

# Remuneration Committee Chairman's Annual Statement



**Gareth Williams**  
Chairman,  
Remuneration  
Committee

**Dear Shareholder,**

In the first full year of being a listed organisation, we have continued our momentum both in our financial performance and in the implementation of the strategic initiatives that we announced on IPO and in our first annual report.

Our goal as a Remuneration Committee last year was to formulate a Remuneration Policy and strategy which stimulates sustainable, value creating growth and performance for the business and rewards management accordingly. The Policy we put forward at last years' AGM received over 99% support (98.8% by independent shareholders) for which I would like to thank shareholders.

Even though there was strong support for the Remuneration Policy, the Committee reviews it annually to ensure that it still meets our goals. As a result of our review this year, we believe the policy continues to be fit for purpose and therefore will remain unchanged.

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.

**Our core principles of remuneration**

- 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. We held five meetings during the year.

**Attendance**

Member	Attendance
Gareth Williams (Chairman)	5/5
Philip Green	5/5
Ray King	5/5
Orna NiChionna	5/5

Bridget McIntyre joined the Committee on 1 January 2016. No meetings were held following her appointment during the financial year.

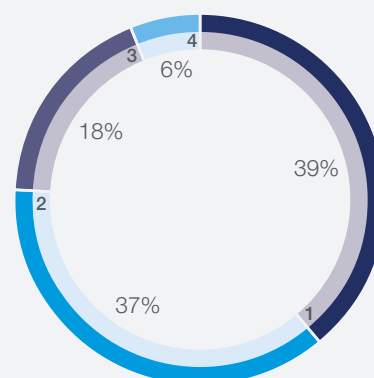
The Committee receives assistance from the Group HR Director and Company Secretary, who attend meetings by invitation, except when issues relating to their own remuneration are being discussed. The Group Chief Executive Officer, Group Chief Financial Officer and the Chairman attend by invitation.

**Structure of the report**

- Annual Statement (pages 78-79)
- Directors' Remuneration Report 'at a glance' (pages 80-81)
- Directors' Remuneration Policy (pages 82-91)
- Annual Report on Remuneration (pages 92-100)

**Main responsibilities and allocation of time spent on matters:**

- Reviewing the broad remuneration policy for the senior executives.
- Recommending and monitoring the level and structure of remuneration for senior management.
- Administering all aspects of share schemes.
- Reviewing any major changes in employee benefit structures throughout the Company or Group.



- Key:
1. Remuneration policy
  2. Senior management remuneration
  3. Share schemes
  4. Employee benefit structures

**Our terms of reference**

Our terms of reference were reviewed by the Committee and subsequently approved by the Board on 11 November 2015. They are available on our website, <http://corporate.saga.co.uk/corporate-information/corporate-governance> and from the Company Secretary at the registered office.

### Company highlights for the 2015/16 financial year

The implementation of our strategy (as outlined on pages 14-15) has been substantiated in the key performance highlights of the year:

- Continued strong performance in the core business areas of financial services and travel, which has led to strong results across all of the Group's operations.
- Group Profit before tax increased by 54.8% to £176.2m (2015: £113.8m), on revenue of £963.2m (2015: £900.5m).
- Strong profit delivery and continued high levels of cash conversion meant the Group continued its deleveraging with net debt to Trading EBITDA ratio now 2.3x (2015: 2.6x).
- Dividend payments to our shareholders of 4.1p per share in respect of 2015 and an interim dividend of 2.2p in respect of 2016, reflecting our confidence in meeting market expectations for the full year and continuing to deliver sustainable profit growth.
- Investment in our cruise ships, demonstrating our commitment to continued excellence and service to our customers.
- Destinology and Bennetts now embedded within the Group.
- Introduction of the panel in motor insurance to make the most of our competitive advantage in this market.
- Launch of Saga Investment Services which strengthened our financial services offering.
- Divestment of the Allied Healthcare business.

### What we have done during the year

We reviewed the key components of remuneration.

### Decisions made/actions taken

- Reviewed base salary levels of the Executive Committee and the level of bonus payments.

- Made awards under the Saga Long Term Incentive Plan ('LTIP') for the Executive Committee and senior management of the Company. Grant levels are consistent with our normal award policy.
- Reviewed the performance targets for the 2016 LTIP award (further details are provided on page 89).
- Approved the continued operation of the Saga Share Incentive Plan ('SIP') and award of free shares to all eligible employees in July 2015.
- Approved the Executive Pension Policy and Directors' Expenses Policy.
- Reviewed the fees for the Non-Executive Directors (see page 89).
- Reaffirmed the appointment of PwC as advisers.
- On 1 January 2016, Bridget McIntyre joined the Remuneration Committee. We welcome Bridget, who brings with her considerable experience gained through senior roles within some of the UK's largest general insurers, most recently as the Chief Executive of RSA's UK business.

Since the year end, we approved:

- base salary increases of 2% in line with the rises provided for the employees of the Group for the Group Chief Executive Office and the Group Chief Financial Officer, bringing their salaries to £676,260 and £416,160 respectively to apply for the 2016/17 financial year.
- 2015/16 annual bonus for the Executive Directors, which was 78.6% of their maximum opportunity, equating to 117.9% of salary for the Group Chief Executive Officer and 97.4% of salary for the Group Chief Financial Officer. The payouts reflect strong performance of the Group over the year. Further detail of the annual bonus is provided on pages 93-94.

- Performance targets for the 2016 LTIP award, the details of which are provided on page 89.

### Effectiveness of the Remuneration Committee

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see pages 62-63). This was an internal review with the support of Independent Audit Limited. The evaluation was very positive and the conclusion was that the Committee had worked at the right level of challenge and independence. A fully externally facilitated review will take place this year.

### Actions for 2016/17

Looking ahead we will focus on:

- Our core principles of remuneration ensuring they are deployed in all of our considerations and decisions on remuneration practice.

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](mailto: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

Chairman, 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 UK Corporate Governance Code (the 'Code') and the Listing Rules.

# At a glance

## Introduction

In this section, we summarise the purpose of our Remuneration Policy and its linkage to our corporate strategic objectives. We highlight the performance and remuneration outcomes for the 2015/16 financial year. More detail can be found in the Remuneration Policy Report and Annual Report on Remuneration.

