

“It is important that our governance framework supports us as we strive to return to our heritage as a direct to consumer brand with Membership as its core.”



Dear Shareholder,

It is important that our governance framework continues to provide support as we strive to return to our heritage as a direct to consumer brand with Membership as its core. Governance must create the conditions so that our future strategic priorities (as outlined on pages 18-19) can be brought to life.

We spent time as a Board discussing how we could set the tone from the top, encourage long-term thinking and identify the 'touchstones' (see page 18) that should form the basis of our reporting, discussions and monitoring. The quality of data is important to us, so that we gain meaningful insight into what our customers want and how we can grow our Insurance and Travel businesses.

The Board also spent time considering how investment in the Saga brand would allow us to continue to offer differentiated products and to be innovative and disruptive in the market. It was clear that focus on attracting new customers and growing our Retail Insurance and Travel businesses would need to include consideration of how our customers experience our service. Board discussion has focused on how investment decisions will lead to future growth.

Details of Board activities during the year and how the governance structure supported key decisions, such as the decisions to invest in our IT capabilities and to charter new river cruise ships, can be found on pages 60-61.

The Audit, Nomination, Risk and Remuneration Committees also played important roles throughout the year. The Risk

Committee considered how Group strategy would impact principal risks and uncertainties and discussed our risk appetite and tolerance levels. This analysis played an important part in the stress testing used in the formation of the viability statement (see page 54). The Audit Committee considered the process and the viability statement itself, provided assurance that appropriate systems, controls and processes were in place and advised the Board that it supported the statement that the annual report is 'fair, balanced and understandable'. Details can be found in the Audit Committee Report on pages 75-78.

Board composition and changes

The year has seen changes in Board composition. I succeeded Andrew Goodsell as Chairman in May 2018, following his retirement. James Quin joined as Group Chief Financial Officer on 1 January 2019, replacing Jonathan Hill who left the Company in September 2018. Julie Hopes replaced Bridget McIntyre as a Non-Executive Director in October 2018 (and has assumed the position of Chair of Saga Services Limited) and we also welcomed Eva Eisenschimmel and Gareth Hoskin as additional Non-Executive Directors (with effect from 1 January 2019 and 11 March 2019 respectively). Gareth will also act as Chair for Acromas Insurance Company Limited.

For details of the processes for selection and appointment, see page 69.

We comply with the recommendation in the UK Corporate Governance Code 2016 (Code) that at least half of our Board members are independent Non-Executive Directors. For full details of Board composition see pages 64-66.

Our people

Our people are our future leaders and brand ambassadors. Talent development and succession planning is discussed in detail by the Nomination Committee and the Board during the year, including biannual formal reviews. The Board is committed to developing our employees and creating a culture in which employees are encouraged to 'be brave and challenge'. During the year we launched a leadership degree, continued the rollout of the Saga Way leadership development programme to our wider group of senior leaders and introduced the concept of 'rapid results' trials, to encourage innovative and creative thinking. We awarded eligible employees Free Shares for the fourth year running to reward their hard work and encourage a sense of ownership of the business.

Environmental, social and governance

We considered the framework of current policies and processes relating to responsible business practices. Group Executive members were allocated accountability for main work streams, including environmental issues, stakeholder considerations and implications to the brand and Membership propositions.

Our governance framework is reviewed by the Board every year against best practice and regulatory requirements. We conducted our third externally facilitated Board and Committee evaluation during the year. The exercise focused on areas identified during last year's review as opportunities for further development. The review concluded that good progress had been made, there was a clearer view of risk and areas of importance were highlighted in pre-read papers. There was also greater emphasis on focusing on the long-term. The Board discussed the findings of the review and concluded that the business will continue to set out credible plans for the long-term future of the Group; consider the impact of decisions on stakeholders in more detail; focus on competition and what differentiates Saga; and assess the impact of advances in technology and artificial intelligence. A full explanation of the evaluation exercise can be found on pages 66-67.

While we have reported against the 2016 Code, we are mindful that the UK Corporate Governance Code 2018 applies to the Company from 1 February 2019 and so we conducted a gap analysis to identify necessary action. Our terms of reference for all Committees and a document summarising matters reserved for the Board were updated where necessary to reflect new requirements. A summary of action taken is provided on page 57.

As a result of the new Corporate Governance Code and the findings of the evaluation, the Board is focused on 'touchstones'. It is driving to put our Possibilities members at the heart of our discussions. This is achieved partly by designating Eva Eisenschimmel as the Non-Executive Director responsible for championing the customer. This will ensure that customer views and opinions are communicated to the Board as a whole. Eva will also provide guidance and act as a sounding board for all aspects of customer experience across the Group.

