills sets identified. Russell Reynolds Associates has no other connection with the Company.

An overview of the Director induction process has been included in the Effectiveness section of the Corporate Governance Statement on pages 50-51.

Diversity

We continue to believe that it is in the very nature of Saga to recognise the benefits that diversity brings. Our policy is to appoint the best possible candidate, considered on merit and against objective criteria (and in accordance with the Equality Act 2010), rather than to set quotas for a particular aspect that may deflect from achieving this fundamental target every time. At the date of this report, 25% of the Board is female. During the year, we agreed to refer to Chair rather than Chairman for all Committee Chairs.

Succession planning and talent management

The future directional structure of the executive team was a focal point in light of Andrew Strong's retirement at the end of the financial year and to strengthen the customer facing areas of the business – important due to the focus on customer-centricity.

We reviewed succession planning, noted short and long-term caretakers for each senior role and focused on removing key areas of vulnerability, executive team development and overall leadership development.

A framework for reviewing talent within the Group was put in place following an extensive talent mapping exercise. Whilst home-grown talent and external hires provide a strong skill base, a need to focus on leadership training was identified, to support the changes required within the Group. A leadership programme was developed to tailor training needs to individuals. Senior individuals were also encouraged to take on additional roles (in line with the One Saga approach outlined on page 17) and were invited to present to Committee and Board meetings.

Effectiveness of the Nomination Committee

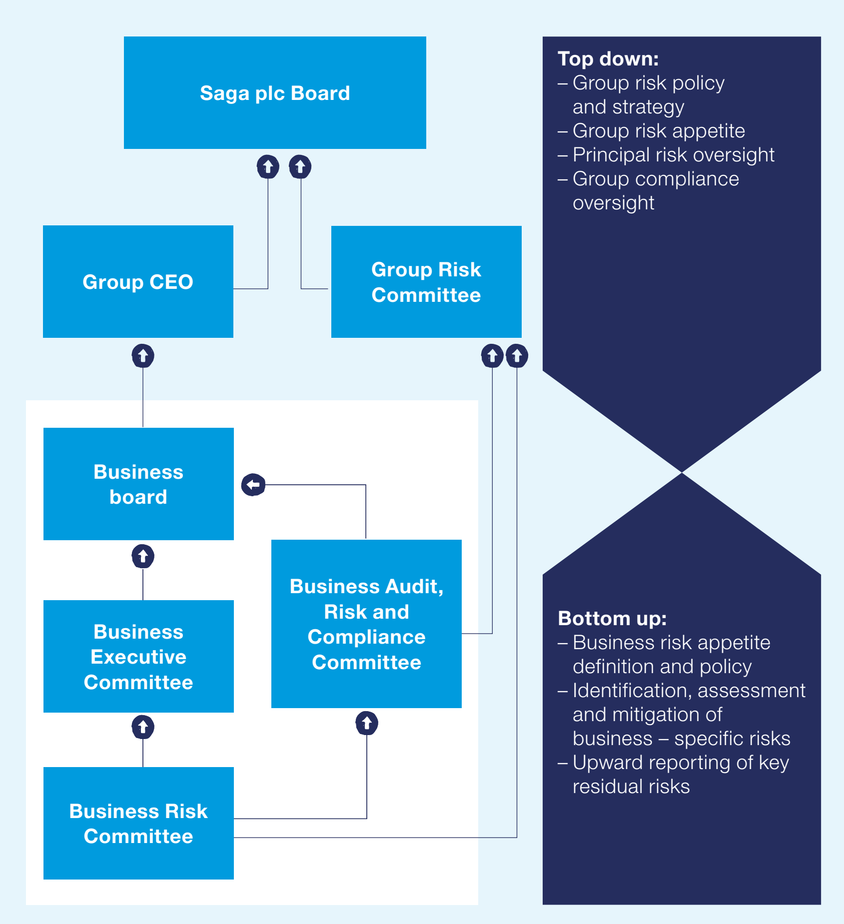
Evaluation

An external evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 51). This was completed by Independent Audit Limited. The review indicated that the Committee is working well in addressing the main issues it is having to cover and is taking a thorough approach to Director performance evaluation and succession planning.

Looking ahead, we will continue to respond to any issues that may arise during 2017 and will continue to identify our future talent pipeline, to ensure that the structure, size and composition. (including the skills, knowledge, independence and experience and diversity) of the Board is right, conducting skills gap analysis where necessary.

Philip Green
Chair, Nomination Committee

Risk management and internal control



Board assessment of risk management and internal control

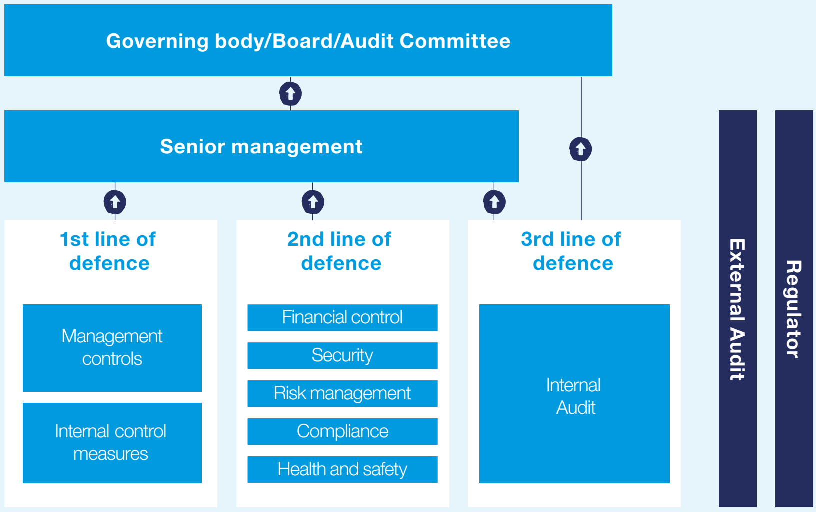
The Board has ultimate responsibility for the Group's risk management and internal control, including setting of risk appetite. In accordance with section C 2.3 of the Code the Board is responsible for reviewing the effectiveness of risk management and control systems, specifically that:

- There is an ongoing systemised process for identifying, evaluating and managing the principal risks faced by the Company.
- This system has been in place for the year under review and up to the date of approval of the annual report and accounts.
- The system is regularly reviewed by the Board.
- The system accords with the FRC guidance on risk management, internal control and related financial and business reporting.

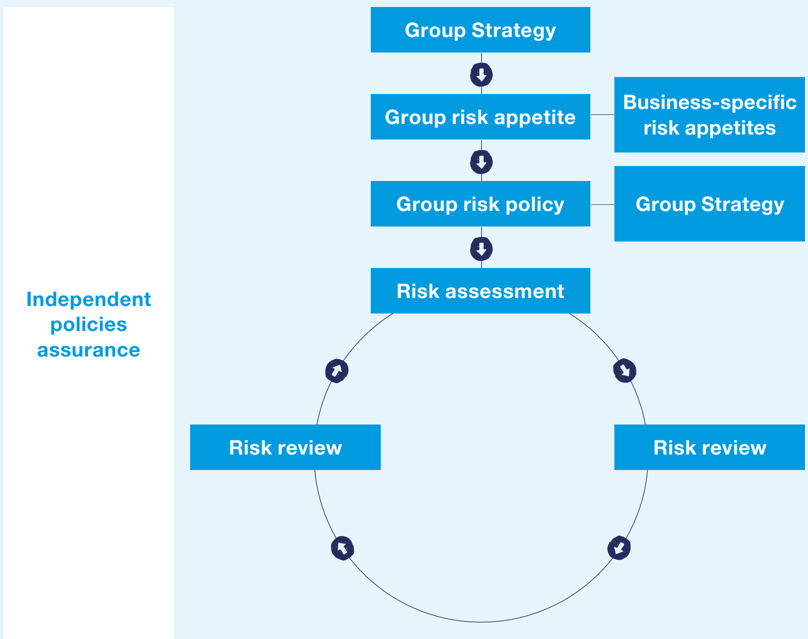
During 2016 the Board has directly, or through delegated authority to the Risk and Audit Committees, overseen and reviewed the development and performance of risk management activities and practices and internal control systems in the Group. Specific details regarding the Risk and Audit Committees' involvement in the development and review of risk management and internal control systems are provided in the Risk and Audit Committee reports on pages 62-65 and 58-61 respectively.

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

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



Group risk management cycle



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

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

2nd line of defence – Independent oversight provided by the various control functions, including risk, compliance and health and safety. Specific duties include advice on Group and business risk appetites, independent review of both the rating of key risks, and approach and adequacy of business risk management strategies. The 2nd line of defence is also responsible for reporting on the management of principal risks and uncertainties to the Risk Committee and Board.

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

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

The financial crime, data and information security committee provides an additional forum to consider specialist risks arising in these areas.

Risk management cycle

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

Identification of risk appetite

Saga defines risk appetite as the amount and sources of risk which we are willing to accept in aggregate in pursuit of our objectives. Group risk appetite is derived from our strategic objectives and is used as a measure against which all of our current and proposed activities are tested. Group risk appetites and tolerances are further defined within the Principal risks and uncertainties section (pages 20-22).

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

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

Risk policies

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

Risk assessment and risk registers

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

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

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

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

Risk review

Reports on key risks and controls, and incidents, are presented to each governance forum meeting specified in the Committee structure, flow of risk, compliance and internal control information chart on page 54. In addition, checks against control effectiveness, and any exceptions or overdue actions are also considered. Each of these governance meetings is attended by key 1st and 2nd line of defence managers and the actions are minuted and followed up at the next meeting. Significant control weaknesses or failures are escalated to the individual business board in question or, if of sufficient scale and seriousness, to the Risk Committee. Each Group risk committee also considers cross-Group risks and incidents to ensure the risk of contagion is minimised.

Risk oversight

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

Risk monitoring

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

Risk information

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

Independent process assurance

Saga's internal audit function ('Internal Audit') provides independent assurance of the effectiveness of the risk management procedures at both Group and business levels.

Process feedback

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

A statement confirming that the Board is able to confirm that they have carried out a robust assessment of risks is contained on page 42.

Internal control

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

All activities of the Group fall within the scope of Internal Audit's remit and there are no restrictions on the scope of Internal Audit's work. Internal Audit fulfils its role and responsibilities by delivering the annual, risk-based audit plan. Each audit within the plan provides an opinion on the control environment and details of issues found. Internal Audit works with the businesses to agree remedial actions necessary to improve the control environment, and these are tracked to completion.

The Head of Internal Audit submits reports to, and/or attends, Board and Audit Committee meetings for the subsidiary Saga businesses, as well as the Audit Committee meetings.

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. Throughout each year, detailed reforecasts are performed by each area of the Group each month and are consolidated to provide an updated view of expected performance for the current year. Each reforecast covers the income statement, cash flow and balance sheet positions phased on a monthly basis through to the end of the financial year.

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

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

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

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

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

Viability statement

An assessment period of five years was selected. This is consistent with our long-term financial planning horizon and importantly it embraces the construction of our new cruise ship which will become operational in 2019 and the option to purchase a second ship that would become operational in 2021.

Our list of principal risks and uncertainties ('PRUs') derived from our robust review of risks was reviewed with risk owners, Group Finance and Group Risk to consider which risks might threaten the Group's ongoing viability and the achievement of its strategic plan. These PRUs are given in the Strategic Report on pages 20-22. All of the PRUs have been considered and severe but plausible outcomes for each have been identified. The financial impact in terms of both profit and cash of each outcome has been quantified and a probability of occurrence assigned to it. Assessments of potential financial impact were derived from both internal calculation and examples of similar incidents in the public domain.

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

1. The cumulative impact of a repeated failure of management to deliver change, operational efficiencies, and supplier and pricing initiatives in the Group's largest insurance broker, Saga Services Limited.
2. A severe one-off data breach.
3. Impact on AICL's investment portfolio due to default of the largest credit institution.

Three scenarios were then modelled for the assessment period: the three largest sensitivities in terms of financial impact as if each were certain to occur independently; the expected financial impact for all sensitivities combined drawing on the assigned probability for each one; and a reverse stress test considering what PRU, or combination of PRUs might lead to breach of performance and cash flow solvency thresholds.

The outcome of this modelling confirmed that none of the top three sensitivities would compromise the Group's viability either in isolation or in combination. The reverse stress test demonstrated that the likelihood of one or any combination of PRUs causing us to breach performance and insolvency thresholds was extremely remote.

As set out in the Audit Committee report on pages 58-61, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing. The Directors' viability statement is contained on page 42.

Statement of review

The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is contained on page 42.

Audit Committee

Dear Shareholder,
I am pleased to report on the Audit Committee's activities during the year to January 2017.

This has been another busy year in Saga, as the Group continues to develop its business processes to deliver growth and improvements in efficiency. A key part of our job as a Committee is to provide assurance that our internal controls remain strong as the Group develops and also to seek continuous improvement. Our deliberations have continued to benefit from significant stability since the IPO in the membership of the Committee and in the senior leadership team, including the heads of key control functions; I thank them for their contribution to our work.

Ray King
Chair, Audit Committee

Role of the Committee

Our role is to monitor the integrity of the financial statements of the Group, review and report to the Board on significant financial reporting issues and judgements, and review and assess the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.

All members are independent Non-Executive Directors. The Board is satisfied that I have recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector in which the Company operates.