## Our Remuneration Policy and its link to our Group strategy

The Group's strategy is laid out on pages 14-15. 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				Retain and reward Executive Team to deliver the strategy
	Unlocking growth in our core businesses of insurance and travel	Investing in future growth	Continued growth and long-term shareholder value creation	Equity ownership and retention of shares	
<p><b>Fixed remuneration (salary, benefits and pension)</b></p> <p>The Company provides competitive levels to attract and retain talent required to successfully deliver on our business strategy.</p>	<ul style="list-style-type: none"> <li>Delivered customer growth across all key insurance lines.</li> <li>Increased passengers in tour operating business.</li> <li>Right team put in place to deliver multichannel.</li> </ul>	<ul style="list-style-type: none"> <li>Announced our investment in new shipping capacity.</li> <li>Saga Investment Services up and running.</li> <li>Successful pilots ongoing in new product areas.</li> </ul>	<ul style="list-style-type: none"> <li>Model continues to generate strong cash flows.</li> <li>Undertaken a review of the capital allocated to our underwriting business.</li> <li>Disposed of Allied Healthcare.</li> </ul>		✓
<p><b>Annual bonus metrics</b></p> <p>Maximum annual bonus opportunity is 150% of salary:</p> <ul style="list-style-type: none"> <li>two thirds of the total bonus to be paid immediately in cash</li> <li>one third deferred into shares subject to a three year vesting period.</li> </ul>	<p>Profit before tax growth.</p> <p>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.</p>	<p>Group cash flow.</p> <p>The success in maximising operational excellence will be reflected through increased profitability and cash flow.</p>		<p>Equity Ownership.</p> <p>Encouraged through bonus deferral and shareholding requirements.</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>

Remuneration Policy	Strategic priorities				
	Unlocking growth in our core businesses of insurance and travel	Investing in future growth	Continued growth and long-term shareholder value creation	Equity ownership and retention of shares	Retain and reward Executive Team to deliver the strategy
<p><b>LTIP metrics</b></p> <p>Maximum annual award is 200% of salary.</p> <p>Awards will vest at the end of three years subject to the achievement of:</p> <ul style="list-style-type: none"> <li>— stretching EPS conditions which provides alignment to our core strategic priorities</li> <li>— relative total shareholder return ('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.</li> </ul>	✓	✓	✓	✓	✓
<p><b>Minimum shareholding requirements</b></p> <ul style="list-style-type: none"> <li>— Group Chief Executive Officer 200% of salary.</li> <li>— Group Chief Financial Officer 150% of salary.</li> </ul>				✓	Encouraged through the alignment of interests with shareholders by Executives becoming locked-in shareholders.
<p><b>All employee share plan</b></p>				✓	Encourages all employees to become shareholders in the Company providing a focus on growth and long-term shareholder value creation.

# Directors' Remuneration policy

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; 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://www.corporate.saga.co.uk>.

Element	Operation of element
<b>Salary</b>	The Remuneration Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Saga in the FTSE 250.
<b>Benefits</b>	
<b>Pension</b>	<p>When determining an appropriate level of salary, the Remuneration Committee considers:</p> <ul style="list-style-type: none"> <li>– remuneration practices within the Group;</li> <li>– the general performance of the Group;</li> <li>– salaries within the ranges paid by the companies in the comparator group used for remuneration benchmarking; and</li> <li>– the economic environment.</li> </ul> <p>In general salary rises to Executive Directors will be in line with the rise to employees.</p> <p>The Executive Directors receive family private health cover, death in service life assurance, a car allowance, subsistence expenses and staff discounts in line with other employees.</p> <p>The maximum contribution to an Executive Director's pension or salary supplement is 20% of gross basic salary.</p>
<b>Annual bonus</b>	<p>The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary.</p> <p>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.</p>

Element	Operation of element
<b>Long Term Incentive Plan ('LTIP')</b>	<p>LTIP maximum grant is 200% of salary p.a.</p> <p>Awards will vest at the end of three years subject to the achievement of:</p> <ul style="list-style-type: none"> <li>– 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</li> <li>– 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.</li> </ul> <p>The LTIP contains clawback and malus provisions.</p>
<b>Share Incentive Plan ('SIP')</b>	The purpose of the SIP is to encourage all employees to become shareholders in the Company and thereby align their interests with shareholders.
<b>Minimum shareholding requirement</b>	<p>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.</p> <ul style="list-style-type: none"> <li>– Group Chief Executive Officer – 200% of salary;</li> <li>– Group Chief Financial Officer – 150% of salary.</li> </ul>
<b>Chairman &amp; Non-Executive Director (NED) Fees</b>	<p>The fees for the Chairman and Non-Executive Directors are set at broadly the median of the comparator group used for Executive Director remuneration.</p> <p>In general the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.</p> <p>The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors and may settle any tax incurred in relation to these.</p>

### How have we performed?

KPIs	Threshold	Target	Maximum	Actual	Percentage of maximum bonus earned/current potential LTIP vesting
<b>Annual Bonus Plan</b>					
Group PBT	£166.0m	£172.9m	£177.4m	£176.2m	89.6%
Group cash flow <sup>1</sup>	77.3%	79.6%	81.1%	79.9%	69.3%
Personal objectives	See pages 93-94 for details of the measures and performance for the year				
<b>2014 LTIP Award as at year end 31 January 2016</b>					
EPS growth (p.a.)	7%	–	12%	16.4%	100%
TSR	Median	–	Upper quartile	Between Median and Upper quartile	61%
<b>2015 LTIP Award as at year end 31 January 2016</b>					
EPS growth (p.a.)	7%	–	12%	16.1%	100%
TSR	Median	–	Upper quartile	Between Median and Upper quartile	41%

Notes:

<sup>1</sup> Defined as net available cash generation.

The indications for the LTIP performance are to the end of the current financial year. The actual level of performance and corresponding level of vesting will be dependent on the performance at the end of the relevant performance periods. The Committee has included this information to allow shareholders to see the potential value in the long-term remuneration over the next 3 years.