The Remuneration Committee discussed how its responsibilities would change in order to review wider workforce remuneration and related policies and ensure the alignment of incentives and rewards with culture. As a result, we formed a 'People Committee' and agreed that Gareth Williams should be the designated Non-Executive Director for employee-related matters. He will ensure that employee views and opinions are communicated to the Board as a whole. Gareth will attend the People Committee at least twice a year to observe the discussions relating to remuneration, reward and recognition, employee engagement, development, training and talent, the working environment and the Saga Way, and to answer any questions that the employee representatives may have. This will help ensure that workforce policies and practices are consistent with the Company's values and support its long-term sustainable success. Further details can be found in our Remuneration Report on pages 101-102.

Key features

Our internal governance procedures must support our strategic priorities

Corporate governance statement:

- **Governance:** an explanation of how governance works to support our strategic priorities as we seek to become an increasingly Membership-led organisation and invest for growth.
- **Performance:** how performance is reviewed to ensure that long-term relationships are developed with our stakeholders.
- **Customers:** work to recognise the current and future value of customers and where to focus efforts and investment, including a more targeted contact strategy and work to consider how much more efficient and effective our database could be.
- **Possibilities:** how to ensure that our Membership scheme delivers what our members really want.
- **Growth:** how to grow our Insurance and Travel businesses and invest in our capabilities.
- **Financial performance.**

For more details see pages 18-19.

A summary of how we have applied the principles of the 2016 Code is set out overleaf. Our approach to leadership is detailed on pages 58-63, effectiveness on pages 66-67, accountability on pages 70-74, and relations with shareholders on page 82.

Culture

I recognise that in the current challenging trading environment, a strong cultural framework is key. A sound governance framework will remain vital in supporting our people. It will ensure we focus on our stakeholders and on the right things to deliver our strategy.

Our shareholders and our AGM

Our Executive Directors, Senior Independent Director and I met with key shareholders throughout the year, heard from our brokers and discussed how we could improve communication and explain our strategy. At our fourth AGM at our head office in Folkestone, Kent on 21 June 2018, all resolutions were passed with a significant majority and all Directors standing for re-election were re-appointed. I hope to welcome you to our AGM scheduled for 19 June 2019.



Patrick O' Sullivan
Chairman
3 April 2019

Compliance statement

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

Viability statement

The Directors have considered the viability of the Group over the five-year period to January 2024 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 2024 to be an appropriate period over which to assess the Group's viability, as this period:

- a) is consistent with the planning horizon over which the Directors normally consider the future performance, capital and solvency requirements of the business
- b) includes the delivery of the contracted new ships in 2019 and 2020
- c) includes the refinancing of senior bank facilities which took place in 2017, maturing in four to six years
- d) includes consideration of Brexit.

In making this statement, the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe but plausible scenarios, and the effect of any mitigating actions. The Directors have considered each of the Group's principal risks and uncertainties (PRUs) detailed on pages 34-37 and the potential impact of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have also taken into account the availability of the Group's senior banking facilities, which do not mature until 2022 and are considered to be sufficient to meet the Group's needs.

Our list of 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. All of the PRUs have been considered and severe but plausible outcomes for each have been identified. The financial impact in terms of both profit and cash of each outcome has been quantified along with their likelihood of occurrence. Assessments of potential financial impact were derived from both internal calculation and examples of similar incidents in the public domain.

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

1. General insurance regulation.
2. A no-deal Brexit.
3. A failure to deliver on our Insurance strategy.

Three scenarios were then modelled for the assessment period: the impact of any one of the three largest sensitivities individually, as if each were certain to occur and were mutually exclusive of one another; the estimated financial impact for a reasonably possible combination of all sensitivities occurring at the same time, by reference to the estimated probability of each one occurring; and a reverse stress test considering what PRU, or combination of PRUs, might lead to breach of performance and cash flow solvency thresholds. The outcome of this modelling confirmed that none of the top three PRUs would compromise the Group's viability. The reverse stress test demonstrated that the likelihood of a combination of PRUs causing us to breach performance and insolvency thresholds was remote.

As set out in the Audit Committee Report on pages 75-78, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing.