Attendance

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

Member	Attendance
Ray King (Chair)	5
Philip Green	5
Bridget McIntyre	4
Orna NiChionna	5
Gareth Williams	5

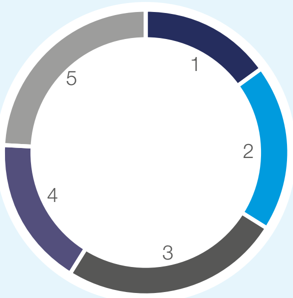
The Company Secretary acts as secretary to the Committee and attends all meetings. In addition, the Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Group Financial Controller, Chief Risk Officer, Head of Internal Audit and representatives from our external auditors attend by invitation.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

Our remit

- Monitoring the integrity of financial statements of the Company and providing an opinion to the Board that the annual report and accounts, taken as a whole, is fair balanced and understandable.
- Reviewing and reporting to the Board on significant financial reporting issues and judgements.
- Reviewing and assessing the adequacy and effectiveness of the Company's internal financial controls and other internal control systems (including, but not limited to, whistleblowing, fraud detection and the prevention of bribery).
- Approving the Internal Audit charter, budget and work plan and receiving regular reports.
- Monitoring and reviewing the effectiveness of the Company's Internal Audit function, in the context of the Company's overall risk management system.
- Receiving reports from the audit committees of subsidiaries.
- Considering and making recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors, their remuneration and the services they provide.
- Ensuring that at least once every 10 years the audit services contract is put out to tender.
- Monitoring, reviewing and assessing the external auditors' independence of and effectiveness and reviewing the external audit work plan.
- Reviewing the findings of the audit with the external auditors.

Time spent on matters

1 Financial statements **15%**
2 Internal financial controls **19%**
3 Internal Audit **25%**
4 Business reviews **17%**
5 External audit **24%**



Our terms of reference

Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 20 September 2016. These explain our role and the authority delegated to us by the Board and are available on the Saga website at http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

What we have done during the year

Internal Audit

- Approved the Internal Audit Charter, received regular reports on the work of the Internal Audit function during the year, considered resourcing within the Internal Audit team and approved the work plans for 2017/18.
- Engaged KPMG to carry out a review of the effectiveness of the Internal Audit function (in line with the Chartered Institute of Internal Auditors ('IIA') Standards recommendation).
- Reviewed an assurance map showing the controls in place at the first line of defence (management controls), second line of defence (quality assurance, financial, risk, compliance, health and safety and security controls) and third line of defence (internal audit). This showed that there were no material gaps.
- Considered an Internal Audit review which analysed audit findings during the year to provide an initial qualitative indicator of the risk and control culture in each of the businesses subject to audit.
- Considered a report from Internal Audit on the effectiveness of the Group's risk management framework, with particular focus on Saga Services Limited. This concluded that a robust risk management framework was in place, with a good risk and control culture evident across the Group.

External audit

- Considered the external auditors' (EY) engagement terms (including the fee proposal) for 2016/17, and made recommendations to the Board.
- Considered the annual report planning timetable and process and EY's intended approach to auditing areas where significant risks and other areas of audit emphasis were identified by them during their planning work.
- Discussed with EY their main observations following the interim and full year audit.
- Carried out an effectiveness review of the external audit process and external auditors' performance.

Reporting

- Considered the Group's key accounting policies and financial judgements.
- Agreed with management the arrangements for the introduction of IBM Cognos Controller, a new consolidation ledger tool to administer the statutory and management accounts.
- Reviewed the key areas of judgement, including insurance reserving methodology for the year, valuation of goodwill and the pension liability.
- Considered the viability statement and the underpinning tests performed by management.
- Reviewed the interim and full year results before their consideration by the Board and considered the annual report as a whole.

Other internal controls

- Continued to work in co-operation with the Risk Committee on key areas of business risk.
- Reviewed policies covering financial crime (including anti-bribery, anti-corruption and anti-fraud), whistleblowing and non-audit fees.
- Received a report at each meeting in relation to whistleblowing and the proceedings of the Group financial crime, data and information security committee.

Our work, up to the date of this annual report, in accordance with the Code and FRC's revised Turnbull Guidance on Internal Control, confirmed that no significant failings or weaknesses were identified. Where areas for improvement were identified, processes are established to ensure that the necessary action is taken and that progress is monitored.

During the year we received presentations (focusing mainly on internal control) from the following business areas:

Saga Services/Direct Choice (regulated businesses)

We received an update on activities from the independent Non-Executive Director who chairs the Saga Services audit committee. This covered the work undertaken by Internal Audit, the compliance monitoring programme, the conduct risk framework and steps taken to address the threat of cybercrime.

Saga Money

Areas of focus included the product portfolio (particularly the innovative products for equity release, share dealing and retirement income) and the governance structure to ensure the appropriate level of oversight and a sufficient level of transparency were in place for Saga Investment Services Limited, the joint venture with Tilney BestInvest. The chair of the audit committee for this business confirmed that no major issues were identified during that committee's reviews of the first and second lines of defence or conflicts of interest process.

AICL

We received feedback from the chair of AICL's audit committee and the Chief Executive Officer of this business. We also reviewed the management process for examining reserving assumptions and considered the regulatory environment in Gibraltar, ongoing requirements of Solvency II capital requirements and possible impact of a change in the Ogden discount rate.

Destinology – post-acquisition review

It is Saga's normal practice to carry out post-acquisition reviews of acquired businesses, normally around 12 to 18 months post acquisition to ensure that we internalise any key learnings. We reviewed the acquisition rationale, our actions to integrate and manage the acquired business, its market and financial performance and future plans and prospects. This year we reviewed Destinology and supported management's plans to grow the business as an important part of the Group's overall travel offering.

Interim and full year results

The interim and full year results were reviewed, together with papers from management summarising the process of preparing the financial statements, the appropriateness and application of key accounting policies, and the areas of significant judgement, including how those judgements were made.

Key areas of significant judgement which we considered were as follows:

- Valuation of insurance contract liabilities £642.3m. We considered the actuarial processes for valuing these liabilities, the level of liabilities by accident year and by heads of damage, and the conclusions of the insurance Reserving Committee. We received the views of EY from their work on the assessment of reserves, and concluded that the valuation of insurance contract liabilities was appropriate. We also considered the accounting for the new quota share contract and the accounting policies, processes and procedures related to the new funds withheld reinsurance contract with NewRe. Since the year end, we have considered the impact of the government's announcement regarding the Ogden discount rate for Saga's insurance liabilities.
- Valuation of goodwill and intangibles £1,538.8m. We considered the methodology for performing impairment reviews on the carrying value of goodwill and considered the output of each review, and concluded that no impairments were necessary.
- Retirement benefit scheme. We considered and supported the actuarial advice regarding the valuation of the assets and liabilities of the scheme and the key assumptions used in deriving those values.

Reports were received from EY at the conclusion of their work on the interim and full year results and during the process of their audit. The reports on the full year results included specific focus on those areas identified as having significant audit risk or other audit emphasis.

Fair, balanced and understandable

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

When forming our opinion, we considered whether:

- the report was clear with an understandable layout, with key messages given suitable prominence;
- the report was fair and presented a balanced picture;
- the reporting on the business segments in the narrative was consistent with the reporting in the financial statements;
- the key performance indicators were disclosed at an appropriate level:
- statutory and adjusted measures were explained clearly; and
- the significant issues and key judgements referred to in the narrative reporting were consistent with the disclosures set out in the financial statements.

We advised the Board that we supported the statement made on page 42.

Viability statement

The Group's methodology for production of its viability statement is shown on page 57 and the viability statement itself on page 42.

Jointly with the Risk Committee we considered and approved the list of principal risks and uncertainties (see pages 20-22) and the methodology used to provide for an assessment of ongoing viability. We specifically considered:

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

We confirmed to the Board that we considered that it was reasonable for the Directors to make the viability statement on page 42.

Internal control and Internal Audit

A key part of our work is the oversight of the Internal Audit function. This includes reviewing the results of the internal auditor's work and the assurance from Internal Audit on its 3rd line of defence review of the functioning of the risk management framework. We also review and monitor management's responsiveness to the internal auditor's findings and recommendations.
The function consists of 12 people with a broad range of skills; we also purchase audit skills externally for specialised audits.

We are satisfied that the Internal Audit function had appropriate resources throughout the year.

Where Internal Audit reviews identify significant areas of business risk these are considered by the Risk Committee. Details of these can be found in the Risk Committee Report on pages 62-65.

In line with recommendations of the IIA Standards, it is our policy to carry out an external review of the effectiveness of the Internal Audit function at least every five years. Accordingly, we engaged KPMG to undertake this review during the year. The conclusion was that the function was competent, effective and well led, with strong alignment to principal risks. Areas of development were identified as the need to focus on emerging risks and more use of third party specialists where appropriate. As a result, the audit plan and audit process includes greater emphasis on emerging risks and further analysis has been completed to identify which audits will benefit from specialist technical input.

Auditor independence and non-audit services

The independence of EY is reviewed by the Committee and confirmed by the Auditor throughout the year.

A robust non-audit fee policy is in place and is adhered to. This is reviewed annually and was last approved on 6 December 2016 following consideration of the requirements of the EU Audit Directive and Regulation which came into force on 17 June 2016. This includes a list of non-audit services where we are satisfied the Auditor can carry out those services without affecting their role as Auditor. There are clear approval levels where the Committee Chair (or the whole Committee) is required to authorise assignments. Competitive tendering is used for substantial work. A policy on employment of former employees of the Auditor was also approved during the year.

The audit fees payable to EY in respect of the year ended 31 January 2017 were £1m (2016: £1.1m) and non-audit service fees incurred were £0.2m (2016: £0.2m). This equates to a non-audit to audit fee ratio of 0.2 (2016: 0.17). A summary of fees paid to the Auditor is set out in note 4 to the consolidated financial statements on page 127.

Effectiveness of external auditors

We discussed our interaction with the audit team and the audit partner during the year and impressions gained. We considered:

- our perception of the Auditor's understanding and insights into the Group's business model;
- how EY approached key areas of judgement and the extent of challenge;
- the quality of the Auditor's reporting to the Committee and their overall efficiency; and
- input from management via a questionnaire on the efficiency and conduct of the audit.

The Committee is satisfied that the audit continues to be effective and provides an appropriate independent and objective challenge to the Group's senior management.

External audit re-appointment and tendering

Auditor appointment and external audit tendering

At the AGM last year EY were re-appointed as our statutory auditors. During the year, in accordance with the Statutory Auditors and Third Country Auditors Regulations 2016 which require FTSE 350 companies to tender the audit at least every 10 years, a formal tender process took place, led by the Committee.

This was a structured process, where the Company initially considered the top 10 firms in the UK in 2016 according to Accountancy Age. Given that the Group is a conglomerate with significant presence in regulated industries, the auditor had to have sufficient depth specialist knowledge, resource and relevant experience. Three of the 'big four' firms, including EY, tendered for the audit. The process involved meetings with individual Committee members and management, review of key documents via a secure data room and formal presentations. As a result, the Committee recommended and the Board approved the proposed appointment of KPMG LLP as the Company's auditor for the year for the financial year ending 31 January 2018. This appointment is subject to approval by shareholders of the Company at the AGM to be held on 22 June 2017.

Effectiveness of the Committee

Evaluation

An external evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 51). This was completed by Independent Audit Limited. The review indicated that the Committee is working well and did not identify any significant development points requiring action.

Ray King
Chair, Audit Committee

Risk Committee

Dear Shareholder,
I am pleased to present a summary of our work during the financial year to January 2017.

Customers are at the heart of what we do, and during 2016 the Group launched many initiatives and projects as a direct result of work undertaken to align our business model more closely with customer needs and expectations. The Committee sought to ensure that these initiatives did not expose the Group to excessive risks – either operational, financial or reputational.

We received presentations from each of the various Group businesses, so that we could understand and challenge their identified major risks, review their key controls and mitigations and establish what this meant for the principal risks for the Group as a whole.

Orna NiChionna
Chair, Risk Committee

Role of the Committee

Our role is to monitor the Group's risk and compliance management procedures (described on pages 54-57) and review principal business risks and compliance matters regularly on behalf of the Board. We seek to consider our risks on an individual and aggregated basis across our businesses.

All Committee members are independent Non-Executive Directors.

Attendance

The Committee met five times during the year.

Member	Attendance
Orna NiChionna (Chair)	5
Philip Green	4
Ray King	5
Bridget McIntyre	5
Gareth Williams	5

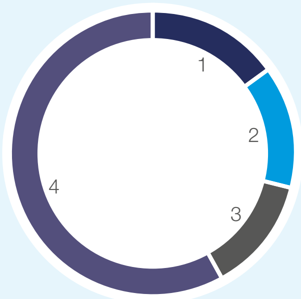
The Company Secretary acts as secretary to the Committee and attends all meetings. The Chairman, Group Chief Executive Officer, Group Chief Financial Officer, Chief Risk Officer and Head of Internal Audit attend by invitation. During the year the Committee and Chair held private meetings with the Chief Risk Officer.

Our remit

- Advising the Board on the Group's overall risk appetite, tolerance and strategy.
- Considering and recommending to the Board the nature and extent of the principal risks the Group is willing to take in achieving strategic objectives.
- Keeping under review the Group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used, and reviewing these measures regularly.
- Keeping under review the effectiveness of the Group's risk management systems.
- Reviewing the Group's capability to identify and manage new risk types and ensuring that a supportive risk management culture is embedded and maintained throughout the Group, in conjunction with the Audit and Remuneration Committees.
- Where appropriate, agreeing with the Remuneration Committee how risk should be recognised when setting performance objectives for executive remuneration.
- Reviewing reports on any material breaches of risk limits and the adequacy of proposed action.
- Reviewing reports on the effectiveness of risk management operations.
- Reviewing and monitoring management's responsiveness to the findings and recommendations of the Chief Risk Officer.
- Reviewing Group compliance performance, assessing the adequacy and effectiveness of the various compliance functions and giving particular consideration to any breaches and/or required notifications to compliance authorities and how these have been rectified.
- Exploring sources of risk and mitigation processes in each of our major business areas.