**DIRECTORS' REMUNERATION REPORT**  
**DIRECTORS' REMUNERATION POLICY**  
CONTINUED

**Single total figure of remuneration for Executive Directors for the 2015/16 financial year**

Executive Directors <sup>1</sup>	Period	Salary £	Taxable benefits £	Bonus £	LTIP £	Pension £	Other <sup>2</sup> £	Other <sup>3</sup> £	Total £
<b>Lance Batchelor</b> (Group Chief Executive Officer)	2015/16	663,000	28,095	781,678	–	127,514	–	–	1,600,287
	2014/15	556,667	13,225	655,958	–	102,852	–	4,000,000	5,328,702
<b>Jonathan Hill</b> (Group Chief Financial Officer)	2015/16	334,246	19,748	325,699	–	74,680	190,000	–	944,373
	2014/15	–	–	–	–	–	–	–	–
<b>Andrew Goodsell</b> (Former Executive Chairman)	2015/16	330,422	18,261	389,567	–	232,481	–	–	970,731
	2014/15	777,462	41,496	941,506	–	265,915	–	5,000,000	7,026,379
<b>Stuart Howard</b> (Former Group Chief Financial Officer)	2015/16	196,992	6,837	193,545	–	156,573	–	–	553,947
	2014/15	472,781	27,794	477,036	–	180,719	–	3,000,000	4,158,330

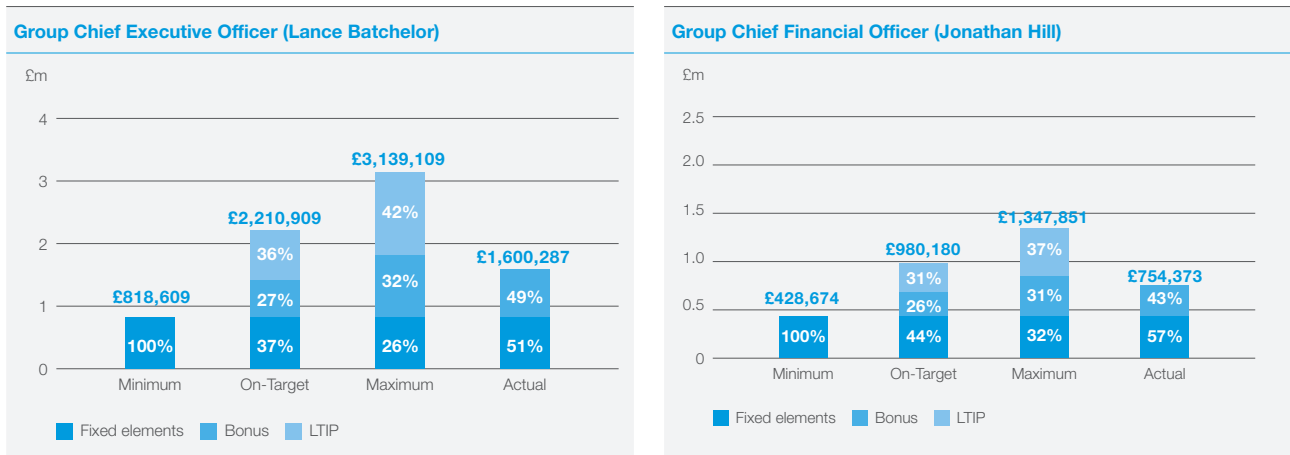
Notes:

- <sup>1</sup> Lance Batchelor was appointed the Group Chief Executive on 24 March 2014. 2014/15 salary, taxable benefits and pension provision pro-rated in accordance to time in role. Jonathan Hill was appointed the new Group Financial Officer Designate and joined Saga on 7 April 2015. Salary, taxable benefits, pension provision and bonus have been pro-rated with respect to time in the role. Andrew Goodsell transitioned from his role as Executive Chairman to Non-Executive Chairman on 1 July 2015. Stuart Howard stepped down from Board of Directors of the Company on 23 June 2015. Salary, benefits, bonus and pension pro-rated for time served in financial year as Executive Directors.
- <sup>2</sup> Buyout award of £190,000 was made to the Group Chief Financial Officer on recruitment in the form of Saga shares (101,932 based on Saga's closing share price on 7 April 2015 of 186.4p). The award will vest in two equal tranches on the first and second anniversary of the Group Chief Financial Officer's commencement of employment with Saga. In determining this amount the Committee applied the "buyout" element contained in the recruitment policy. The buyout of the outstanding Bovis awards held by the Group Chief Financial Officer were valued based on the publicly available information disclosed and took into account the vesting periods and probability of the performance conditions being satisfied at the date of cessation. This fair value was then discounted further to take into account the decreased probability of some of the longer term elements actually vesting. The discounted fair value was then converted in to a value of Saga shares which vest subject to continued employment. There are no further performance conditions attached to the vesting of these shares as the original performance conditions were taken into account in determining the buy-out value and therefore the imposition of additional performance conditions would in fact amount to a second set of performance conditions on vesting.
- <sup>3</sup> The former Executive Chairman and Group Chief Financial Officer were provided a one-off award on IPO ('IPO Award'). The shares under the IPO Awards were fully vested on IPO (with the sale restrictions on the shares lifted on 29 May 2015 in accordance with the lock up arrangements outlined in the IPO prospectus). The Group Chief Executive Officer was provided a share and cash award on IPO.
  - a. Share award consisted of a one-off award on IPO of market value share options (with an exercise price equal to Saga's share price on Admission of £1.85) with a face value of £4m. 25% will vest and become exercisable on the third anniversary of the award, 25% on the fourth anniversary and 50% on the fifth 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.
  - b. Cash award of £4m based on continued employment. 25% immediately on the IPO, 25% on the first anniversary of the award and 50% will be paid 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.

For the full notes accompanying the single figure table, please see page 92 in the Annual Report on Remuneration.

### Illustration and application of Remuneration Policy

The following charts show the 2015/16 actual remuneration (excluding one-off entitlements set out in the 'Other' column of the single total figure table) against the proposed Policy levels of remuneration for the Executive Directors.



Under the Policy, the remuneration payable to each of the Executive Directors is based on salaries at the start of 2015/16, 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 2015/16 (excluding one-off entitlements set out in the 'Other' column of the single total figure table).

Element	Description	Minimum	Target	Maximum
Fixed <sup>1</sup>	Salary, benefits and pension <sup>2</sup>	Included	Included	Included
Annual Bonus	Annual bonus (including deferred shares)	No annual variable	60% of maximum bonus	100% of maximum bonus <sup>3</sup>
LTIP	Award under the LTIP	No multiple year variable	60% of the maximum award	100% of the maximum award <sup>4</sup>

Notes:

- <sup>1</sup> Group Chief Financial Officer's remuneration pro-rated for time served in role for the financial year has been used for the illustrations of actual provided.
- <sup>2</sup> Based on 2015/16 financial year benefit payments and pension.
- <sup>3</sup> Equating to 150% for the Group Chief Executive Officer and 125% for the Group Chief Financial Officer.
- <sup>4</sup> Equating to 200% for the Group Chief Executive Officer and 150% for the Group Chief Financial Officer.
- <sup>5</sup> 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. In addition, dividend equivalents have not been added to deferred share bonus and LTIP share awards.