Going concern	<p>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 (see principal risks and uncertainties on pages 34-37; Operating and Financial Review on pages 38-51; accountability on pages 70-74; Audit Committee Report on pages 75-78; Risk Committee Report on pages 79-81; and notes on pages 132-197).</p> <p>The Group has access to sufficient cash and other financial resources, 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.</p> <p>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.</p>
Fair, balanced and understandable	<p>In accordance with the principles of the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.</p>
Assessment of risk	<p>Through the risk cycle detailed on page 72, 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.</p>
Statement of review	<p>The risk management process detailed on pages 70-74 was in place for the year under review and up to the date of approval of this report.</p> <p>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.</p>

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

A. Leadership

A1 The role of the Board

The Board met formally seven times during the year. The schedule of matters reserved for the Board (detailed on page 58) was reviewed on 25 September 2018. There is a clear governance structure throughout the Group, which sets out delegated authorities.

A2 Division of responsibilities

There is a clear division of responsibilities between the Chairman and the Group Chief Executive Officer. The Chairman is responsible for the leadership and effectiveness of the Board. The Group Chief Executive Officer is responsible for leading the day to day management of the Group within the strategy set by the Board. A document clarifying these divisions and the role of the Senior Independent Director was reviewed and approved by the Board on 1 November 2018. This document is reviewed annually by the Board.

A3 The Chairman

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

A4 Non-Executive Directors

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

B. Effectiveness

B1 The composition of the Board

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

B2 Appointments to the Board

The appointment of new Directors to the Board is led by the Nomination Committee and the process is such that candidates are selected on merit and with due regard for the benefits of diversity, in all forms. This included the search for a successor to the Chairman. Further details of the activities of the Nomination Committee can be found on pages 68-69.

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 pages 66-67.

B7 Re-election of Directors

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

C. Accountability

C1 Financial and business reporting

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report is set out on pages 1-51 inclusive and this provides information about the performance of the Group, the business model, strategy and PRUs 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 79-81.

C3 Audit Committee and auditors

The Board has delegated a number of responsibilities to the Audit Committee, which is responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by the external auditor. The principal activities of the Audit Committee are set out on pages 75-78.

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 the interests of management are aligned with those of shareholders and the long-term success of the Company.

D2 Procedure

Details of the work of the Remuneration Committee and the Remuneration Policy can be found in the Directors' Remuneration Report on pages 83-112 inclusive.

E2 Constructive use of general meetings

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

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

E. Relations with shareholders

E1 Dialogue with shareholders

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

Action taken as a result of a review of the UK Corporate Governance Code 2018	
Audit and Risk Committees	A review of the current practices and procedures showed that the Company is compliant with the UK Corporate Governance Code 2018.
Nomination Committee	<p>The remit was expanded (and terms of reference updated) to include:</p> <ul style="list-style-type: none"> • additional reporting responsibilities for the annual report and accounts • oversight of the development of a diverse pipeline for succession and reporting on progress on diversity • a formal process for Director appointments to note consideration of other demands on Directors' time and significant commitments (with an indication of time involved) • Directors are required to obtain Board approval before accepting additional external appointments.
Remuneration Committee	<p>The remit was expanded (and terms of reference updated) to include a review of workforce remuneration and related policies and alignment of incentives and rewards with the Company's risk appetite, culture, strategy and purpose.</p> <p>The Company's remuneration policies and practices are being reviewed to ensure they are aligned with the Company's culture and strategy. Formal channels for providing feedback by the workforce on reward, incentives and conditions and how these address any pay gaps and pay ratios has been established by the formation of a People Committee. Gareth Williams was selected as our Non-Executive Director for employee-related matters.</p> <p>More information can be found in our Remuneration Report on pages 83-112.</p>

Culture

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

All Directors, members of the Group Executive Committee and persons discharging managerial responsibilities (PDMRs) receive training on an ongoing basis. During the year, the Directors received regular updates on topics including the Market Abuse Regulation, General Data Protection Regulation (GDPR) and other relevant regulatory changes. Training has been built into the Board and Committee annual plan for 2019/20 and is scheduled to include PDMR refresher training, the threat of cybercrime and GDPR.

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

Our Board

There is an articulated set of matters which are reserved for the Board and these are reviewed annually. The last review took place on 25 September 2018. Matters reserved for the Board include the following:

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

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

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

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

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

Details of the Board's activities during the year can be found on pages 60-61.