Time spent on matters

1 Risk policy, appetite and strategy **15%**
2 Risk reports **14%**
3 Compliance **13%**
4 Business reviews **58%**



Our terms of reference

Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 20 September 2016. These explain our role and the authority delegated to us by the Board and are available on the Saga website at http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

What we have done during the year

Risk strategy, policy and appetite

We reviewed our principal risks and uncertainties against strategy. This included those risks that would threaten our business model, future performance, solvency or liquidity. The principal risks and uncertainties assessment was also reconciled with the viability statement.

We discussed the possible impact of terrorism on travel as well as the effect of Brexit on the Group and considered the risks associated with internal projects and activities, in particular the new ship and new insurance platform. Developments in relevant industries, such as the emergence of autonomous vehicles and possible impact on the motor insurance industry, were also considered.

We recognise the need to review risk appetites and tolerances on a continuous basis. We considered risks outside of agreed risk appetite and concluded that where this is the case, the probability of occurrence was very low and existing mitigating actions were appropriate to the scenarios. Risk appetite was considered on an aggregate basis each quarter. We were satisfied that controls were in place which meant that the risk of significant failing across the business model was remote.

Management of third party suppliers was considered in detail, recognising the importance of this in light of the imminent modern slavery legislation (see page 18 for a summary of the steps being taken to ensure compliance). We considered the failure of Parabis Law LLP and the effect that this had had on our insurance business. Whilst we found that the risk to our business of relying on a single key supplier had not been fully appreciated, the response to the failure was managed well, with no disruption to customer service; and the lessons learned were used to design and implement a more rigorous approach to supplier selection and monitoring in future.

We considered investments made by asset/fund managers on our behalf and were reassured that these followed ethical guidelines.

The General Data Protection Regulation will affect how we do business. We considered the work undertaken by the Data Protection Strategy Group that was established to ensure that all necessary steps will be taken before the regulation comes into force in May 2018.

The Group risk policy was reviewed and we approved this before it was signed off by the Board. The revised policy was subsequently circulated to all directors and board attendees of all subsidiary companies and made available to all staff via the intranet.

An Internal Audit review on the effectiveness of the risk management framework took place during the year, with particular focus on Saga Services Limited, and was considered by the Audit Committee. This concluded that a robust risk management framework was in place, with a good risk and control culture evident across the Group. A continuous improvement approach will be taken to strengthen processes and drive consistent control standards within front line businesses and to build on second line of defence capabilities.

We have reviewed and approved the description of principal risks and the explanation as to how these are managed or mitigated is contained within this report. See:

- pages 20-22 for a summary of principal risks; and
- pages 54-57 for further information on our risk management processes.

These are designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Management and reporting

At each meeting, we considered a detailed risk report. This included a summary of each business's management monitoring. We worked with the Chief Risk Officer to consider each business area's strategies in the context of their risk framework to ensure that all forward-looking risks had been identified and considered.

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

Review of incidents, particularly relating to significant control failures or weaknesses

Incidents are included in the risk reports. We reviewed and discussed these in order to identify causes, necessary action, lessons learned and monitoring requirements.

Compliance

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

Review of individual businesses

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

Reviews of individual businesses during the year included the following:

Saga Services Limited (regulated business)

- Noted the risk and assurance framework following the consolidation of Saga Services Limited, Direct Choice Insurance Services Limited and Bennetts Biking Services Limited.
- Discussed how to strengthen supplier relationships.
- Considered the impact of the FCA's regulatory changes on renewal documents.
- Discussed key risks and opportunities for this business and how these would evolve within the overall strategy for the Group.

Insurance platform replacement

- Considered the drivers for change and risks associated with the project.
- Discussed whether it was appropriate to introduce a home developed or package platform.
- Reviewed resource requirements, cost and implementation timetable.
- Conducted a review of third parties involved in the implementation.
- Assessed the proposed governance structure for the project.
- Asked that regular updates on the implementation be provided at each Board meeting.

AICL and CHMC Limited

- Noted the governance structure of both companies and requirements of the Financial Services Commission in Gibraltar.
- Discussed the claims process and considered the claims history.
- Noted how legislative events (such as the Courts Act 2003, Legal Aid Sentencing and Punishing of Offenders Act 2012 and possible changes to the Ogden discount rate) affected the business.
- Discussed how underwriting risk was managed.
- Considered the effect of the growing relevance of the motor panel.
- Reviewed the quota share reinsurance arrangement.

Saga Money

- Considered the governance structure, including the role of Internal Audit, Compliance and Risk.
- Reviewed supplier relationships (to ensure performance was in line with risk appetite and tolerance) and regulatory risk.
- Considered the risk associated with the joint venture, Saga Investment Services Limited.
- Reviewed the principal risks for this business.
- Noted that the horizon risks would be reviewed to assess how risk interacted with the strategic direction of the business.

Shipping

- Looked at the assurance structure and minimum standards required by each relevant Flag state.
- Reviewed the relationship with V Ships and our requirement for them to operate at 'beyond compliance' levels.
- Considered the programme of work on maintenance and resilience assurance for the ships.
- Assessed the current status of the new build, including a review of the governance structure, design timetable and how our customers' expectations would be included.

Group insurance arrangements

- Considered the insurance programme for the Group including cost, management of brokers and advisers and summary of cover.
- Discussed whether any additional cover was required, specifically in relation to the threat of financial crime or cybercrime.

IT

- Discussed our approach to security and encryption.
- Reviewed disaster recovery procedures and times.
- Received presentations on the quality and frequency of staff training in cybersecurity awareness and actions.
- Refreshed our understanding of the IT infrastructure and how IT support was managed throughout the Group.

Change management

- Reviewed the Group change strategy roadmap.
- Considered how projects were linked and how best practice and consistency levels were maintained across the Group with optimum utilisation of resource and people skills.
- Discussed how the health of change programmes was monitored by the use of five key indicators (schedule, resource, quality, scope and budget).
- Concluded that the change management team acted as risk mitigation and needed to improve the disciplines for change demand throughout the Group, so that change was made only when necessary.

Since the year end, a presentation has been received from the travel division.

Effectiveness of the Risk Committee

Evaluation

An external evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 51). This was completed by Independent Audit Limited. The review indicated that the Committee is working well and is well-supported by management.

Looking ahead, we will continue to ensure that risk processes are aligned with strategy, that risk tolerance levels are monitored and the impact of risk on our businesses and on an aggregate basis is considered. In particular, we will focus on developing our approach to assessing the effectiveness of risk management, looking at the impact our risk management approach has on the way the business is run and how decisions are taken. We will also ensure that we will bring in outside expertise should we feel that our oversight of any particular risk areas would benefit from independent specialist input.

Orna Ni Chionna

Orna NiChionna
Chair, Risk Committee

Relations with shareholders

We plan a shareholder communication strategy for the year, to ensure that we maintain a relationship with our shareholders based on trust and to help them understand how we plan to grow the business and the effect of decisions made, for example, the introduction of the quota share arrangement and increasing our dividend target range. We understand the importance of maintaining open and regular dialogue with our shareholders – many of whom are our loyal customers. We welcome feedback at any time during the year and the AGM provides the opportunity for our shareholders to meet the Board and senior management of the Group.

Lance Batchelor, Group Chief Executive Officer and Jonathan Hill, Group Chief Financial Officer lead communications with our shareholders assisted by the shareholder relations team led by our Director of Corporate Affairs.

We set ourselves the target of providing information to our shareholders that is timely, clear and concise.

Saga has a diverse shareholder register which is formed of both institutional and retail ownership, the latter numbering over 180,000. Saga also has a number of analysts following the Company so we arrange for a clear explanation of key strategic events and developments, including results and acquisitions announcements.

We communicate in the following ways:

Shareholder communication

In addition to the AGM, we:

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

Wider communication

In addition to the communication mentioned above, we:

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

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

We recognise that our brokers play an important part in communicating our message to our shareholders. During the year, we undertook a broker review and a result, the Board appointed J.P. Morgan Cazenove as joint Corporate Broker and joint Financial Adviser. Numis Securities Limited was appointed joint Corporate Broker and Goldman Sachs International was appointed joint Financial Adviser.

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

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

Annual General Meeting

The AGM will be held on 22 June 2017 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE.
The Chairman and Chairs of all Committees will be available to answer questions during the formal business of the meeting.

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

Remuneration Committee Chair annual statement

Remuneration Committee

Dear Shareholder,
This year, the business has made significant progress with our key strategic initiatives whilst delivering another robust financial performance. The strength of our core businesses and our operating model has again led to strong cash generation, enabling us to reduce further our debt ratio and giving us the confidence to increase our dividends offered to 8.5p.

Our strategy remains focused on becoming an even more customer driven business, growing our core insurance and travel businesses, investing in future growth, maintaining our operating model to generate strong cash flows and robust earnings and investing in our people.

The Remuneration Committee continues to review the Policy on an ongoing basis and is comfortable that it remains appropriate and effective heading into the 2017/18 financial year.

This report lays out the core principles of our Directors' Remuneration Policy and our practice over the past year. I trust we have done this with the transparency and clarity that aid your understanding of both our intent and our activity.

Gareth Williams
Chair, Remuneration Committee

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

- Sustainable long-term value creation.
- Profitable growth and strong cash generation.
- Attraction, retention and motivation of a talented leadership cadre to deliver the business strategy.

All Committee members are independent Non-Executive Directors.

Attendance

We held five meetings during the year.

Member	Attendance
Gareth Williams (Chair)	5
Philip Green	4
Ray King	5
Bridget McIntyre	5
Orna NiChionna	4

The Committee receives assistance from the Group HR Director and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Group Chief Executive Officer, Group Chief Financial Officer and the Chairman attend by invitation.

Structure of the report

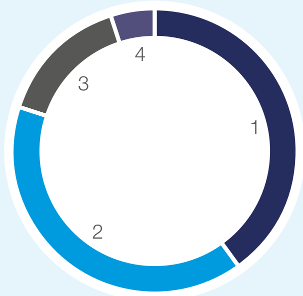
- Annual Statement (pages 67-69).
- Directors' Remuneration Report 'at a glance' (pages 70-71).
- Annual Report on Remuneration (pages 72-89).

Our remit

- 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.
- Reviewing any major changes in employee benefit structures throughout the Company or Group.

Time spent on matters

1 Remuneration Policy **40%**
2 Senior Management remuneration **40%**
3 Share schemes **15%**
4 Employee benefit structures **5%**



Our terms of reference

Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 20 September 2016. They are available on our website, http://corporate.saga.co.uk/corporate-information/corporate-governance and from the Company Secretary at Saga's registered office.

Company highlights for the 2016/17 financial year

The implementation of our strategy (as outlined on pages 12-13) has been substantiated through the key performance highlights of the year:

- Continued strong performance in the core business areas of insurance and travel, which has led to strong results across all the Group's operations.
- Group profit before tax from continuing operations increased by 9.7% to £193.3m (2016: £176.2m), on revenue of £871.3m (2015: £963.2m).
- Underlying profit before tax (profit before tax excluding derivatives and the Odgen impact), the measure of profit performance in the annual bonus for management, grew by 5.6% to £187.4m (2016: £177.4m).
- Strong profit delivery and continued high levels of cash conversion meant the Group continued its deleveraging with net debt to Trading EBITDA ratio now 1.9x (2016: 2.3x).
- Dividend payments to our shareholders of 5.0p per share in respect of 2016 and an interim dividend of 2.7p in respect of 2017, reflecting our confidence in meeting market expectations for the full year and continuing to deliver sustainable profit growth.
- Introduction of the new funds-withheld quota share arrangement in motor insurance.
- Continued investment in our cruise ships, demonstrating our commitment to continued excellence and service to our customers.

Changes to our Remuneration Policy during the year

No changes to the Policy approved at our 2015 AGM are being proposed at the Group's next AGM.

What we have done during the year

We reviewed the key components of remuneration.

Decisions made/actions taken

- Made grants in May 2016 under the Saga Long Term Incentive Plan ('LTIP') for the Executive Committee and senior management of the Company. Grant levels were consistent with our normal award policy.
- Approved the award of free shares to all eligible employees in July 2016.
- Approved base salary increases of 2%, in line with the average rises to all employees, for the Group Chief Executive Officer and the Group Chief Financial Officer, bringing their salaries to £689,785 and £424,483 respectively to apply for the 2017/18 financial year.
- Approved the fees for the Chairman, which will increase by 2% from 1 June 2017 to an annual fee of £286,110.
- Reviewed the performance targets for the 2017 LTIP award. The strategy calls for an acceleration in organic profit growth (profit excluding historic insurance claims performance) over the next five years. That growth since IPO has been in high single digits. We considered it appropriate to modify the target architecture to incentivise management to pursue a more ambitious outcome which recognises the strategic shift the business is making in how it is growing profit. Consequently, we have:
  - introduced a second Organic EPS measure linked to organic profit growth. The performance range for the LTIP award will be 12-21%.
  - retained the existing Basic EPS measure with the existing range of 5-12%.
  - retained the existing TSR measure and target architecture.
  - rebalanced the proportions of the total award to 30% Basic EPS, 30% Organic EPS, 40% TSR.