# DIRECTORS' REMUNERATION REPORT

## DIRECTORS' REMUNERATION POLICY

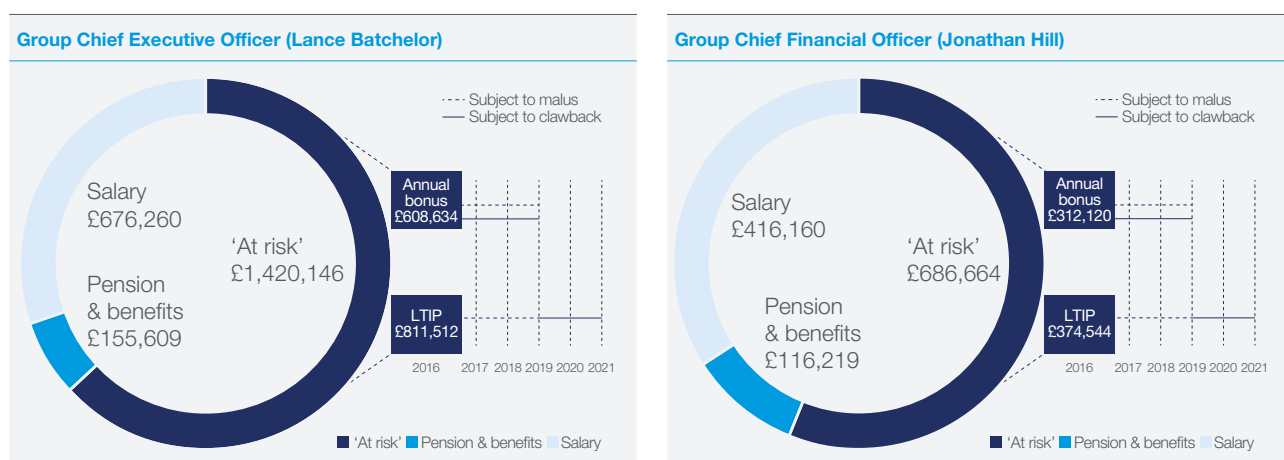
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### Pay at risk

The charts below set out the single figure of each Executive Director based on whether the elements remain 'at risk'. For example:

- Payment is subject to continuing employment for a period (deferred shares and LTIP awards);
- Performance conditions have to 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.



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		Compensation provisions for early termination
			From Company	From Director	
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:

Director	Shareholding requirement (% salary)	Current shareholding (% salary) <sup>1</sup>	Shares held directly		Other shares held	Options		Outstanding interests in the Share Incentive Plan	Shareholding requirement met?
			Beneficially owned <sup>3</sup>	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	Vested	Unvested		
<b>Executive Directors</b>									
Lance Batchelor	200%	36%	15,392	105,121	1,313,761	–	2,162,162	138	No
Jonathan Hill	150%	69%	40,142	101,932	282,027	–	–	1,027	No
<b>Non-Executive Directors</b>									
Jamie Arnell	–	–	–	–	–	–	–	–	n/a
Philip Green	–	–	32,433	–	–	–	–	–	n/a
Pev Hooper	–	–	–	–	–	–	–	–	n/a
Ray King	–	–	27,027	–	–	–	–	–	n/a
Orna NiChionna	–	–	10,810	–	–	–	–	–	n/a
Charles Sherwood	–	–	–	–	–	–	–	–	n/a
Gareth Williams	–	–	32,433	–	–	–	–	–	n/a
Bridget McIntyre	–	–	–	–	–	–	–	–	n/a
Andrew Goodsell <sup>2</sup>	–	–	2,815,702	150,882	210,214	–	–	–	n/a

Note:

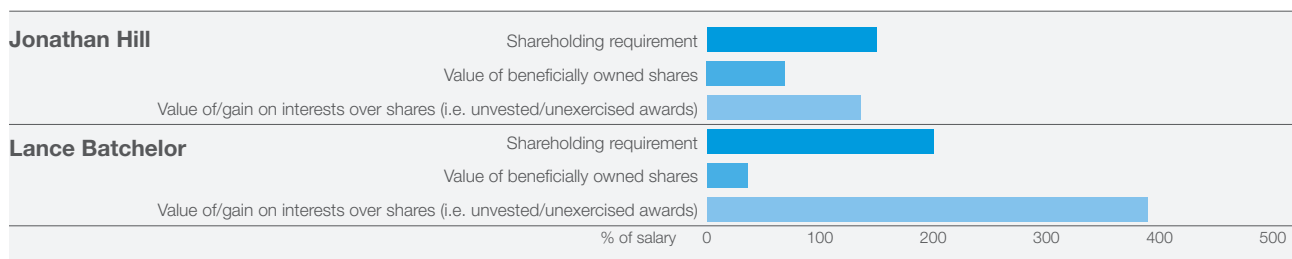
<sup>1</sup> Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements.

<sup>2</sup> Outstanding deferred bonus shares and LTIP in relation to his service as Executive Chairman. See page 90 for further details.

<sup>3</sup> 7,696 shares owned by Lance Batchelor's spouse. 7,747 shares owned by Jonathan Hill's spouse.

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 2016 are set out below:



Notes:

- The closing share price of £1.961 as at 29 January 2016 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 and 2015 LTIP awards. The one-off IPO share option award for the Group Chief Executive Officer has an exercise price of £1.85, hence the gain on these awards on 31 January 2016 was £240,000.
- Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines.

**DIRECTORS' REMUNERATION REPORT**  
**DIRECTORS' REMUNERATION POLICY**  
CONTINUED

**Implementation of Remuneration Policy in the 2016/17 financial year**

The Remuneration Committee proposes to implement the policy for the 2016/17 financial year as set out below:

Element of remuneration	Implementation in 2015/16	Implementation in 2016/17
<b>Salary</b>	<p>Lance Batchelor, Group Chief Executive Officer received a 2% increase 1 February 2015 (all employee rise 2.5%). As a result, his salary was £663,000.</p> <p>Jonathan Hill joined the Company on 7 April 2015 as the Group Chief Financial Officer Designate. He became Group CFO on 23 June 2015. His base salary on joining the Company was £408,000.</p>	<p>Executive Directors will receive a 2% increase on 1 February 2016 (all employee rise 2.5%). As a result, the salaries for the Executive Directors are:</p> <ul style="list-style-type: none"> <li>– Lance Batchelor: £676,260</li> <li>– Jonathan Hill: £416,160</li> </ul>
<b>Benefit and pensions</b>	<p>The maximum employer pension contribution/salary supplement is 20% of salary.</p> <p>Executive Directors received the following:</p> <ul style="list-style-type: none"> <li>– Lance Batchelor: 15% of salary comprising of the employer contribution into the Saga Pension Scheme (DB) and a salary supplement in lieu of pension.</li> <li>– Jonathan Hill: 15% of salary comprising of the employer contribution into the Saga Pension Scheme (DB) and a salary supplement in lieu of pension.</li> </ul>	<p>No change in policy or levels:</p> <ul style="list-style-type: none"> <li>– Lance Batchelor: 15% of salary supplement in lieu of pension;</li> <li>– Jonathan Hill: 15% of salary supplement in lieu of pension.</li> </ul>
<b>Annual Bonus Plan and Deferred Bonus Plan</b>	<p>The annual bonus is paid in cash and deferred shares.</p> <p>Two thirds of the total bonus to be paid immediately in cash and one-third deferred into shares for three years.</p> <p>Change in the performance measures from 2014/15 (Group Trading EBITDA and Leverage ratio) to:</p> <ul style="list-style-type: none"> <li>– Group PBT – 60%</li> <li>– Group cash flow<sup>1</sup> – 20%</li> <li>– Personal objectives – 20%</li> </ul>	<p>No change in the annual bonus opportunities or deferral mechanics.</p> <p>No change in the annual bonus performance measures.</p>
<p>Maximum Annual Bonus Plan is 150% of salary.</p> <p>Normal maximum bonus opportunity as a percentage of salary:</p> <ul style="list-style-type: none"> <li>– Group Chief Executive Officer – 150%</li> <li>– Group Chief Financial Officer – 125%</li> </ul>		

Element of remuneration	Implementation in 2015/16	Implementation in 2016/17
<p><b>Long-Term Incentive Plan</b></p> <p>Maximum value of LTIP grant is 200% of salary.</p> <p>Normal maximum LTIP award as a percentage of salary:</p> <ul style="list-style-type: none"> <li>– Group Chief Executive Officer – 200%</li> <li>– Group Chief Financial Officer – 150%</li> </ul>	<p>No change in the LTIP grant levels and no change to the performance measures from 2014 award.</p> <p>2015 LTIP award:</p> <ul style="list-style-type: none"> <li>– 50% EPS – EPS growth of 7% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 12% p.a.</li> <li>– 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.</li> </ul>	<p>2016 LTIP awards:</p> <ul style="list-style-type: none"> <li>– No change in the LTIP grant levels.</li> <li>– No change to the performance measures or their weighting – 50% EPS growth and 50% relative TSR.</li> <li>– The relative TSR comparator group and the vesting schedule for this element will remain unchanged from the 2015 award.</li> <li>– The Committee has reviewed the EPS performance target range in light of the Company's strategic plan over the next period, general market conditions and the range set by its FTSE 350 insurance peers and other FTSE 250 companies (in general the range set by these companies is annual EPS growth of 5%-12%). Therefore, taking into account these factors the Committee has determined to set the EPS range for the 2016 LTIP grant at EPS growth of 5%p.a. (threshold 25% vesting) to 12%p.a. (full vesting). The Committee believes that these targets are challenging over the next period and that by extending the vesting range this ensures the grant retains its incentive and retentive impact. The Committee will review the targets for the 2017 LTIP grant.</li> </ul>
<p><b>All employee share awards</b></p>	<p>Saga continued to operate the Share Incentive Plan for all employees in 2015, with a free share award made in July 2015 of £300 to all eligible full-time employees.</p>	<p>Saga will continue to provide all employees with the opportunity to participate in all employee equity arrangements.</p>
<p><b>Chairman &amp; Non-Executive Fees</b></p>	<p>Chairman Fees £275,000</p> <p>Board Fee £61,200</p> <p>Committee Chair Fee £10,000</p> <p>Senior Independent Director Fee £20,000</p>	<p>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 2016:</p> <ul style="list-style-type: none"> <li>– Chairman fees £280,500</li> <li>– Board fee £62,424</li> <li>– Committee Chair fee £10,000</li> <li>– Senior Independent Director £20,000</li> </ul>

Note:

<sup>1</sup> Defined as net available cash generation.

**DIRECTORS' REMUNERATION REPORT**  
**DIRECTORS' REMUNERATION POLICY**  
CONTINUED

**Remuneration arrangements for our outgoing Executive Chairman**

After 23 years with Saga, Andrew Goodsell retired from his role as Executive Chairman on 30 June 2015. Andrew was appointed Non-Executive Chairman of the Saga plc Board from 1 July 2015. He received no termination payments from the Company on his cessation of employment as the Executive Chairman. However, under the terms of the existing Deferred Annual Bonus Plan, Long Term Incentive Plan and Saga's policy around loss of office, as a good leaver he will receive the following:

Plan	Outstanding awards	Committee Determination
<b>Deferred Annual Bonus Plan ("DBP")</b>	2014/15 DBP 150,882 Shares	Andrew Goodsell has been treated as a good leaver under the terms of the Deferred Bonus Plan on his retirement from the Company as Executive Chairman.  As a good leaver, all subsisting deferred share awards will vest in full on his ceasing to hold the office of Non-Executive Chairman or on the third anniversary of the date of grant of the awards whichever is the sooner.
<b>Long Term Incentive Plan ("LTIP")</b>	2014 210,124 Shares	Andrew Goodsell has been treated as a good leaver under the terms of the LTIP on his retirement from the Company as Executive Chairman.  As a good leaver his award has been pro-rated to the amount of the vesting period completed on this date of cessation as Executive Chairman, the final payout will be based on Saga's achievement of the LTIP performance conditions at the end of the three year performance period.
<b>IPO Award</b>	2014 2,702,702 Shares	Andrew Goodsell has 12 months from the date of him ceasing to hold the office of Non-Executive Chairman to exercise these options, subject to the rules of the IPO Award. At the end of this period, any unexercised options would lapse.

Under the terms of the Saga Annual Bonus Plan for the financial year February 2015 to January 2016, Andrew Goodsell will receive a bonus pro-rated to the number of months that he remained as Executive Chairman paid in cash.

### 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 overwhelming support received by shareholders both on the Policy and its implementation the Committee is comfortable that no changes are required to the Policy or its implementation for 2016/17.

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	814,029,424	98.38	13,430,293	1.62	827,459,717	74.01	1,463,379
To approve the Directors' Remuneration Policy	824,261,354	99.63	3,031,154	0.37	827,292,508	74.00	1,631,155

# Annual Report on Remuneration

## Single total figure of remuneration (audited)

### Executive Directors (audited)

The table below sets out the single total figure of remuneration and breakdown for each Executive Director in respect of the 2015/16 financial year. Comparative figures for the 2014/15 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).