Board attendance during the year

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

Member	Role	Maximum number of meetings	Attendance
Patrick O' Sullivan ¹	Chairman (leadership, Board governance, set the agenda and facilitate open Board discussions, performance and shareholder engagement)	5	5
Lance Batchelor	Group Chief Executive Officer (develop strategy for Board approval and Group performance)	7	7
James Quin ²	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	1	1
Orna NiChionna	Senior Independent Director (sounding board for Chairman, lead evaluation on Chairman, alternative contact for shareholders)	7	7
Independent Non-Executive Directors:			
Eva Eisenschimmel ³	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.	1	1
Gareth Hoskin ⁶		0	0
Julie Hopes ⁴		2	2
Ray King		7	7
Gareth Williams		7	7
Former Directors:			
Andrew Goodsell	Chairman	1	0
Jonathan Hill	Group Chief Financial Officer	5	5
Bridget McIntyre ⁵	Non-Executive Director	5	5

Notes:

- 1 Andrew Goodsell resigned as Chair on 30 April 2018. Patrick O' Sullivan was appointed as Chairman on 1 May 2018
- 2 Jonathan Hill resigned as Group Chief Financial Officer on 28 September 2018. James Quin was appointed as Group Chief Financial Officer on 1 January 2019
- 3 Eva Eisenschimmel was appointed on 1 January 2019
- 4 Julie Hopes was appointed on 1 October 2018
- 5 Bridget McIntyre retired on 31 October 2018
- 6 Gareth Hoskin was appointed on 11 March 2019

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

Board activities during the year

The content of all Board meetings remains aligned to strategy and the key drivers of performance. Meetings are structured to enable the Board to support executive management on the delivery of strategy within a transparent and robust governance framework as illustrated on pages 62-63. The table below sets out the key areas of focus for the Board's activities and topics discussed during the year.

Areas of Board focus:

Strategy	Regular updates were provided by management on strategic and commercial priorities, including the development of the new brand strategy and updates on the Possibilities programme. The possible impact of Brexit was discussed.
People & culture	The Board received regular updates on talent and succession plans, reward structures and Group HR policy. We established a People Committee to facilitate ongoing dialogue and transparency with our employees.
Stakeholder engagement	We considered the views of, and impact of decisions on, our stakeholders. We maintained an active dialogue with our shareholders throughout the year responding to enquiries via our Investor Relations team and held meetings with investors and financial analysts to discuss business performance and strategy. The Executive Directors, the Chairman and the Senior Independent Director held meetings with key shareholders.
Governance	Regular reports were provided by the Board's principal Committees, with oversight of the governance and risk management frameworks. We reviewed our risk appetite and tolerance levels and thresholds against the strategy. The Group's modern slavery policy and statement were approved and published.
Investing in our capabilities	The Board received updates from management on the performance of the business and on financial performance and how investment would lead to growth.

Customer centricity

- Discussed how the Possibilities proposition could be developed to provide greater insight into customer needs and wants (refer to pages 19-21).
- Reviewed the marketing permissions centre and considered how this would continue to comply with the GDPR.
- Considered how Insurance could be better aligned to what customers want – delivery of Insurance the Saga Way.



People

- Terms of reference for a People Committee were agreed, so that the Board would hear the views of the wider workforce (refer to pages 101-102).
- Held a biannual review of talent development and succession planning.
- Agreed the award of Free Shares to eligible employees under the Share Incentive Plan (SIP) for the fourth year running.
- Invited senior executives to Board meetings to gain a deeper understanding of each business and our culture.



Governance in action



Investment

- Considered how platforms could deliver flexibility and efficiencies – for customers and employees (refer to pages 15 and 19).
- Discussed the new insurance platform, how this would increase product differentiation, improve call centre and back office efficiencies and enable cross-selling and customer retention.
- Discussed and approved the proposition to replace existing river ship charters (giving customers what they want and increasing our ability to compete).



Growth

- Reviewed our products and offerings to ensure that they truly were differentiated and enabled us to compete.
- Discussed how to grow the Retail Insurance and Travel businesses (refer to pages 14-15).
- Monitored progress of the build of our new ship, Spirit of Discovery (refer to pages 15 and 24-25).

The Board's responsibilities

- Strategic direction of the Group.
- Setting values and standards (in accordance with the 'keep doing' ethos).
- Considering the needs of our stakeholders, including shareholders, employees and customers.

The Nomination Committee's responsibilities

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

 The Nomination Committee Report is on **pages 68-69**

The Audit Committee's responsibilities

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

 The Audit Committee Report is on **pages 75-78**

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

- implementing strategy as determined by the Board
- executive management – monitoring trading against strategy
- cultural leadership and people development and day to day operational management

- Ensuring compliance with statutory and regulatory obligations.
- Managing risk and control.