  Further details of these changes can be found on pages 78-79.
- Reviewed and approved the 2016/17 bonus outcomes, both financial metrics and personal objectives, for the Executive Directors. One of the most significant considerations was the impact of the Ogden rate adjustment announced on 27 February 2017. The Remuneration Committee gave significant time to considering the impact of the post year end adjustment on the Group's 2016/17 financial results, which included a £4m adjustment to ensure that the full impact of the new rate is reflected in our 2016/17 claims liability provisions.

  We decided that the impact of this adjustment should not affect the bonus outcomes for Executive

Directors and the broader incentivised population for the following reasons:
  - The announced Ogden rate adjustment was well beyond expected parameters.
  - Management had been very prudent in its reserving for a potential adjustment as is evidenced by the relatively small additional provision that had to be made retrospectively to the 2016/17 results.
  - There has been significant appreciation in the Saga share price post the Company's announcement of the relatively small profit impact of the Ogden rate adjustment.
  - There is no negative impact on the Company's ability to pursue its stated dividend policy and the final payment for this year represents an 18.1% increase for our shareholders.

  Further details on the impact of our decision can be found on page 83.
- Approved the bonus awards for personal objectives for Executive Directors and senior management following a detailed calibration of outcomes against stated targets. Full details of these can be found on page 84.
- Approved final annual bonus payments for the Executive Directors, which was 67.5% of their maximum opportunity, equating to 101.2% of salary for the Group Chief Executive Officer and 84.3% of salary for the Group Chief Financial Officer. The payouts reflect the strong performance of the Group over the year and reflect 100.1% achievement against the Group PBT target (measured as profit before tax excluding derivatives and the Odgen impact) and 137.3% achievement against the Group cash flow target. Full details of the payouts are provided on page 83.

Effectiveness of the Remuneration Committee

An external evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 51). This was completed by Independent Audit Limited and concluded that the Committee is working well, in part reflecting the effective support it is receiving from HR management.

Looking ahead we will keep our work under review including assessing the scope of our involvement in remuneration deliberations and how we work with executives on such matters. We will:

- focus on our core principles of remuneration in the context of our evolving and developing business, to ensure they remain fit for purpose and are deployed in all our considerations and decisions on remuneration practice; and
- review our Remuneration Policy as our current Policy comes to the end of its 3-year approved term. We will be conducting a full remuneration review and will be putting forward the revised policy to a binding vote at the 2018 AGM.

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

Gareth Williams
Chair, Remuneration Committee

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

At a glance

In this section, we summarise:

- Our Remuneration Policy which applied for the 2016/17 financial year;
- The actual performance and remuneration outcomes for the 2016/17 financial year;
- The link between our strategy for 2017/18 and the Remuneration Policy; and
- The proposed implementation of the Remuneration Policy for 2017/18.

More detail on the Remuneration Policy can be found on the website and further information on this year's outcomes is given in the Annual Report on Remuneration on pages 82-89.

Directors' Remuneration policy (applied in 2016/17)

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

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

- sustainable long-term value creation;
- profitable growth and strong cash generation; and
- attraction, retention and motivation of a talented leadership cadre to deliver the business strategy.

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

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

Remuneration Policy table summary

A summary of the approved Remuneration Policy is outlined below. There are no changes from the approved Policy. The full Policy as approved by shareholders on 23 June 2015 is available on our website at http://corporate.saga.co.uk.

Element	Operation of element
Salary **Benefits** **Pension**	The Remuneration Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Saga in the FTSE 250. When determining an appropriate level of salary, the Remuneration Committee considers: • remuneration practices within the Group; • the general performance of the Group; • salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and • the economic environment. In general, salary rises to Executive Directors will be in line with the rise to employees. The Executive Directors receive family private health cover, death in service life assurance, a car allowance and subsistence expenses. They also receive employee discounts in line with other employees. The maximum contribution to an Executive Director's pension or salary supplement is 20% of gross basic salary.

Element	Operation of element
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 maximum value of deferred shares is 50% of the bonus earned, which vest after a minimum deferral period of three years based on continued employment.
Long Term Incentive Plan ('LTIP')	LTIP maximum grant is 200% of salary p.a. Awards will vest at the end of three years' subject to the achievement of: • EPS performance which ensures the achievement of the annual profit performance targeted by the Annual Bonus Plan flows through to long-term sustainable EPS growth; and • TSR performance of the Company compared to the FTSE 250 (excluding real estate and equity investment trusts) which measures the success of the implementation of the Company's strategy in delivering an above market level of return. The LTIP contains clawback and malus provisions.
Share Incentive Plan ('SIP')	The purpose of the SIP is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.
Minimum shareholding requirement	The Remuneration Committee has adopted formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of base salary. • Group Chief Executive Officer – 200% of salary; • Group Chief Financial Officer – 150% of salary.
Chairman & Non-Executive Director fees	The fees for the Chairman and Non-Executive Directors are set at broadly the median of the comparator group used for Executive Director remuneration. 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 Saga workforce. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors and may settle any tax incurred in relation to these.

How have we performed in 2016/17?

KPIs	Threshold	Target	Maximum	Actual	Percentage of Target bonus earned/ current potential LTIP vesting	Percentage of Maximum bonus earned
Annual Bonus Plan						
Group PBT[1]	£181.9m	£187.3m	£190.8m	£187.4m	100.1%	60.8%
Group cash flow[2]	61.6%	64.4%	66.3%	88.4%	137.3%	100.0%
Personal objectives	See pages 83-84 for details of the measures and performance for the year. In addition, the Committee has set out its consideration of the Ogden judgement in relation to bonus outcomes.					
2014 LTIP Award as at year end 31 January 2017						
EPS growth (p.a.)	7%	–	12%	15.7%	50%	
TSR	Median	–	Upper quartile	Below Median	0%	
2015 LTIP Award as at year end 31 January 2017						
EPS growth (p.a.)	7%	–	12%	14.4%	50%	
TSR	Median	–	Upper quartile	Below Median	0%	
2016 LTIP Award as at year end 31 January 2017						
EPS growth (p.a.)	5%	–	12%	10.9%	44%	
TSR	Median	–	Upper quartile	Below Median	0%	

Notes:
1 Underlying profit before tax (profit before tax excluding derivatives and the Odgen impact).
2 Defined as net available cash generation.

The 2014 LTIP will vest on 30 June 2017. The indications for the LTIP performance in the table above are as at 31 January 2017. The relative TSR target for the 2014 LTIP is substantially (but not fully) completed as at 31 January 2017. The EPS target is complete.

The Committee has included the current position for the 2015 and 2016 LTIP awards to allow shareholders to see the potential value in the long-term remuneration over the next 3 years.

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

Single total figure of remuneration for Executive Directors for the 2016/17 financial year

Executive Directors	Period	Salary £	Taxable benefits £	Bonus £	LTIP £	Pension[1] £	Other[2] £	Total £
Lance Batchelor	2016/17	676,260	30,403	684,455	676,456[3]	134,224	–	2,201,798
(Group Chief Executive Officer)	2015/16	663,000	28,095	781,678	–	127,514	–	1,600,287
Jonathan Hill	2016/17	416,160	24,185	351,003	–	80,876	–	872,224
(Group Chief Financial Officer)	2015/16	334,246	19,748	325,699	–	74,680	190,000	944,373

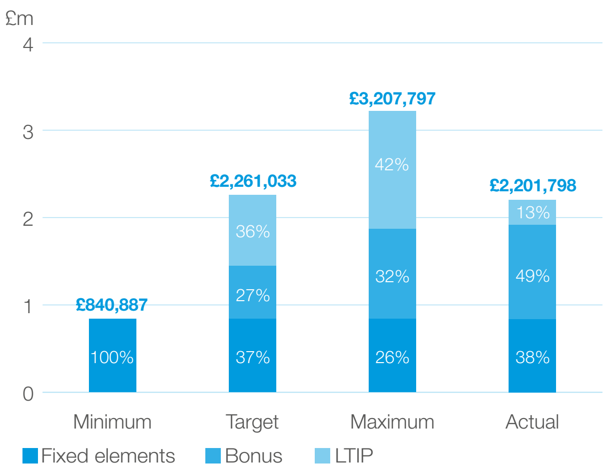
Notes:
1 This includes the pension salary supplement paid to the Executive Director being the difference between the employer contribution into the Saga Pension Scheme and 15% of the Executive Director's base salary. Further information is given on page 78.
2 Buyout award of £190,000 was made to Jonathan Hill on recruitment in the form of Saga shares (101,932 based on Saga's closing share price on 7 April 2015 of 186.4p). In determining this amount the Committee applied the 'buyout' element contained in the recruitment policy. Half of the award vested on 7 April 2016 with a value of £105,233; the remaining half vests on 7 April 2017. There are no further performance conditions.
3 The value of the 2014 LTIP is indicative as the award will vest on 30 June 2017. See page 85 for details of the indicative vesting for the 2014 LTIP which is 50% of the award. The share price used to derive the indicative value is the average share price over the last quarter of the financial year which was 192.53p. The final vesting value of the 2014 LTIP will be restated in the 2017/18 annual report.

For the full single figure table, please see page 82 in the Annual Report on Remuneration.

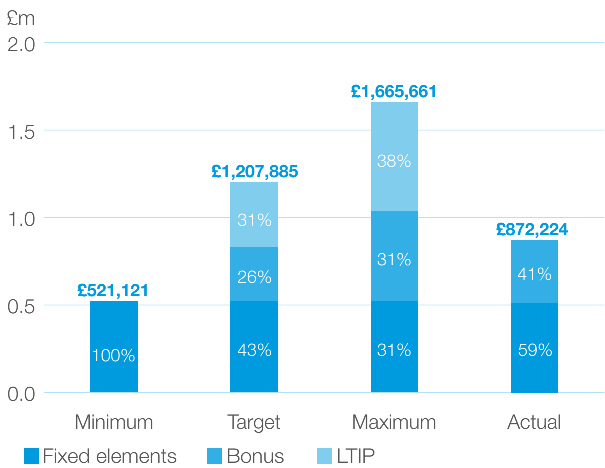
Illustration and application of Remuneration Policy 2016/17

The following charts show the 2016/17 actual remuneration against the proposed Policy levels of remuneration for the Executive Directors.

Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (Jonathan Hill)



Under the Policy, the remuneration payable to each of the Executive Directors is based on salaries at the start of 2016/17, under three different performance scenarios: (i) Minimum; (ii) Target; and (iii) Maximum. The elements of remuneration have been categorised into three components: (i) Fixed; (ii) Annual Bonus (Deferred Bonus); and (iii) LTIP. In addition, for the purposes of comparison we have included the actual single figure remuneration paid in 2016/17. The following table outlines the elements included in the illustration above:

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

Notes:
1 Based on 2016/17 financial year salary, benefit payments and pension.
2 Equating to 150% for the Group Chief Executive Officer and 125% for the Group Chief Financial Officer.
3 Equating to 200% for the Group Chief Executive Officer and 150% for the Group Chief Financial Officer.
4 Participation in the SIP has been excluded given the relative size of the opportunity levels.

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

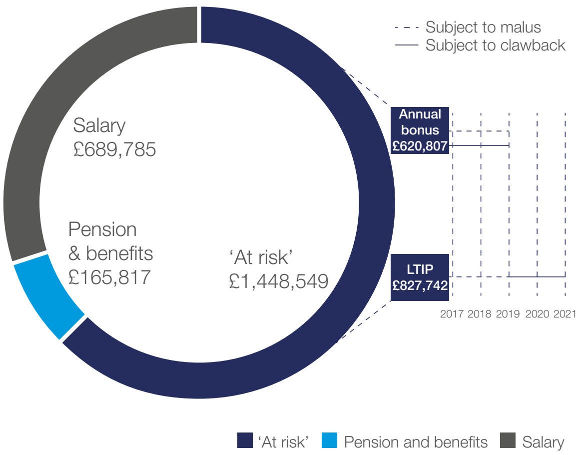
Pay at risk

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

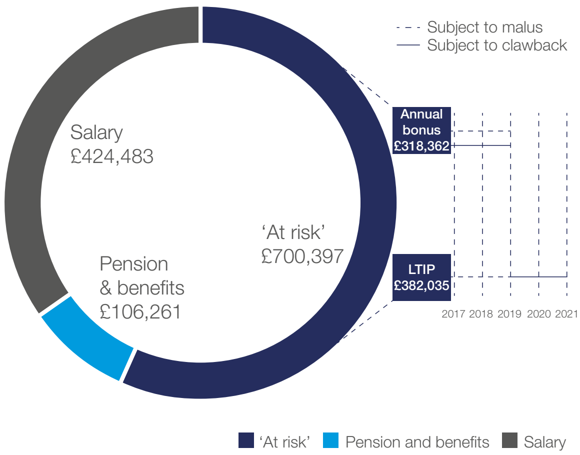
- Payment is subject to continuing employment for a period (deferred shares and LTIP awards);
- Performance conditions must still be satisfied (LTIP awards); or
- Elements are subject to clawback or malus for a period, over which the Company can recover sums paid or withhold vesting.

Figures have been calculated based on target performance (fixed elements plus 60% of maximum annual bonus and 60% of the maximum LTIP). The charts have been based on the same assumptions as set out above for the illustrations of the application of the Remuneration Policy.

Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (Jonathan Hill)



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

Service agreements and letters of appointment
Executive Directors

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

The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period.