Executive Directors <sup>1</sup>	Period	Salary £	Taxable benefits <sup>2</sup> £	Bonus £	LTIP £	Pension <sup>3</sup> £	Other <sup>4</sup> £	Other <sup>5</sup> £	Total £
<b>Lance Batchelor</b> (Group Chief Executive Officer)	2015/16	663,000	28,095	781,678	–	127,514	–	–	1,600,287
	2014/15	556,667	13,225	655,958	–	102,852	–	4,000,000	5,328,702
<b>Jonathan Hill</b> (Group Chief Financial Officer)	2015/16	334,246	19,748	325,699	–	74,680	190,000	–	944,373
	2014/15	–	–	–	–	–	–	–	–
<b>Andrew Goodsell</b> (Former Executive Chairman)	2015/16	330,422	18,261	389,567	–	232,481	–	–	970,731
	2014/15	777,462	41,496	941,506	–	265,915	–	5,000,000	7,026,379
<b>Stuart Howard</b> (Former Group Chief Financial Officer)	2015/16	196,992	6,837	193,545	–	156,573	–	–	553,947
	2014/15	472,781	27,794	477,036	–	180,719	–	3,000,000	4,158,330

Notes:

- <sup>1</sup> Lance Batchelor was appointed the Group Chief Executive on 24 March 2014. 2014/15 salary, taxable benefits and pension provision pro-rated in accordance to time in role. Jonathan Hill was appointed the new Group Financial Officer Designate and joined Saga on 7 April 2015. Salary, taxable benefits, pension provision and bonus have been pro-rated with respect to time in the role. Andrew Goodsell transitioned from his role as Executive Chairman to Non-Executive Chairman on 1 July 2015. Stuart Howard stepped down from Board of Directors of the Company on 23 June 2015. Salary, benefits, bonus and pension pro-rated for time served in financial year as Executive Directors. See page 93 for breakdown of bonus payments made in the year.
- <sup>2</sup> The types of benefits provided are set out in the Remuneration Policy section of the report.
- <sup>3</sup> Reflects the value of the DB pension accrual in the year and the pension cash supplement – see table on page 95 for further details.
- <sup>4</sup> A buyout award of £190,000 was made to the Group Chief Financial Officer on recruitment in the form of Saga shares (101,932 based on Saga's closing share price on 7 April 2015 of 186.4p). The award will vest in two equal tranches on the first and second anniversary of the Group Chief Financial Officer's commencement of employment with Saga. In determining this amount the Committee applied the "buyout" element contained in the recruitment policy. The buyout of the outstanding Bovis Homes awards held by the Group Chief Financial Officer were valued based on the publicly available information disclosed and took into account the vesting periods and probability of the performance conditions being satisfied at the date of cessation. This fair value was then discounted further to take into account the decreased probability of some of the longer term elements actually vesting. The discounted fair value was then converted in to a value of Saga shares which vest subject to continued employment. There are no further performance conditions attached to the vesting of these shares as the original performance conditions were taken into account in determining the buy-out value and therefore the imposition of additional performance conditions would in fact amount to a second set of performance conditions on vesting.
- <sup>5</sup> The former Executive Chairman and Group Chief Financial Officer were provided a one-off award on IPO ('IPO Award'). The shares under the IPO Awards were fully vested on IPO (with the sale restrictions on the shares to be lifted on 29 May 2015 in accordance with the lock up arrangements outlined in the IPO prospectus). The Group Chief Executive Officer was provided a share and cash award on IPO.
  - <sup>a</sup>. Share award consisted of a one-off award on IPO of market value share options (with an exercise price equal to Saga's share price on Admission of £1.85) with a face value of £4m. 25% will vest and become exercisable on the third anniversary of the award, 25% on the fourth anniversary and 50% on the fifth 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.
  - <sup>b</sup>. Cash award of £4m based on continued employment: 25% immediately on the IPO, 25% on the first anniversary of the award and 50% will be paid 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.

## Annual bonus

In respect of the 2015/16 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 2015/16 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 maximum performance achieved	Annual bonus value achieved (% of salary)			
								Lance Batchelor	Jonathan Hill	Andrew Goodsell	Stuart Howard
Group PBT	60%	£166.0m	£172.9m	£177.4m	£176.2m	20%-100%	89.6%	80.6%	66.6%	80.6%	67.2%
Group cash flow <sup>1</sup>	20%	77.3%	79.6%	81.1%	79.9%	20%-100%	69.3%	20.8%	17.2%	20.8%	17.3%
Personal objectives	20%	See below for details of the 2015/16 personal objectives and their achievement				0%-100%	55.0%	16.5%	13.6%	16.5%	13.8%
Total	100%						78.6%	117.9%	97.4%	117.9%	98.3%
Total £								781,678	325,699	389,567	193,545

Notes:

<sup>1</sup> Defined as net available cash generation.

<sup>2</sup> Under the terms of the Annual Bonus Plan, 20% for each element 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.

<sup>3</sup> Bonus paid to Jonathan Hill is pro-rated for the number of months served in the performance year. The bonus paid for Andrew Goodsell and Stuart Howard pro-rated for the number of months served in the performance year as Executive Directors. Bonus as % of salary has been calculated based on pro-rated bonus received and the pro-rated base salaries.

The following table sets out the level of satisfaction of the personal objectives for the Group Chief Executive Officer and Group Chief Financial Officer as well as the former Group Chief Executive Officer and the former Group Chief Financial Officer:

Name	Weighting	Objective	Details	Notes
Lance Batchelor Group Chief Executive Officer	10%	Customer numbers (insurance plus passengers)	Total customer numbers including: — motor, home and other financial services insurance policy numbers — tour operator passenger numbers — shipping passenger days.	Objective was partially achieved (growth in absolute customer numbers of 1.1% from prior year from 2.63m to 2.66m).
	5%	Successful sale of Allied Healthcare	Successful completion of the sale to Aurelius on 30 November 2015 at above minimum value set.	The completion of the successful transaction results in the Committee viewing this objective as met.
	5%	Successful launch of Saga Investment Services	Successfully launched on time and on budget in November 2015.  The proposition has received high indicative satisfaction scores from potential consumers based on surveys conducted.  Compliance, audit and risk plans put in place which will ensure the robustness of the Company's governance structure.	The Committee views this objective as partially met.
The overall performance against these personal objectives equated to 55% of the bonus for this element being achieved.				