The Risk Committee’s responsibilities

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

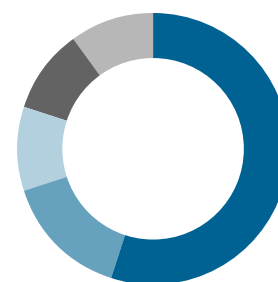
 The Risk Committee Report is on **pages 79-81**

The Remuneration Committee’s responsibilities

- Setting and monitoring the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements and all relevant factors to ensure alignment with the delivery of value over the long-term.
- Recommending and monitoring remuneration packages for Executive Directors, the Chairman and senior management.
- Working with the Nomination Committee regarding workforce structure, reward, incentives and conditions.
- Reviewing workforce remuneration and incentive programmes ensuring alignment with Company culture and strategy.
- Determining all aspects of share-based incentive arrangements.
- Reviewing and administering employee share schemes.
- Setting key performance indicators for the Annual Bonus Plan and long-term incentives.
- Preparing an Annual Remuneration Report.

 The work of the Remuneration Committee is included on **pages 83-112** and is incorporated by reference

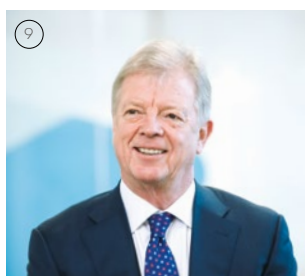
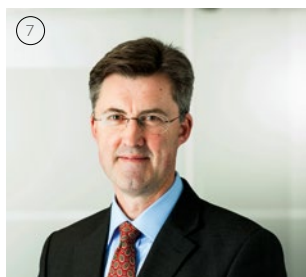
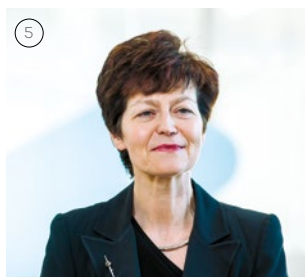
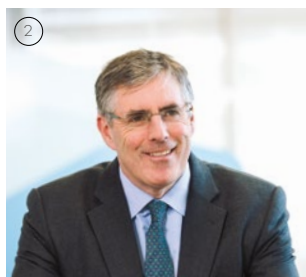
Board responsibilities – allocation of time



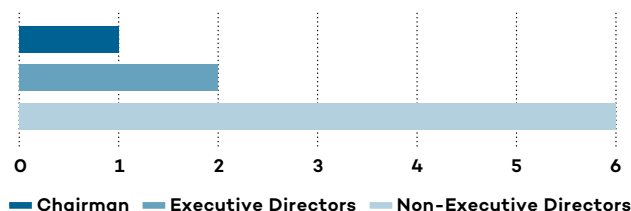
- **Strategy and business performance** c. 55%
- **Financial reporting and controls (including dividend policy)** c. 15%
- **Oversight of risk and management** c. 10%
- **People, culture and Board effectiveness** c. 10%
- **Corporate governance** c. 10%

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

Board of Directors



Composition of the Board



Key to Committees

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

1. Patrick O' Sullivan

(N)
Chairman

Appointed

Independent Non-Executive Director and Chairman on 1 May 2018

Skills, competencies and experience

Patrick has a wealth of experience in the financial and insurance industry gained from a number of senior roles he held at the Bank of America, Goldman Sachs, Financial Guaranty Insurance Company and Barclays/BZW. Patrick spent 12 years at Zurich Insurance Group, where he held positions including CEO of Eagle Star Insurance Company, CEO of UK General Insurance, Group Chief Financial Officer and Vice Chairman of the Management Board. Previous Non-Executive roles have included Chairman of Old Mutual plc and the UK's Shareholder Executive, Deputy Governor of the Bank of Ireland, Senior Independent Director at Man Group plc and Chairman of the Audit Committee at Collins Stewart plc and Cofra Group AG.

Other roles

Patrick is also Chairman of ERS (syndicate 218), a Lloyd's market specialist motor insurer (appointed April 2013).

2. Lance Batchelor

(E)
Group Chief Executive Officer

Appointed

Group Chief Executive Officer on 14 April 2014
Joined March 2014

Skills, competencies and experience

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

Other roles

Lance is a Non-Executive Director on the Royal Navy Board, (appointed October 2018) and a Trustee of the charity The White Ensign Association (appointed November 2014).

3. James Quin

(E)
Group Chief Financial Officer

Appointed

Group Chief Financial Officer on 1 January 2019

Skills, competencies and experience

James joined us from Zurich Insurance Group, where his most recent role was UK Chief Financial Officer, spanning the UK Property & Casualty and Life Insurance operations. James is a seasoned insurance executive with over 28 years of senior leadership experience, primarily within Zurich, Citigroup Global Markets, Lehman Brothers and PricewaterhouseCoopers. James has extensive strategic, investor and operational finance experience within the insurance industry and is a valuable member of the Leadership Team.