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

Equity exposure of the Board (audited)

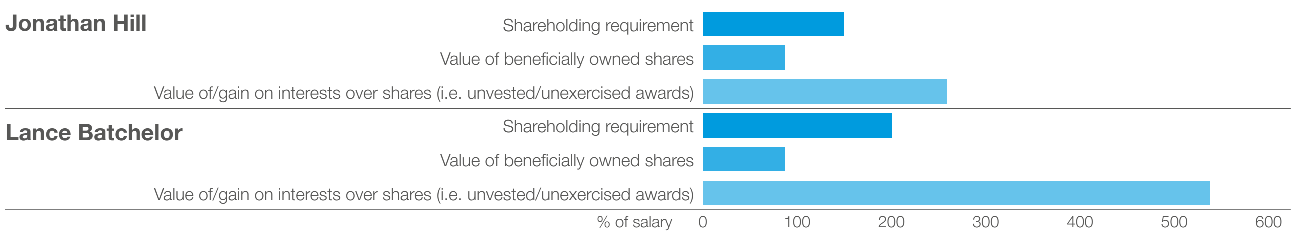
The following table and chart sets out all subsisting interests in the equity of the Company held by the Executive and Non-Executive Directors:

			Shares held directly		Other shares held	Options			
Director	Shareholding requirement (% salary)	Current shareholding (% salary)[1]	Beneficially owned[3]	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested	Unvested	Outstanding interests in the Share Incentive Plan	Shareholding requirement met?
Executive Directors									
Lance Batchelor	200%	87%	89,172	227,679	1,968,417	–	2,162,162	741	No
Jonathan Hill	150%	87%	92,601	102,032	584,176	–	–	2,056	No
Non-Executive Directors									
Philip Green	–	–	32,433	–	–	–	–	–	n/a
Ray King	–	–	27,027	–	–	–	–	–	n/a
Orna NiChionna	–	–	27,200	–	–	–	–	–	n/a
Gareth Williams	–	–	32,433	–	–	–	–	–	n/a
Bridget McIntyre	–	–	7,245	–	–	–	–	–	n/a
Andrew Goodsell[2]	–	–	5,379,805	150,882	210,214	–	–	–	n/a

Notes:
1 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements.
2 Outstanding IPO options, deferred bonus shares and LTIP in relation to his service as Executive Chairman, together with 2,564,103 shares owned by a family investment company.
3 Lance Batchelor – 31,458 shares owned by his spouse. Jonathan Hill – 60,206 shares owned by his spouse.
4 Since the year end, Lance Batchelor has bought an additional 155 shares through the SIP. There have been no other changes to the shareholdings above.

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 2017 are set out below:



Notes:
- The closing share price of 184.75p as at 31 January 2017 has been taken 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 2014, 2015 and 2016 LTIP awards. The one-off IPO share option award for the Group Chief Executive Officer has an exercise price of 185.00p hence there was no gain on these awards at 31 January 2017.
- Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

Directors' Remuneration Policy continued

Our Remuneration Policy and its link to our Group strategy for the 2017/18 financial year

The table below summarises the purpose of our Remuneration Policy and its linkage to our corporate strategic objectives. The Group's strategy is laid out on pages 01-39. The key elements of the Company's strategy and how its successful implementation is linked to the Company's remuneration are set out in the following table.

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

	Investing in future growth	Maintaining our simple and efficient operating model	Developing our people
	• Started the build of new ship. • Saga Investment Services up and running.	• Started the investment in a new insurance platform.	• Continued to build engagement levels. • Continued to promote employee share ownership.
		✓ Group cash flow. The success in maximising operational excellence will be reflected through increased profitability and cash flow.	✓ Equity Ownership. Encouraged through bonus deferral and shareholding requirements.
	✓ An incentive to grow in these markets in the longer term is provided through EPS growth targeted by the LTIP.	✓ The success in maximising operational excellence will be measured through the long-term EPS growth targeted by the LTIP. In addition, sustained value generation will be reflected in the share price of the Company which will be measured through the Company's TSR performance under the LTIP.	✓ A good incentive will aid the retention of key people.
			✓ Encouraged through the alignment of interests with shareholders by Executives becoming locked-in shareholders.
			✓ Encourages all employees to become shareholders in the Company providing a focus on growth and long-term shareholder value creation.

Implementation of Remuneration Policy in the 2017/18 financial year

The Remuneration Committee proposes to implement the policy for the 2017/18 financial year as set out below:

Element of remuneration	Implementation in 2016/17	Implementation in 2017/18
Salary	Executive Directors received a 2% increase on 1 February 2016 (all employee rise 2.5%). As a result, the salaries for the Executive Directors are: • Lance Batchelor: £676,260. • Jonathan Hill: £416,160.	Executive Directors will receive a 2% increase on 1 February 2017 (all employee rise 2%). As a result, the salaries for the Executive Directors are: • Lance Batchelor: £689,785. • Jonathan Hill: £424,483.
Benefit and pensions	The maximum employer pension contribution / salary supplement is 20% of salary. Executive Directors received the following: • Lance Batchelor: 15% of salary comprising the employer contribution into the Saga Pension Scheme (DB) and a salary supplement in lieu of pension. • Jonathan Hill: 15% of salary comprising the employer contribution into the Saga Pension Scheme (DB) and a salary supplement in lieu of pension.	No change in policy. The current Executive Directors both opted to cease further accrual under the Saga Pension Scheme in 2016 and therefore will receive the following: • Lance Batchelor: 15% of salary supplement in lieu of pension. • Jonathan Hill: 15% of salary supplement in lieu of pension.
Annual Bonus Plan and Deferred Bonus Plan Maximum Annual Bonus Plan is 150% of salary. Normal maximum bonus opportunity as a percentage of salary: • Group Chief Executive Officer – 150% • Group Chief Financial Officer – 125%	The annual bonus is paid in cash and deferred shares. Two thirds of the total bonus to be paid immediately in cash and one-third deferred into shares for three years. Performance measures were: • Group PBT[1] – 60% • Group cash flow[2] – 20% • Personal objectives – 20% (See page 83 for the FY16/17 targets).	No change in the annual bonus opportunities or deferral mechanics. The annual bonus performance measures and weightings have been amended to: • Group PBT – 55% • Group cash flow[2] – 15% • Personal objectives – 30%

Element of remuneration	Implementation in 2016/17	Implementation in 2017/18
Long-Term Incentive Plan Maximum value of LTIP grant is 200% of salary. Normal maximum LTIP award as a percentage of salary: • Group Chief Executive Officer – 200% • Group Chief Financial Officer – 150%	No change in the LTIP grant levels and no change to the performance measures and their weightings from 2015 award. 2016 LTIP award: • 50% EPS – EPS growth of 5% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 12% p.a. • 50% Comparative TSR performance of the Company compared to the FTSE 250 (excluding real estate and equity investment trusts) – 25% of this element of the award vesting for median TSR comparative performance with full vesting at upper quartile.	2017 LTIP award: • No change in the LTIP grant levels and no change to the type of performance measures. • Introduction of a new additional measure of Organic EPS. • A reweighting of the performance measures to reflect the new EPS component as follows: – 30% Basic EPS – growth of 5% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 12% p.a. – 30% Organic EPS – growth of 12% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 21% p.a. – 40% Comparative TSR performance – the relative TSR comparator group and the vesting schedules for this element remain unchanged from the 2016 award. • Further details of the rationale for the changes are outlined on the following page.
All employee share awards	Saga continued to operate the Share Incentive Plan for all employees in 2016, with a free share award made in July 2016 of £300 to all eligible full-time employees.	Saga will continue to provide all employees with the opportunity to participate in all employee equity arrangements.
Chairman & Non-Executive fees	Chairman fee £280,500 Board fee £62,424 Committee Chair fee £10,000 Senior Independent Director fee £20,000	2% rise (in line with Group employees) for the Chairman fee and Board fee (no change in Committee Chair fee or Senior Independent Director fee). Chairman and Non-Executive fees will increase with effect from 1 June 2017: • Chairman fee £286,110 • Board fee £63,672 • Committee Chair fee £10,000 • Senior Independent Director £20,000

Notes:
1 Measured as profit before tax excluding derivatives and the Ogden impact.
2 Defined as net available cash generation.

2017 LTIP performance conditions and targets

As part of the strategic business review conducted in the year, the Remuneration Committee considered the performance conditions and targets for the 2017 LTIP award to ensure that they aligned with, and supported, the strategic business plan.

Following the findings of this review, the Remuneration Committee is proposing to make the changes set out below for the 2017 LTIP award:

- To ensure EPS growth is aligned with the strategic plan by introducing an additional performance measure of growth excluding historic claims performance ('Organic EPS') which will govern half of the EPS element of the award. The existing 'Basic EPS' measure will remain unchanged.
- Adjust the weighting of the performance conditions between EPS growth and comparative TSR, to increase the component subject to EPS from 50% to 60% to ensure sufficient focus is provided on the new EPS measure.

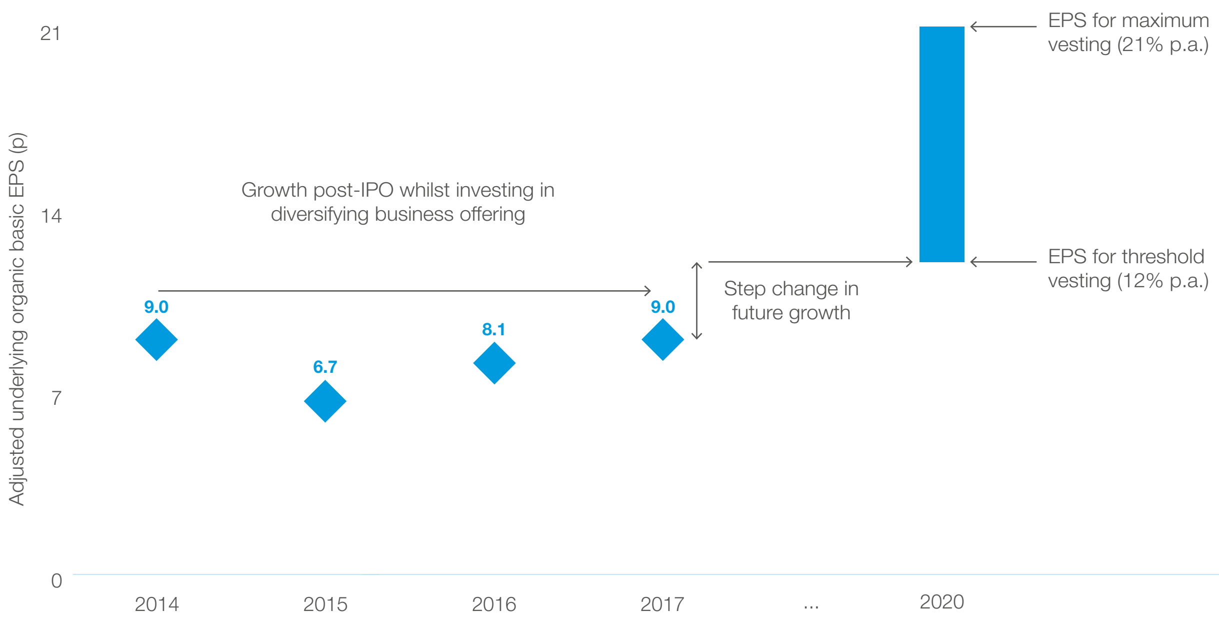
The introduction of the Organic EPS measure allows the significant acceleration of growth which is called for over and above that which has been delivered since the IPO to be recognised and targeted. The Group has worked hard to build and develop the travel business since the IPO to provide a diversified profit stream from a range of products and services in addition to the insurance business. An assessment of Organic EPS allows the Company to reward and incentivise the Executive Directors and the Executive Team to deliver this step change in growth. Whilst this growth is also reflected in the Basic EPS, the Committee felt that the material impact of historic insurance claims performance on the outturn dilutes the focus on this key strategic objective of delivering a step change in growth; and therefore, that a separate measure purely focusing on this was required.

The retention of the Basic EPS growth measure ensures that the Executive Directors and Executive Team continue to also be focused on delivering the total performance of the business. The targets for the two elements of EPS growth are as below:

EPS measure	Threshold (25% vesting)	Maximum (100% vesting)
Basic EPS	5% p.a.	12% p.a.
Organic EPS	12% p.a.	21% p.a.

In setting the targets for the Organic EPS performance condition, the Remuneration Committee has reviewed the target range against business forecasts and the historic Organic EPS growth of the Group since the IPO.

The chart below illustrates the proposed Organic EPS targets for the 2017 award and demonstrates a step change from the historic performance of the Company in line with the Company's strategic ambitions. The Remuneration Committee is comfortable that the range for the 2017 LTIP award is appropriately stretching and reflects the strong forecasted growth in the business performance.



The Committee is retaining the mechanics of the relative TSR element which will remain the same as the 2016 award with comparative TSR performance of the Company compared to the FTSE 250 (excluding real estate and equity investment trusts) – 25% of this element of the award vesting for median TSR comparative performance with full vesting at upper quartile.

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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 2016/17 financial year. Comparative figures for the 2015/16 financial year have also been provided. Figures provided have been calculated in accordance with the UK disclosure requirements: the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Schedule 8 to the Regulations).