**DIRECTORS' REMUNERATION REPORT**  
**ANNUAL REPORT ON REMUNERATION**  
CONTINUED

Name	Weighting	Objective	Details	Notes
<b>Jonathan Hill</b> Group Chief Financial Officer	10%	Customer numbers (insurance plus passengers)	Total customer numbers including: — motor, home and other financial services insurance policy numbers — tour operator passenger numbers — shipping passenger days.	Objective was partially achieved (growth in absolute customer numbers of 1.1% from prior year from 2.63m to 2.66m).
	5%	Successful launch of Saga Investment Services	Successfully launched on time and on budget in November 2015.  The proposition has received high indicative satisfaction scores from potential consumers based on surveys conducted.  Compliance, audit and risk plans put in place which will ensure robustness of the Company's governance structure.	The Committee views this objective as being partially met.
	5%	Risk Management	Managing the risk identification and mitigation process ensuring that Group and Divisional risk plans are in place and managed within the overall risk appetite as set by the Risk Committee.	Process improvements made during the year and plans are in place resulting in a better balance of strategic and operational risk.  The Committee views this objective as partially met.
The overall performance against these personal objectives equated to 55% of the bonus for this element being achieved.				
<b>Andrew Goodsell</b> Former Group Executive Chairman	10%	To support smooth hand-over to the new CEO to take over the leadership of the Saga business		The Committee views this objective as met.
	10%	To build an effective plc Board and effective Board Committees		The Committee views this objective as met.
The overall performance against these personal objectives equated to 55% of the bonus for this element being achieved.				
<b>Stuart Howard</b> Former Group Chief Financial Officer	10%	To support smooth hand-over to the new CFO to take over the CFO functions		The Committee views this objective as met.
	10%	To manage all external relationships effectively, ensuring the Company as a listed entity becomes firmly established with key parties		The Committee views this objective as met.
The overall performance against these personal objectives equated to 55% of the bonus for this element being achieved.				

The bonus of the 2015/16 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 awarded in 2015/16 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2015/16 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
<b>Lance Batchelor</b>	LTIP	Annual	£1,326,000	611,059	25%	100%	Relative TSR and EPS equally weighted
<b>Jonathan Hill</b>	LTIP	Annual	£612,000	282,027	25%	100%	Relative TSR and EPS equally weighted

The awards were granted on 30 June 2015; the face value is calculated with reference to the share price on 29 June 2015 of £2.17. The performance conditions are set out on page 89 in the Implementation of Remuneration Policy in the 2015/16 financial year. The awards will vest, subject to the level of performance achieved on 29 June 2018.

### Pension entitlements (audited)

The following table provides the information required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') and gives details for each Executive Director of:

- the annual accrued pension payable on retirement calculated as if he/she had left service at the year-end;
- the normal retirement ages;
- the value of the pension benefits at the start and end of the year, as calculated in accordance with the Regulations;
- the value of the pension benefits earned over the year, excluding any Director's contributions and any increases for inflation, calculated in accordance with the Regulations; and
- any payments in lieu of retirement benefits.

Neither of the Executive Directors has made additional voluntary contributions.

Executive Directors	Age at 31/01/2016	Pensionable service at 31/01/2016	Accrued pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
			01/02/2015	31/01/2016	Pension salary supplement <sup>1</sup>	Value x 20 over year (net of Director's contribution)	Total pension benefits	Normal retirement age
<b>Lance Batchelor</b>	52	1 year, 9 months	£1,939	£4,334	£79,614	£47,900	£127,514	65
<b>Jonathan Hill</b>	47	10 months	–	£2,000	£34,680	£40,000	£74,680	65

Notes:

<sup>1</sup> Pension salary supplement paid between the difference of the employer contribution into the Saga Pension Plan and 15% of the Executive Directors' base salary.

**DIRECTORS' REMUNERATION REPORT**  
**ANNUAL REPORT ON REMUNERATION**  
CONTINUED

**Non-Executive Directors (audited)**

The table below sets out the single total figure of remuneration and breakdown for each Non-Executive Director:

Non-Executive Director	2015/16			2014/15			Roles
	Fees	Taxable benefits	Total	Fees <sup>1</sup>	Taxable benefits	Total	
<b>Philip Green</b>	£91,050	–	£91,050	£60,692	–	£60,692	Senior Independent Non-Executive Director, Nomination Committee Chairman
<b>Ray King</b>	£74,983	–	£74,983	£53,949	–	£53,949	Non-Executive Director, Audit Committee Chairman, Risk Committee Chairman (to 24 June 2015)
<b>Orna NiChionna</b>	£66,650	–	£66,650	£40,462	–	£40,462	Non-Executive Director, Risk Committee Chairman (from 24 June 2015)
<b>Gareth Williams</b>	£70,816	–	£70,816	£47,205	–	£47,205	Non-Executive Director, Remuneration Committee Chairman
<b>Bridget McIntyre</b>	£5,933	–	£5,933	–	–	–	Non-Executive Director
<b>Andrew Goodsell<sup>2</sup></b>	£160,416	£26,810	£187,226	–	–	–	Non-Executive Chairman
<b>James Arnell<sup>3</sup></b>	£0	–	£0	£0	–	£0	
<b>Charles Sherwood<sup>4</sup></b>	£0	–	£0	£0	–	£0	
<b>Pev Hooper<sup>4</sup></b>	£0	–	£0	£0	–	£0	

Notes:

<sup>1</sup> Fees received for time served in financial year 2014/15.

<sup>2</sup> The fees for Andrew Goodsell relate to the period from 1 July 2015 to 31 January 2016. In addition, he receives the following taxable benefits which are legacy arrangements from his employment as Executive Chairman:

- <sup>a.</sup> A leased car and the associated fuel arrangement;
- <sup>b.</sup> Healthcare benefit.

<sup>3</sup> James Arnell is a Non-Independent Non-Executive Director who does not receive a fee from Saga plc.

<sup>4</sup> Charles Sherwood and Pev Hooper were Non-independent Directors who did not receive a fee from Saga plc and who left the Board on 2 December 2015.

**Annual fees**

Non-Executive Directors	2016/17 annual fee	2015/16 annual fee
<b>Chairman's fee</b>	£280,500	£275,000
<b>Board fee</b>	£62,424	£61,200
<b>Committee Chairmanship (per committee)</b>	£10,000	£10,000
<b>Senior Independent Non-Executive Director fee</b>	£20,000	£20,000

Notes:

Board fee to be increased from 1 June 2016.

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

Stuart Howard ceased employment with the Company on 30 June 2015. He received no termination payment from the Company on his cessation of employment.

He received an annual bonus, pro-rated for his time served during the 2015/16 financial year of £193,545 paid in cash – see page 94 for further details.