James is an associate of the Institute of Chartered Accountants in England and Wales.

4. Orna NiChionna



Senior Independent Non-Executive Director

Appointed

Senior Independent Non-Executive Director on 31 March 2017

Independent Non-Executive Director on 29 May 2014

Skills, competencies and experience

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

Other roles

Orna is currently Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Royal Mail plc (appointed June 2010), Non-Executive Director and Chair of the Remuneration Committee at Burberry Group plc (appointed January 2018), Deputy Chair of the National Trust (appointed January 2014) and Trustee of Sir John Soane's Museum (appointed January 2012).

7. Gareth Hoskin



Independent Non-Executive Director

Appointed

Non-Executive Director on 11 March 2019

Skills, competencies and experience

Gareth joined the Saga Board in March 2019. He brings a wealth of experience from nearly 20 years with Legal & General in a variety of roles, latterly as a main Board Director and CEO International, where he was responsible for the North American, European, Middle East, Indian and Far East insurance markets. Prior to that he held a variety of roles in finance, retail marketing and HR. Before joining Legal & General, Gareth worked at PwC for 12 years, where he trained as an accountant and later specialised in insurance.

Other roles

Gareth is currently Audit Chair and Senior Independent Director at Leeds Building Society (appointed November 2015). He is also Trustee, Non-Executive Director and Chair of the Audit and Risk Committees at Diabetes UK (January 2015).

5. Eva Eisenschimmel



Independent Non-Executive Director

Appointed

Independent Non-Executive Director on 1 January 2019

Skills, competencies and experience

Eva brings over 30 years of experience as a brand and marketing professional. She was previously a Non-Executive Director (and a member of the Audit, Nomination, Remuneration and Risk Committees) of Virgin Money plc until its acquisition by CYBG plc. Prior to this she was Managing Director of Marketing, Brands and Culture at Lloyds Banking Group plc, Chief Customer Officer at Regus plc, and Chief People and Brand Officer at EDF Energy. Eva has also held senior positions at Allied Domecq and British Airways, where she was responsible for the Executive Club, with three million members at the time.

Other roles

Eva is currently Chief of Staff at Lowell (appointed February 2016).

8. Ray King



Independent Non-Executive Director

Appointed

Non-Executive Director on 29 May 2014

Skills, competencies and experience

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

Other roles

Ray is currently a Non-Executive Director of Rothesay Holdco UK Ltd (appointed April 2014) and of its regulated subsidiary, Rothesay Life plc (appointed April 2014).

6. Julie Hopes



Independent Non-Executive Director

Appointed

Independent Non-Executive Director on 1 October 2018

Skills, competencies and experience

Julie brings a wealth of insurance experience coupled with over 20 years in a variety of roles, at Co-operative Insurance, RSA and Tesco Bank, specialising in general insurance and predominantly in personal lines. Julie is highly customer-focused, with a breadth of functional, membership and affinity experience and a track record of driving growth.

Most recently, Julie was a Non-Executive Director of Co-Operative Insurance, where she chaired the Risk Committee and was a member of the Audit and Remuneration Committees. Prior to this, she was the CEO of The Conservation Volunteers (2012 to 2016), a UK community volunteering charity. Julie is an associate with the Chartered Institute of Bankers.

Other roles

Julie is currently a Non-Executive Director of both Police Mutual, (appointed May 2014) where she chairs the Remuneration Committee and is a member of the Risk, Nominations and With Profits Committees, and West Bromwich Building Society (appointed April 2016), where she chairs the Remuneration Committee and is a member of the Risk and Nominations Committees.

9. Gareth Williams



Independent Non-Executive Director

Appointed

Non-Executive Director on 29 May 2014

Skills, competencies and experience

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

Other roles

Gareth is currently a Non-Executive Director of WNS (Holdings) Limited (appointed January 2014).

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.

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

Independence of Non-Executive Directors

The Board considers all of the current Non-Executive Directors to be independent of Saga's executive management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management. These Directors are Eva Eisenschimmel, Julie Hopes, Gareth Hoskin, Ray King, Orna NiChionna, Patrick O' Sullivan and Gareth Williams.