	Period	Salary/fees £	Taxable benefits[2] £	Bonus £	LTIP £	Pension[3] £	Other[4] £	Total £
Executive Directors								
Lance Batchelor (Group Chief Executive Officer)	2016/17	676,260	30,403	684,455	676,456	134,224	–	2,201,798
	2015/16	663,000	28,095	781,678	–	127,514	–	1,600,287
Jonathan Hill[1] (Group Chief Financial Officer)	2016/17	416,160	24,185	351,003	–	80,876	–	872,224
	2015/16	334,246	19,748	325,699	–	74,680	190,000	944,373
Non-Executive Directors								
Philip Green (Senior Independent Non-Executive Director, Nomination Committee Chair)	2016/17	91,616	–	–	–	–	–	91,616
	2015/16	91,050	–	–	–	–	–	91,050
Ray King (Non-Executive Director, Audit Committee Chair)	2016/17	71,883	–	–	–	–	–	71,883
	2015/16	74,983	–	–	–	–	–	74,983
Orna NiChionna (Non-Executive Director, Risk Committee Chair)	2016/17	71,883	–	–	–	–	–	71,883
	2015/16	66,650	–	–	–	–	–	66,650
Gareth Williams (Non-Executive Director, Remuneration Committee Chair)	2016/17	71,883	–	–	–	–	–	71,883
	2015/16	70,816	–	–	–	–	–	70,816
Bridget McIntyre[5] (Non-Executive Director)	2016/17	98,026	–	–	–	–	–	98,026
	2015/16	5,933	–	–	–	–	–	5,933
Andrew Goodsell[6] (Chairman)	2016/17	278,667	45,373	–	202,363	–	–	526,403
	2015/16	490,838	45,071	389,567	–	232,481	–	1,157,957
James Arnell[7]	2016/17	–	–	–	–	–	–	–
	2015/16	–	–	–	–	–	–	–

Notes:
1. Jonathan Hill joined Saga on 7 April 2015 and his salary, taxable benefits, pension and bonus in respect of 2015/16 relate to his time in the role.
2. The types of benefits provided are set out in the Remuneration Policy section of the report.
3. Reflects the value of the DB pension accrual in the year and the pension cash supplement – see table on page 86 for further details.
4. Buyout award of £190,000 was made to Jonathan Hill on recruitment in the form of Saga shares (101,932 based on Saga's closing share price on 7 April 2015 of 186.4p). In determining this amount the Committee applied the 'buyout' element contained in the recruitment policy. Half of the award vested on 7 April 2016 with a value of £105,233; the remaining half vests on 7 April 2017. There are no further performance conditions.
5. Bridget McIntyre has been a member of the Board throughout the year, and was a Non-Executive Director of a subsidiary company, Acromas Insurance Company Limited, until 31 August 2016, for which she received £10,000 per annum. From 1 September, she attended Board meetings of another subsidiary company, Saga Services Limited (initially as an observer and then in her role as Senior Independent Director which she formally took up on 22 March 2017 following FCA approval), for which she receives £72,424 per annum.
6. The 2015/16 amounts for Andrew Goodsell relate to his period as Executive Chairman from 1 February 2015 to 30 June 2015 and his fees as Non-Executive Chairman for the period from 1 July 2015 to 31 January 2016 (£160,416). He continues to receive taxable benefits which are legacy arrangements from his employment as Executive Chairman and comprise a leased car with associated fuel, and healthcare.
7. James Arnell was a Non-Independent Non-Executive Director who did not receive any fee from Saga plc who left the Board on 22 April 2016.

Annual bonus

In respect of the 2016/17 financial year, the bonus awards payable to Executive Directors were agreed by the Remuneration Committee having reviewed the Company's results. Details of the targets used to determine bonuses in respect of the 2016/17 financial year and the extent to which they were satisfied are shown in the table below. These figures are included in the single figure table.

Performance condition	Weighting	Threshold performance required	Target performance required	Maximum performance required	Actual performance	Annual bonus value for Threshold and Maximum performance (% of max)	Percentage of Target performance achieved	Percentage of Maximum performance achieved	Annual bonus value achieved (% of salary)	
									Lance Batchelor	Jonathan Hill
Group PBT[1]	60%	£181.9m	£187.3m	£190.8m	£187.4m	20%-100%	100.1%	60.8%	54.7%	45.6%
Group cash flow[2]	20%	61.6%	64.4%	66.3%	88.4%	20%-100%	137.3%	100.0%	30.0%	25.0%
Personal objectives	20%	See below for details of the 2016/17 personal objectives and their achievement				0%-100%		55.0%	16.5%	13.8%
Total	100%							67.5%	101.2%	84.3%
Total £									£684,455	£351,003

Notes:
1 Underlying profit before tax (profit before tax excluding derivatives and the Ogden impact).
2 Defined as net available cash generation.
3 Under the terms of the Annual Bonus Plan, 20% for each element (PBT and cash flow) is payable for achieving the threshold performance increasing to 60% for target performance and 100% for achieving maximum performance. Achievements between these points are calculated on a straight-line basis.

Ogden rate change

The Committee considered very carefully whether the Group PBT should be adjusted for the additional £4m increase in insurance claims liabilities required as result of the change in the Ogden rate. In its discussions, the Committee considered the following:

- The Committee felt that the provisioning undertaken by the Executive Directors and Executive Team in anticipation of the change to the Ogden rate was to a very high standard; however, the totally unexpected rate announced resulted in a modest increase in the provision by £4m.
- Any adjustment would impact bonuses across the wider Executive Team, not just those involved in the insurance business, given Saga's diverse business outside insurance. The Committee did not believe this was proportionate.
- The announcement on 27 February 2017 fell outside the Company's 2016/17 financial year and therefore the Committee felt that this would be a retrospective change to performance targets at a point where the Executive Directors and Executive Team could feel justified in believing that the basis on which bonuses would be paid for the 2016/17 financial year had been determined.
- The Committee also considered the shareholder experience following the announcement which has seen the Company's share price rise. This gave the Committee comfort that shareholders felt that the Company had managed any impact well. Further, the Company has not changed its dividend payment plans because of the modest increase in the liabilities.

After careful consideration of the above factors the Committee determined to use the Group PBT, excluding the £4m cost of the Ogden rate change, to determine the bonus outcomes. The following table shows the impact on the level of bonus earned on the Group PBT element with and without adjustment for the additional £4m provision:

Group PBT elemet of bonus	Amount of bonus earned CEO	CFO
Underlying profit before tax[1]	£369,994	£189,741
Profit before tax including Ogden impact	£278,233	£142,683
Difference	£91,761	£47,058

Note:
1 Profit before tax excluding derivatives and the Ogden impact.

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The following table sets out the level of satisfaction 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	10%	Customer numbers (insurance plus passengers)	Total customer / policy count (insurance plus passengers) of 3,404,455. Achieve persistency rates of 76.4% home and 72.7% motor.	3% – Customer numbers were not achieved but persistency rates in home and motor were partially achieved.
	5%	Delivery of required customer outcomes	No significant regulatory or brand failures. Measured through regulatory intervention, assessment of how far we move outside of agreed risk tolerance, level of customer complaints and poor PR. A review of protection for vulnerable customers as part of the five year plan to reward customer loyalty.	5% – Achieved in full.
	5%	Group-wide employee engagement	Achieve employee engagement index score of 85% and response rate of above 80%.	3% – Response rate was above 80%, employee engagement index of 81% with 9/10 categories improving.
The overall performance against these personal objectives equated to 55% of the bonus for this element being achieved.				
Jonathan Hill Group Chief Financial Officer	10%	Customer numbers (insurance plus passengers)	Total customer / policy count (insurance plus passengers) of 3,404,455. Achieve persistency rates of 76.4% home and 72.7% motor.	3% – Customer numbers were not achieved but persistency rates in home and motor were partially achieved.
	5%	Delivery of required customer outcomes	No significant regulatory or brand failures. Measured through regulatory intervention, assessment of how far we move outside of agreed risk tolerance, level of customer complaints and poor PR. A review of protection for vulnerable customers as part of the five year plan to reward customer loyalty.	5% – Achieved in full.
	5%	Group-wide employee engagement	Achieve an increase in employee engagement in CFO functions of 5% year-on-year.	3% – Engagement improved by 2% with all 10 categories of engagement improving in CFO functions.
The overall performance against these personal objectives equated to 55% of the bonus for this element being achieved.				

The bonus for the 2016/17 financial year will be paid two thirds in cash and one third deferred in shares which will vest after three years based on continued employment.

Long-term incentives vesting during in 2016/17 (audited)

The LTIP awards granted on 30 June 2014 have not yet vested but as performance was substantially completed during the 2016/17 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 2017/18 Annual Report on Remuneration to reflect the final vesting outcome.

The 2014 LTIP is equally weighted between EPS and relative TSR performance conditions. The EPS growth is measured to the 2016/17 year end and the three year TSR condition concluding on 30 June 2017.

The EPS over the period has grown by 15.7% p.a. against the range of 7-12% p.a. equating to a vesting of 100% of the EPS element.

The Company has assessed relative TSR performance against the FTSE 250 (excluding real estate and investment trusts) to 31 January 2017. Saga ranked below the median equating to an indicative vesting of 0%.

The table presents the indicative vesting of the 2014 LTIP award for Lance Batchelor and Andrew Goodsell, who was awarded the LTIP as Executive Chairman in 2014 (prior to his change in role of Non-Executive Chairman).

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%	100%	0%	50.0%	£676,456
Andrew Goodsell[2]	150%	100%	0%	16.7%	£202,363

Notes:
1 Based on TSR performance against the peer group to 31 January 2017.
2 2014 LTIP of 630,374 share options granted in relation to his service as Executive Chairman in June 2014.

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

The 2014 LTIP award and its treatment for Andrew Goodsell was set out on page 90 of our 2015 annual report under the heading of 'Remuneration arrangements for our outgoing Executive Chairman'.

Andrew Goodsell was granted 630,374 share options under the 2014 LTIP in his capacity as Executive Chairman. As a good leaver in reference to his change in role from Executive to Non-Executive Chairman, his award was pro-rated to the amount of the vesting period completed on the date of cessation as Executive Chairman (one-third of the original award) but remained subject to the achievement of the performance conditions for the award.

Long-term incentives awarded in 2016/17 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2016/17 financial year where vesting will be determined according to the achievement of performance conditions that will be tested in future reporting periods:

Name	Award type	Basis on which award made	Face value of award	Shares awarded	Percentage of award vesting at threshold performance (%)	Maximum percentage of face value that could vest (%)	Performance conditions
Lance Batchelor	LTIP	Annual	£1,352,520	654,656	25%	100%	Relative TSR and EPS equally weighted
Jonathan Hill	LTIP	Annual	£624,240	302,149	25%	100%	Relative TSR and EPS equally weighted

The awards were granted on 16 May 2016; the face value is calculated with reference to the share price on 15 May 2016 of 206.6p. The performance conditions are set out on page 71 in the Implementation of Remuneration Policy in the 2016/17 financial year. The awards will vest, subject to the level of performance achieved, on 16 May 2019.

Pension entitlements (audited)

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

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

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

			Accrued pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
Name	Age at 31/01/2017	Pensionable service at 31/01/2017	01/02/2016	31/01/2017	Pension salary supplement[1]	Value x 20 over year[3]	Total pension benefits	Normal retirement age
Lance Batchelor	53	2 years, 9 months	£4,334	£6,213	£97,844[2]	£36,380	£134,224	65
Jonathan Hill	48	1 year, 10 months	£2,000	£3,156	£58,956[2]	£21,920	£80,876	65

Notes:
1 Pension salary supplement paid is the difference between the employer contribution into the Saga Pension Scheme and 15% of the Executive Director's base salary.
2 Represents the amount paid to the Executive Director being the difference between 15% of the Executive Director's base salary and the employer contribution into the Saga Pension Scheme from 1 February 2016 to 31 March 2016, and 15% of the Executive Director's base salary from 1 April 2016 to 31 January 2017.
3 Reflects the growth in the Executive Director's pension accrued in the Saga Pension Scheme over the year multiplied by 20, less the contributions by the Executive Director in the year.

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

Having opted out of further accruals under the Saga Pension Scheme, Lance Batchelor and Jonathan Hill will receive a 15% salary supplement in lieu of pension for the 2017/18 financial year.

Non-Executive Directors' annual fees

See table on page 82.

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

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

Statement of Directors' shareholding and share interests

See the tables on page 75.

Fees retained for external non-executive directorships

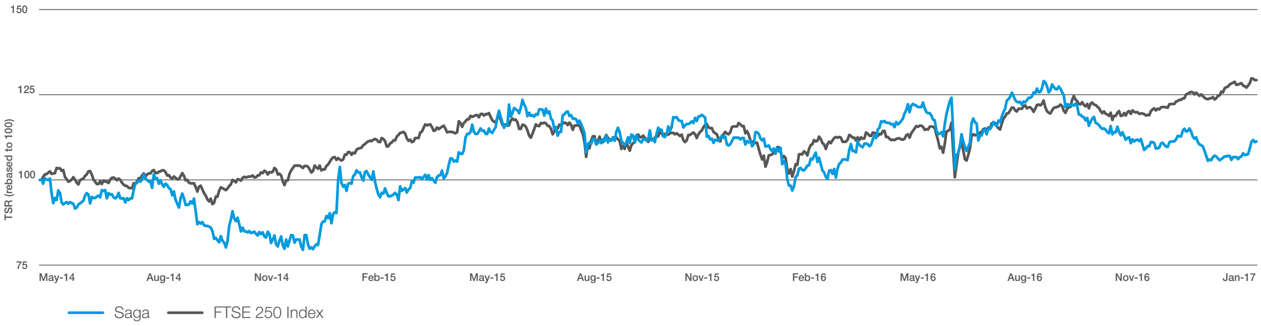
Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees.

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

Comparison of overall performance and pay

The graph below shows the value of £100 invested in the Company's shares since listing compared with the FTSE 250 index. The graph shows the TSR generated by both the movement in share value and the reinvestment over the same period of dividend income.

The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company has been a member of this since listing. This graph has been calculated in accordance with the Regulations. It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2017.