The table below provides details of the treatment of his outstanding and exercised share awards:

Plan	Outstanding awards/awards exercised	Committee determination
<b>Deferred Annual Bonus Plan ('DBP')</b>	2014/15 DBP 76,448 shares	Stuart Howard has been treated as a good leaver under the terms of the DBP on his retirement from the Company.  As a good leaver, all subsisting deferred share awards vested in full on his cessation of employment.  Stuart Howard exercised his Deferred Annual Bonus shares on 4 December 2015. He exercised 76,448 shares. The share price on exercise was £2.015 equating to a gain of £154,043.
<b>Long Term Incentive Plan ('LTIP')</b>	2014 106,482 shares	Stuart Howard has been treated as a good leaver under the terms of the LTIP on his retirement from the Company.  As a good leaver his award has been pro-rated to the amount of the vesting period completed on this date of cessation as Group Financial Director; the final payout will be based on Saga's achievement of the LTIP performance conditions at the end of the three year performance period.
<b>IPO Award</b>	2014 1,621,621 shares	Stuart Howard has 12 months from 30 June 2015 in which to exercise these IPO Award options.

### Statement of Directors' shareholding and share interests

See the tables on page 87.

### Fees retained for external non-executive directorships

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

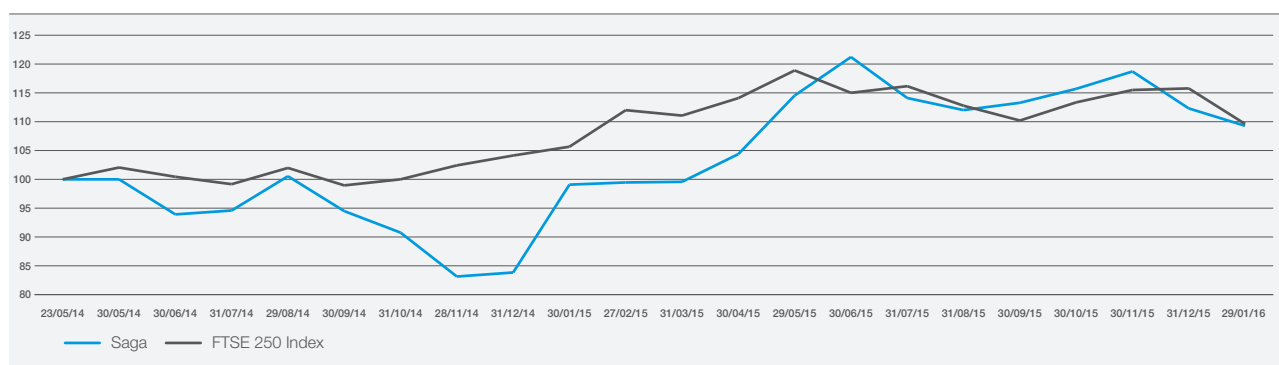
Lance Batchelor is a Trustee of the charity White Ensign Association and is a Trustee of the National Gallery; he does not receive a fee for either position.

## DIRECTORS' REMUNERATION REPORT ANNUAL REPORT ON REMUNERATION CONTINUED

### 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 2016.



### Group Chief Executive Officer historical remuneration

The table below sets out the total remuneration delivered to the Group Chief Executive Officer last year valued using the methodology applied to the single total figure of remuneration. The Group Chief Executive Officer joined the Company on 24 March 2014 therefore the remuneration shown is not for the full financial year. 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. Therefore the Remuneration Committee has chosen to disclose remuneration for the Group Chief Executive Officer only for the two most recent financial years:

Group Chief Executive	2015/16	2014/15
Total single figure	£1,600,287	£5,328,702
Annual bonus payment level achieved (percentage of maximum opportunity)	78.6%	80.7%
LTIP vesting level achieved (percentage of maximum opportunity)	n/a	n/a
Option vesting level achieved (percentage of maximum opportunity)	n/a	n/a

There was no long-term incentive plan or share option plan operated prior to listing. It should be noted that £4m of the single total figure for 2014/15 related to the award granted on Admission, which was a one-off payment to compensate for awards lapsing on his ceasing employment with his former employer.

### Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2015/16 financial year and 2014/15 financial year compared with other disbursements. All figures provided are taken from the relevant company accounts.

	Disbursements from profit in 2015/16 financial year	Disbursements from profit in 2014/15 financial year	Percentage change
	(£m)	(£m)	
Profit distributed by way of dividend	70.4	Nil	100%
Total tax contributions <sup>1</sup>	61.6	51.6	19.4%
Overall spend on pay including Executive Directors	300.1	330.7	9.3%

Note:

<sup>1</sup> Total tax contributions include corporation tax, national insurance contributions, VAT and Air Passenger Duty.

### 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 2014/15 to 2015/16 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 his 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.

It should be noted that the remuneration for 2014/15 has been annualised to allow a direct comparison with 2015/16 as the Group Chief Executive Officer was not appointed until 24 March 2014. The change in his taxable benefits is as a result of choosing to receive a Company car under the Car Policy instead of a cash based car allowance.

	Salary			Taxable benefits			Annual Bonus		
	2015/16	2014/15	Percentage change	2015/16	2014/15	Percentage change	2015/16 <sup>2</sup>	2014/15 <sup>2</sup>	Percentage change
Group Chief Executive Officer <sup>1</sup>	£663,000	£650,000	2%	£28,095	£15,870	77%	£781,678	£787,150	-0.7%
Average per employee <sup>3</sup>	£24,865	£23,661	5%	£638	£543	17%	£3,293	£2,599	27%

Notes:

<sup>1</sup> The Group Chief Executive Officer was appointed on 24 March 2014 and was only in office for 10 months of 2014/15. His salary, taxable benefits, and bonus for 2014/15 have been included on an annualised basis to aid comparison.

<sup>2</sup> The Group Chief Executive Officer's bonus for both years includes cash awards of £1,000,000 as part of his recruitment as compensation for awards lapsing on his ceasing employment with his former employer.

<sup>3</sup> All values for 2014/15 have been adjusted to exclude the Group Chief Executive Officer who was previously included as part of this population.

# DIRECTORS' REMUNERATION REPORT

## ANNUAL REPORT ON REMUNERATION

CONTINUED

### 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 our organisation

Organisational level	Employee #	Maximum bonus award – cash	Maximum bonus award – deferred shares	Maximum LTIP award	SIP
Executive Directors	2	100%	50%	200%	√
Executive Team	8	67%	33%	100%	√
Directors	16	60%	–	60%	√
Senior leadership	50	40%	–	40%	√
Rest of employee population	2,800	Up to 40%	–	–	√

### Statement of implementation of the Remuneration Policy in financial year 2016/17

See the tables on pages 88-89.

### 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 £65,000 (2014/15: £57,500) were provided to PwC during the year in respect of remuneration advice received.



**Gareth Williams**

Chairman, Remuneration Committee  
18 April 2016