Changes to the Board

Andrew Goodsell resigned from the Board and his position as Non-Executive Director and Chairman on 30 April 2018. He was replaced as Non-Executive Director and Chairman by Patrick O' Sullivan, who was selected due to his experience in growing businesses in the financial services and insurance industry. The Board was of the opinion that Patrick's leadership would be invaluable as we invested in growing the customer base to deliver profit growth across the business.

During the year we made three appointments to the Board. The Nomination Committee discussed optimum Board composition and the skills required to take the business forward. In March 2018, we announced that Jonathan Hill intended to resign from the Board and step down from his position as Group Chief Financial Officer. The process to recruit a replacement was led by Orna NiChionna as Senior Independent Director and overseen by the Nomination Committee. On 20 September 2018, we announced that the Board had approved the Nomination Committee's recommendation to appoint James Quin as Group Chief Financial Officer with effect from 1 January 2019. James was selected due to his extensive strategic, investor and operational finance experience within the insurance industry.

In September 2018, we announced that Julie Hopes had been appointed to the Board as a Non-Executive Director with effect from 1 October 2018, replacing Bridget McIntyre.

In December we announced that Eva Eisenschimmel had been appointed to the Board as a Non-Executive Director with effect from 1 January 2019. More details on the appointment process can be found in the Nomination Committee Report on pages 68-69.

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 64-65.

Annual re-election

The Directors are standing for election or re-election at the AGM. The Board's view is that each of the Directors standing for re-election should be re-appointed and that Julie Hopes, Gareth Hoskin, James Quin and Eva Eisenschimmel, who are standing for election, should be appointed. We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 64-65.

Board effectiveness review

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

2017/18 review

The 2017/18 review was carried out by Independent Audit Limited, based on Independent Audit Limited's analysis of a self-assessment.

The review concluded that the Board felt that information and the way issues were brought to the Board had improved and provided the right opportunity for discussion.

The action plan arising from the 2017/18 evaluation included:

- improving the structure of the information provided, to make sure that the Board receives a clear picture of how performance links to key drivers
- improving Board papers, so that these consistently benefited from good summaries, positioning and analysis to help the Board ensure that growth and initiatives were on track.

2018/19 review

The Board agreed that the 2018/19 review should also be carried out by Independent Audit Limited, as this would provide a consistent approach and allow for effective tracking against the previous year's action plan. Independent Audit Limited does not have any other connection to the Company.

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

- how value is built and how strategy is considered and presented to investors
- how well we understand our customers and use data to gain valuable insight
- how we stay alert to the competition
- how investment would be made in the Possibilities programme and brand awareness
- the risk associated with technology, projects and delivery of strategy
- the performance of the Committees and Committee Chairs.

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

The review concluded that good progress had been made, there was a clearer view of risk and areas of importance were highlighted in pre-read papers. There was greater emphasis on focusing on the long term.

There remains scope for further strengthening of:

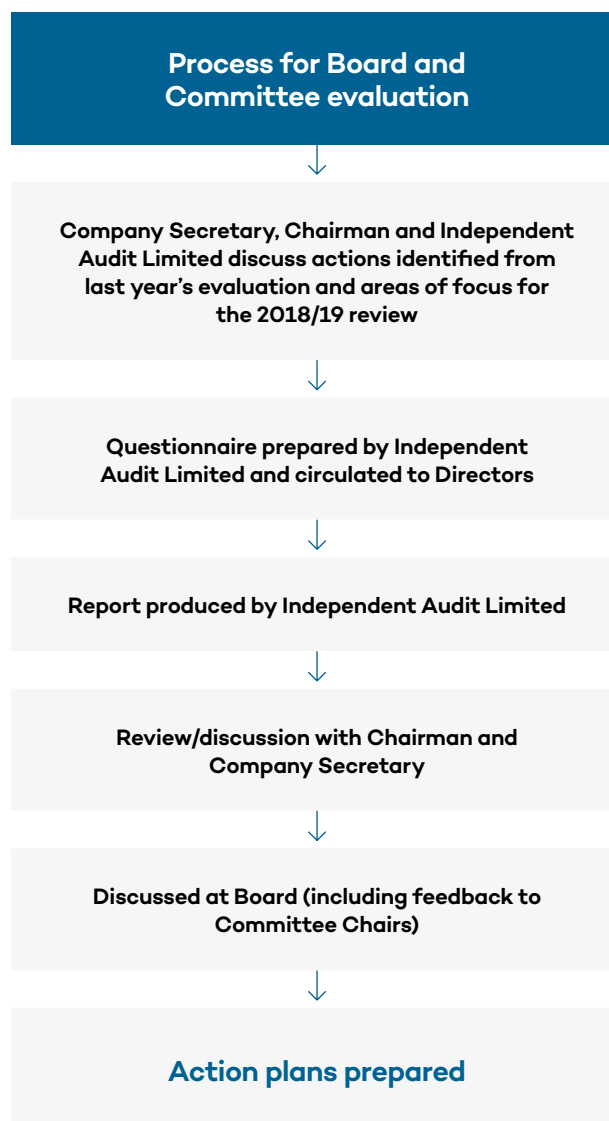
- setting out credible plans for the long-term future of the Group
- considering the impact of decisions on stakeholders in more detail
- focusing on competition and what differentiates Saga
- assessing the impact of digital and artificial intelligence.