Group Chief Executive Officer historical remuneration

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	2016/17	2015/16	2014/15
Total single figure	£2,201,798	£1,600,287	£5,328,702[1]
Annual bonus payment level achieved (percentage of maximum opportunity)	67.5%	78.6%	80.7%
LTIP vesting level achieved (percentage of maximum opportunity)	50.0%[2]	n/a	n/a
Option vesting level achieved (percentage of maximum opportunity)	n/a	n/a	n/a

Notes:

1 The Group Chief Executive Officer joined the Company on 24 March 2014 the remuneration shown is therefore not for the full financial year. Included within the single figure is a cash award of £4m with vesting based on continued employment. 25% immediately on the IPO, 25% on the first anniversary of the award and 50% on the second anniversary; this was part of the buyout on the recruitment of the Group Chief Executive Officer to compensate for awards lapsing on his ceasing employment with his former employer.

2 Based on indicative vesting as at 31 January 2017. The award will vest on 30 June 2017. The final vesting outcome will be stated in the 2017/18 annual report.

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

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2016/17 financial year and 2015/16 financial year compared with other disbursements. All figures provided are taken from the relevant company accounts.

	Disbursements from profit in 2016/17 financial year (£m)	Disbursements from profit in 2015/16 financial year (£m)	Percentage change
Profit distributed by way of dividend	86.1	70.4	22.3%
Total tax contributions[1]	74.9	61.6	21.6%
Overall spend on pay including Executive Directors[2]	131.2	300.1	(56.3%)

Note:

1 Total tax contributions include corporation tax, national insurance contributions, VAT and Air Passenger Duty. 2015/16 includes £10.1m in respect of discontinued operations. Excluding this amount, the percentage change is 45.4%.

2 2015/16 includes £174.2m in respect of discontinued operations. Excluding this amount, the percentage change is 4.2%.

Change in the Group Chief Executive Officer's remuneration compared with employees

The following table sets out the change in the remuneration paid to the Group Chief Executive Officer from 2015/16 to 2016/17 compared to the average percentage change for employees.

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

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

	Salary			Taxable benefits			Annual Bonus		
	2016/17	2015/16	Percentage change	2016/17	2015/16	Percentage change	2016/17	2015/16	Percentage change
Group Chief Executive Officer[1]	£676,260	£663,000	2%	£30,403	£28,095	8%	£684,455	£781,678	(12%)
Average per employee	£27,380	£24,865	10%	£714	£638	12%	£3,259	£3,293	(1%)

Note:
1 The Group Chief Executive Officer also received cash awards of £1,000,000 in 2015/16 and £2,000,000 in 2016/17 as part of his recruitment as compensation for awards lapsing on his ceasing employment with his former employer.

Statement of conditions elsewhere in the Company

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

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

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

Cascade of incentives through the organisation

Organisational level	Employee #	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%[1]	33%[1]	200%	✓
Group Chief Financial Officer	1	125%	67%[1]	33%[1]	150%	✓
Executive Team	6	100%	67%[1]	33%[1]	100%	✓
Directors	18	60%	100%	0%	60%	✓
Senior leadership	65	40%	100%	0%	40%	✓
Other bonused employees	2,694	20%	100%	0%	n/a	✓
Non-bonused employees	1,892	n/a	n/a	n/a	n/a	✓

Note:
1 The maximum level of deferral of bonus in shares for these employees is 50% with no minimum deferral.

Statement of implementation of the Remuneration Policy in the 2017/18 financial year

See the tables on pages 78-79.

Consideration of shareholder views

The Remuneration Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee welcomes an open dialogue with its shareholders on all aspects of remuneration.

Shareholder voting at general meeting

The Director Remuneration Policy was put to a binding vote at the AGM on 23 June 2015. The Chairman's Annual Statement and the Annual Report on Remuneration were subject to an advisory vote. Below we outline the voting outcomes in respect of approving the Director Remuneration Report and approving the Director Remuneration Policy. Based on the positive level of support received from shareholders both on the Policy and its implementation the Committee is comfortable that no changes are required to the Policy or its implementation for 2017/18.

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	661,486,807	91.20	63,828,867	8.80	726,474,388	64.98	1,158,714
To approve the Directors' Remuneration Policy	824,261,354	99.63	3,031,154	0.37	827,292,508	74.00	1,631,155

Advisers to the Remuneration Committee

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

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

PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fixed fees of £45,000 (2015/16: £65,000) were provided to PwC during the year in respect of remuneration advice received.

Gareth Williams
Chair, Remuneration Committee

28 March 2017

The Directors present their report together with the audited consolidated financial statements for the year ended 31 January 2017 in accordance with section 415 of the Companies Act 2006 which were approved by the Board on 28 March 2017.

Management report

The Directors' Report, together with the Strategic Report set out on pages 01-39 form the Management Report for the purposes of Disclosure 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 01-39
Corporate social responsibility	Pages 16-18
Greenhouse gas emissions	Pages 18-19
Employees (employment of disabled persons, employee engagement and policies)	Pages 16-17
Corporate Governance Statement	Pages 40-66
Directors' details (including changes made during the year)	Pages 45 and 48-51
Related party transactions	Note 32 on page 163
Employee share schemes (including long-term incentive schemes)	Note 29 on pages 159-160
Financial instruments: Information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Note 2.3 on pages 108-120
Additional information	Pages 171-173

Results and dividends

The Group made a profit after taxation of £157.3m for the financial year ended 31 January 2017. The Board paid an interim dividend of 2.7p per share and proposes to pay, subject to shareholder approval at the 2017 AGM, a final dividend of 5.8p net per share in respect of the year ended 31 January 2017.

Going concern

The going concern statement required by the Listing Rules and the UK Corporate Governance Code (the 'Code') is set out in the compliance statement on page 42.

Fair, balanced and understandable

The Board's statement regarding whether the information contained within the annual report is fair, balanced and understandable is contained on page 42.

Viability statement

The Directors' viability statement is set out on page 42.

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 67-89.

Rules on appointment and replacement of Directors

All Directors will seek re-election at the AGM in accordance with the Company's articles of association and the recommendations of the Code, with the exception of Philip Green, who has resigned from the Board with effect from 31 March 2017.

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.

Pursuant to the Relationship Agreement entered into between the Company and each of the Private Equity Investors (as defined on page 92) each Private Equity Investor was entitled to appoint one Non-Executive Director to the Board for so long as it was entitled, either directly or indirectly through its voting rights in Acromas Bid Co Limited ('ABCL'), to exercise or to control the exercise of the equivalent of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company. The Company was notified that ABCL had sold its last tranche of shares on 22 April 2016. Following the sale, James Arnell, Non-Executive Director appointed by Charterhouse, resigned from the Board of the Company with immediate effect and the Relationship Agreement ceased to exist.

Directors' indemnities and insurance

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

Share capital and interests in voting rights

The Company's share capital (including movements during the year) is set out on page 157. 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 2017, 1,118,005,405 ordinary shares of 1p each have been issued, are fully paid up and quoted on the London Stock Exchange.

On 22 April 2016, the Company was notified that ABCL had sold the remaining 352,674,283 shares held by them, representing approximately 31.54% of the Company's issued ordinary share capital. Following the sale, ABCL ceased to be shareholder of the Company.

In accordance with DTR5, the Company has been notified of the following interests in 3% or more of the Company's total voting rights as at 31 January 2017:

Name	Ordinary shares	Percentage of capital	Nature of holding
HSBC Global Custody Nominees (UK Limited)	56,154,560	5.02%	Direct
Deutsche Bank AG, London Branch	81,953,949	7.33%	5.21% Direct and 2.12% SWAPs
Artemis Investment Management LLP on behalf of discretionary funds under management	121,840,916	10.9%	Indirect

Subsequent to the year end, Henderson Group plc disclosed information in accordance with DTR5, on 28 February 2017, disclosing a holding of 59,285,367 (5.30%, broken down as 4.97% Indirect and 0.32% CFD). Deutsche Bank AG has disclosed information in accordance with DTR5 on three occasions. The most recent one being 22 March 2017, disclosing a holding of 103,659,855 (9.27%, broken down as 5.73% Direct and 3.54% SWAPs). On 23 March 2017, Artemis Investment Management LLP disclosed information in accordance with DTR5, disclosing a holding of 111,601,253 ordinary shares (9.98%, Indirect).

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

Relationship Agreement

The Company had entered into an agreement with ABCL as its controlling shareholder as required under Listing Rule ('LR') 9.2.2A R (2)(a), complied with the independence provisions set out in LR 6.1.4D R and had a constitution that allowed for the election and re-election of independent Directors to be conducted in accordance with the election provisions set out in LR 9.2.2E R and LR 9.2.2F R, whilst the agreement was in force.

As far as the Company is aware:

- the controlling shareholder and its associates also complied with the independence provisions referred to; and
- the controlling shareholder complied with its agreement to procure compliance with the independence provisions referred to above by another controlling shareholder and its associates.

The Relationship Agreement between the Company, ABCL (the 'Principal Shareholder') and certain funds managed or advised by Charterhouse Capital Partners, CVC Capital Partners and Permira (the 'Private Equity Investors') remained in force until the later of (i) each of the Private Equity Investors (together with its associates) ceased to be entitled to exercise or control the exercise, directly or indirectly, of 10% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company; or (ii) the Principal Shareholder (together with its associates) ceased to be entitled to exercise or control the exercise, directly or indirectly, of 30% or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

As a result of the share placing undertaken by ABCL on 21 April 2016, ABCL held no shares in the Company, Charterhouse ceased to have an interest in the Company and the Private Equity Investment Director nominated by them resigned from the Board with effect from 22 April 2016.

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. The Group has a number of contracts and arrangements throughout the business where the legal risk arising out of a change of control is closely managed as part of the contractual governance process. Inevitably, there may be certain operational contracts that could provide for a period of disruption or higher operational charges if a change of control clause was invoked. However, at the current time, we are not aware of any critical or material contracts that pose such a threat.

The Senior Facilities Agreement and the financing agreements in relation to the new ship provide the Group with loan and revolving credit facilities for general financing purposes. In the event of a change of control the facilities would either require repayment or re-negotiation. Further details on banking facilities are shown in note 26 to the consolidated financial statements.

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

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

Conflict of interest

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

Authority to allot/purchase own shares

A shareholders' resolution was passed at the AGM on 21 June 2016 which authorised the Company to make market purchases within the meaning of section 693 (4) of the Companies Act 2006 (the 'Act') (up to £1,118,005.41 representing 10% of aggregate nominal share capital of the 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 price of last individual trade and highest current individual bid as derived from the London Stock Exchange trading system.

The Company did not exercise this authority during the year ended 31 January 2017. The above authority will expire at the forthcoming AGM and a special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed. The authority to repurchase the Company's ordinary shares in the market will be limited to £1,118,005.41 and will set out the minimum and maximum price which will be paid.

The Directors of the Company were also granted authority at the 2016 AGM to allot relevant securities up to a nominal amount of £3,722,958. This authority will apply until the conclusion of the 2017 AGM, where 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 £3,722,958; and, (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £7,445,916 (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 2018 or, if earlier, 31 July 2018.

Special resolutions will also be proposed to give the Directors authority to make non-preemptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £559,002.70 and to make non-preemptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £559,002.70.

Rights attaching to shares

The rights attached to the shares are governed by applicable law and the Company's articles of association (which are available at http://corporate.saga.co.uk/assets/downloads/corporate-governance/saga-plc-articles-of-association.pdf).

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

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

No shareholder owns shares with special rights as to control.

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.

Branches outside the UK

The Company does not have any branches outside of the UK.

Post-balance sheet events

On 27 February 2017, the UK Government announced its decision to move the Ogden rate to -0.75% from 2.5%. The UK Government first announced the decision to launch a consultation process on a potential downgrade to the Ogden rate in 2012. In line with the prudent approach to reserving, the Group has therefore held a specific amount within its reserve margin in anticipation of a reduction in the Ogden rate.

This event has been treated as an adjusting post-balance sheet event, and as such a one-off, pre-tax impact on profit of £4m has been reflected in the Group's results for the year ended 31 January 2017. Our older demographic provides the Group with a defensive advantage, with lower claims frequency generating less exposure to large and small bodily injury claims, and to periodic payment orders ('PPOs'). The Group does not expect the Ogden rate change to have a material impact on its financial outlook.

Auditor

A resolution to appoint KPMG LLP (who have indicated their willingness to act after a formal audit tender process) as our Auditor will be proposed at the 2017 AGM. Ernst & Young LLP were appointed as auditors of the principal trading companies within the Acromas group in September 2007 and as auditors of the Company on 24 September 2014. following the Company's incorporation and insertion within the Group prior to listing. The formal audit tender process is explained in detail on page 61.

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 Companies Act 2006) of which the Company's Auditor is unaware and the Directors have taken all the steps they ought to have taken as Directors to make themselves aware of any relevant audit information and to ensure that the Company's Auditor is aware of that information.

Annual General Meeting

The AGM will be held on 22 June 2017 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice contains an explanation of special business to be considered at the meeting.

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

Directors' responsibilities

As required under the Financial Conduct Authority ('FCA') Disclosure Rules and Transparency Rules ('DTRs'), the following statements are made by the Board regarding the preparation of the financial statements.

The process for producing the Company's annual report and accounts starts with clear direction for all those involved, so that the final document represents a balanced picture of our activities throughout the year and so that shareholders are given the information they need to assess the performance, business model and strategy.

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare Company and Group financial statements for each financial year. Under that law, the Directors are required to prepare Group financial statements under International Financial Reporting Standards ('IFRSs') as adopted by the European Union and applicable law and Company financial statements under United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the Directors must not approve the Company and Group financial statements unless they are satisfied that, to the best of their knowledge, they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period. In preparing the Company and Group financial statements the Directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company and Group;
- select suitable accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in FRS 101 and IFRSs as adopted by the European Union are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company and Group's financial position and financial performance; and
- state whether the Company and Group financial statements have been prepared in accordance with FRS 101 and IFRSs as adopted by the European Union.

The Directors are responsible for keeping adequate records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and Group financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

The Directors are also responsible for preparing the Strategic Report, the Directors' Report, the Directors' Remuneration Report and the corporate governance statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure and Transparency Rules.

Neither the Company nor the Directors accept (and hereby exclude) any liability to any person in relation to the annual report except to the extent that such liability is imposed by law and may not be validly excluded. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A and schedule 10A of the Financial Services and Markets Act 2000, as amended.

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 45 and 48-49, confirm that, to the best of their knowledge:

- the Company and Group financial statements, which have been prepared in accordance with FRS 101 and IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and Group; and
- the Strategic Report contained on pages 01-39 includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

V Haynes
Company Secretary
28 March 2017

Saga plc Company no. 08804263

Independent Auditor's Report to the members of Saga plc

Our opinion on the 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 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Saga plc for the year ended 31 January 2017, which comprise:

Group financial statements	Company financial statements
• the consolidated income statement • the consolidated statement of comprehensive income • the consolidated statement of financial position • the consolidated statement of changes in equity • the consolidated statement of cash flows • the related notes 1 to 34 to the consolidated financial statements	• the company balance sheet • the company statement of changes in equity • the related notes 1 to 5 to the company financial statements

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101')).

Overview of our audit approach	
Risks of material misstatement	• Valuation of insurance contract liabilities • Valuation of goodwill • Revenue recognition
Audit scope	We have performed an audit of the complete financial information of 10 components (2016: 7 components) and audit procedures on specific balances for a further 1 component (2016: 4 components). The divisions and entities where we performed full scope audit procedures accounted for 96% (2016: 89%) of the Group's Profit before tax, 92% (2016: 93%) of the Group's revenue and 98% (2016: 96%) of the Group's Total assets.
Materiality	Overall Group materiality is £9.7m (2016: £9.0m) which represents approximately 5% of Profit before tax from continuing operations.

Our assessment of risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of efforts of the audit team. In addressing these risks, which are the same risks as those included in our prior year opinion, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

Valuation of insurance contract liabilities (£423.2m, 2016: £460.0m)

Risk	Our responses to the risks	Key observations communicated to the Audit Committee
Valuation of insurance contract liabilities (£423.2m, 2016: £460.0m) Refer to the Audit Committee Report (page 58), accounting policy note 2.3(q) and disclosure note 24. For insurance contracts, estimates have to be made both for the expected ultimate cost of claims notified by the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. Management makes judgements in respect of the trends in the frequency and severity of bodily injury claims, the propensity for large claims to settle as Periodical Payment Orders (PPOs), the Ogden discount rate, being the discount rate used by the Courts to determine the present value of personal injury claims; and other regulatory developments. On 27 February 2017, the Lord Chancellor announced a change in the Ogden discount rate to -0.75%; we would expect this to be reflected in the measurement of insurance contract liabilities. Management sets insurance contract liabilities at a level that includes a margin over the actuarial best estimate to take account of uncertainty that may impact the value of the liabilities ultimately settled. As a result of the inherent uncertainty in setting the insurance contract liabilities and the susceptibility to management bias, we consider the valuation of the insurance contract liabilities to be a significant risk. As a result of the timing of the Ogden announcement, this risk has increased compared to the prior year.	We understood, assessed and tested the design and operational effectiveness of key controls over the process applied by Management in establishing insurance contract liabilities, including controls over the completeness and accuracy of data used by the internal actuary to project the claims liabilities, and controls over changes in assumptions and methodology. Supported by our actuarial specialists, we: • reconciled the claims data supporting the actuarial projections to source systems and, on a sample basis, verified the accurate recording of data against the underlying policy and claims documentation; • obtained an understanding of the methodology and key assumptions applied by Management; • challenged the methodology and key assumptions against our knowledge of the sector and the Group's own claims experience; • performed independent actuarial projections on the motor classes, which account for 95% of the net insurance contract liabilities, to determine our own best estimate for the projected liabilities and a reasonable range within which such an estimate may fall given the inherent uncertainty involved in the estimation; • assessed the level of reserve margin compared to market practice and prior periods, in the context of areas of uncertainty for which the margin is held; • validated that the change in Ogden rate had been appropriately reflected in the insurance contract liabilities; and • tested on a sample basis that the reinsurance recoveries were recorded in line with the underlying reinsurance contracts. We reviewed the reinsurance agreement with NewRe to understand the terms of the contract and ensure the transaction is appropriately accounted for in accordance with the contractual agreement.	In the prior period we reported that the Saga best estimate was based on assumptions which were individually reasonable but contained degrees of caution when compared to our own assumptions. Revisions to assumptions by management during the current period have resulted in the Saga best estimate now being more closely aligned to our own best estimate projections. However, we consider that the overall insurance contract liabilities including the margin are towards the more conservative end of the reasonable range. We are satisfied that the NewRe quota share contract is appropriately accounted for and disclosed in the consolidated financial statements. We consider that the recorded insurance contract liabilities as at 31 January 2017, including the margin and net of reinsurance, are within a reasonable range.

Risk	Our responses to the risks	Key observations communicated to the Audit Committee
Valuation of insurance contract liabilities (£423.2m, 2016: £460.0m) continued Note 18(d) Insurance risk provides further detail of these uncertainties and the process for establishing insurance contract liabilities. With effect from 1 February 2016, the Group entered into a quota share arrangement with New Reinsurance Company Limited (NewRe) ceding 75% of the risk of motor policies on a loss occurring basis. Key accounting considerations relate to whether the contract satisfies the requirements of IFRS 4 to be accounted for as an insurance contract, the presentation and related disclosures in respect of the contract in the financial statements, and assumptions relating to the timing of recognition of profit commission.	This included considering whether the contract included risk transfer to qualify as an insurance contract under IFRS 4, and validating, through re-performance, the application of the quota share contract to the applicable business and ensuring that the financial statements reflect the underlying contract terms.	
Valuation of goodwill (£1,485m, 2016: £1,485m) Refer to the Audit Committee Report (page 58), accounting policy 2.3(g) and disclosure note 13. The goodwill recorded as at 31 January 2017 is £1,485.0m and is tested for impairment by Management by considering the recoverable amount of the goodwill as described in note 15. In determining the recoverable amount, judgement is applied by Management in deriving: • the forecast cash flows expected to arise from the approved five year plan and the underlying assumptions in setting the five year plan; • the pre-tax discount rates that reflect the market assessment of the time value of money and the risks specific to the cash flow estimates; and • the growth rate used to extrapolate cash flow projections beyond the five year plan period. The level of risk has remained consistent with the prior year.	Management's impairment assessment of the recorded goodwill value was performed as at 30 November 2016. We tested the design and operating effectiveness of the controls in operation over the goodwill impairment assessment. We have also evaluated and challenged this assessment, specifically we: • validated that the goodwill is appropriately allocated to the operating segments; • validated that the cash flows underpinning the calculation were consistent with the five year strategic plan approved by the Board; • challenged the reasonableness of growth forecasts during the five year plan period, having regard to back testing performed by Management to support the robustness of the forecast process; • compared the long-term growth rates to economic and industry forecasts; • compared the discount rate to the Group's pre-tax weighted average cost of capital and to discount rates used by similar UK companies that operate in the financial services and travel industries; and • assessed the adequacy of sensitivity analysis performed by Management, stressing each of the above assumptions in isolation and in combination to best reflect what we considered to be reasonably foreseeable changes in the key assumptions.	We have concluded that the recoverable amount of goodwill exceeds its carrying amount, with significant headroom remaining when key assumptions are stressed for what we consider to be cautious assumptions. We consider that: • the allocation of goodwill to operating segments is appropriate and in line with the requirements of IAS 36; • the forecasts used are a reasonable basis upon which to perform the impairment review; and • the assumptions for the pre-tax discount rate and long-term growth applied by management are within an acceptable range, and are consistent with economic and industry forecasts, and those used by comparator insurance and travel companies.

Risk	Our responses to the risks	Key observations communicated to the Audit Committee
Revenue recognition (£871.3m, 2016: £963.2m) Refer to accounting policy 2.3(a) and disclosure note 3. ISAs (UK & Ireland) presume there may be pressures or incentives on Management to commit fraudulent financial reporting through inappropriate revenue recognitions. There is a risk of management override on revenue recognition in response to performance targets. The diverse nature of the Group's revenue recognition policies and the materiality of the balances concerned are such that we consider revenue recognition to represent a significant risk. We have assessed the revenue streams in the Insurance and Travel segments as being most susceptible to manipulation through the application of inappropriate revenue recognition policies: • The Insurance segment revenue consists primarily of revenue earned by the insurance intermediary and the insurance underwriter. The intermediary revenue from both external underwriters and the Group underwriter is recognised upon commencement of the policy period of risk, whereas the Group underwriter recognises revenue on an earned basis over the term of the policy. For policies underwritten by the Group underwriter and placed via the Group intermediary, consolidation adjustments are processed to ensure that the overall revenue recorded in respect of risks underwritten by the Group is recognised in accordance with the Group policy. • In the Travel segment, revenue from tour operations is recognised on the passenger's date of departure and for cruise holidays, where the Group operates the cruise ship, revenue is recognised on a per diem basis over the duration of the cruise. There is a risk that revenue recognition is accelerated and recognised when holidays are booked or cash in respect of those bookings is received. The level of risk has remained consistent with the prior year.	We considered the accounting policies for the revenue streams in the Insurance and Travel segments, having regard to the requirements of applicable revenue recognition standards, being IAS 18 'Revenue' and IFRS 4 'Insurance Contracts'. We tested the design and operating effectiveness of the controls in operation over the Insurance and Travel revenue recognition and recording processes. For the Insurance segment we: • re-performed earnings calculations for insurance contracts underwritten by the Group, to validate that insurance revenues were being recognised over the policy term; • inspected a sample of contracts not underwritten by the Group to validate whether any contractual obligations to provide post-placement services were in place; • performed cut-off testing to confirm revenue had been recorded in the correct period; • reviewed the consolidation adjustments posted to eliminate the revenue transactions between the Group intermediary and Group underwriter; • challenged and corroborated reasons for variances from prior periods based on analytical procedures performed; and • tested a sample of manual journals for any indication of inappropriate revenue recognition. For the Travel segment we: • performed detailed testing of a sample of transactions to confirm that the tour operator revenues and cruise holiday revenues were being recognised in line with the contract terms and applicable accounting policy; • performed cut-off testing to confirm revenue had been recorded in the correct period; • challenged and corroborated reasons for variances from prior periods based on analytical procedures performed; and • tested a sample of manual journals for any indication of inappropriate revenue recognition.	There have been no material changes to the revenue recognition policies applied by management during the period, and the source and contribution of each revenue stream is consistent with the prior period. We are satisfied that the consolidation adjustments to align the revenue recognition policies across the group are appropriate. We concluded that revenue has been recognised in the year in compliance with the Group's revenue recognition policies and relevant accounting standards.

Overview of the scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile and changes in the business environment in assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected components covering entities within the United Kingdom and Gibraltar, which represent the principal trading entities within the Group.

The table below illustrates the coverage obtained from the work we performed:

	Jan-17				Jan-16			
	No.	Revenue	Profit before Tax	Total Assets	No.	Revenue	Profit before Tax	Total Assets
Full scope[1]	10	92%	96%	98%	7	93%	89%	96%
Specific scope[2]	1	4%	1%	1%	4	3%	5%	3%
Full and Specific scope coverage	11	96%	97%	99%	11	96%	94%	99%
Remaining components[3]	7	4%	3%	1%	19	4%	6%	1%
Total reporting components	18	100%	100%	100%	30	100%	100%	100%

Notes:

1 We audited the complete financial information.

2 We audited specific accounts within these components.

3 We performed other procedures, including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

Changes from the prior year

The changes in the number of full scope and specific scope entities primarily reflect revisions to the internal reporting and consolidation structure within Saga.

Involvement with component teams

Other than the independent actuarial projections on the motor classes performed by our UK actuarial specialists, full scope audit procedures related to the underwriting component were performed by EY Gibraltar operating under our instruction. We determined the appropriate level of our involvement to enable us to be satisfied that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole. We reviewed the component team working papers and participated in their planning and execution of the audit in respect of the risks identified above. Audit procedures relating to all remaining components were performed directly by the primary audit team.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on our audit and in forming our opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £9.7m (2016: £9.0m), which is approximately 5% of the Group's Profit before tax from continuing operations.

Performance materiality
The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment and reflecting the fact that the Group is recently listed, our judgement is that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely £4.9m (2016: £4.5m).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.9m to £2.5m.

Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.49m (2016: £0.45m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations in forming our opinion.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibility Statements set out on page 94, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- based on the work undertaken in the course of the audit:
  - the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
  - the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

ISAs (UK and Ireland)	We are required to report to you if, in our opinion, financial and non-financial information in the annual report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they 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 entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.
Companies Act 2006 reporting	In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report. 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 no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern and longer-term viability, set out on page 42; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that Would Threaten the Solvency or Liquidity of the Entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity 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.	We have nothing material to add or to draw attention to.

John Headley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor, London, 28 March 2017

Notes:
1 The maintenance and integrity of the Saga plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.