As a result of cascading the results of the evaluation to the Group Executive, a good dialogue was established to support delivery of the strategy.

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

Board development plan for 2019/20

The Board will continue to ensure that agreed 'touchstones' remain at the centre of Board discussions and are aligned to strategy. Quality of data will be paramount to ensure that key drivers of performance are closely monitored. Risk management will continue to link directly to strategic drivers and PRUs. Off-site strategy days are used to set and reflect on progression of the Company's strategy. These sessions also allow the Board to discuss the strategic priorities for the year ahead.



Dear Shareholder,

I am pleased to present this report from the Nomination Committee on what has been a year in which we have made significant changes to Board composition. Since I assumed responsibility as Chair of the Committee from Orna NiChionna on 18 May 2018, we have been focused on ensuring that we have the right skills and experience in place at Board level. I was delighted that this resulted in the appointments of Julie Hopes, Eva Eisenschimmel and Gareth Hoskin as Non-Executive Directors and James Quin as Group Chief Financial Officer. Julie chairs the Saga Services Limited board, our largest regulated subsidiary, following the retirement of Bridget McIntyre and Gareth will act as chair of our AICL board, providing useful oversight of these key areas of our business. Our Board is currently comprised of 33% female to 67% male Directors. Succession planning and talent development at and below Board level remains a key consideration, recognising the importance of this in supporting the delivery of our strategy.



General information

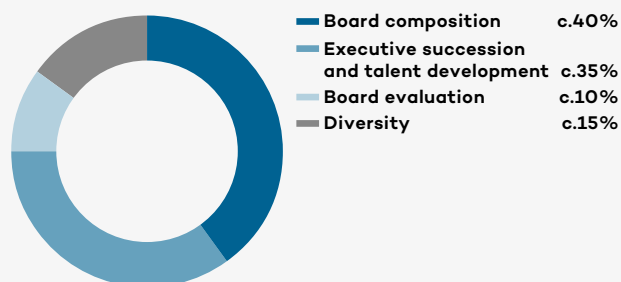
Summary of Committee's remit

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

Committee terms of reference were approved by the Board on 25 September 2018 and are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Committee composition and attendance

Member	Member since	Max. possible meetings	Attendance
Patrick O' Sullivan (Chair) ¹	18/05/18	4	4
Andrew Goodsell ²	24/09/15	3	0
Ray King	29/05/14	7	7
Bridget McIntyre ³	01/01/16	5	4
Orna NiChionna	29/05/14	7	7
Gareth Williams	29/05/14	7	7

Notes:
 1 Patrick O' Sullivan was appointed on 1 May 2018
 2 Andrew Goodsell resigned on 30 April 2018
 3 Bridget McIntyre retired on 31 October 2018

At the beginning of the year, the Committee consisted of independent Non-Executive Directors and the previous Chairman. Following the appointment of Patrick O' Sullivan as Committee Chair, all members were independent. From 1 November 2018, three independent Non-Executive Directors and the Chairman have formed the Committee. Since the year end we have appointed Eva Eisenschimmel as a Committee member.

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see pages 66-67). The review indicated that the Committee had had good discussion about Board skill requirements, diversity and management development. It was felt that a future area of focus was the succession pipeline to ensure that it supported a strong and diverse management team.

Board evaluation

Committee members also discussed the findings of the report produced by Independent Audit Limited in relation to the composition of the Board. Based on the self-assessment, it was felt that the Committee had a detailed understanding of the appropriate Board and the Board Committees' structure, size and composition. We also concluded that the selection process for the Chairman, Group Chief Financial Officer and Non-Executive Directors had resulted in a Board comprised of the skills needed to take the Group forward.

Board composition

Our terms of reference set out how we recruit and appoint Directors to the Board. They stipulate that we will use open advertising or the services of external advisers to facilitate a search for the best possible candidates. In last year's report, we confirmed that MWM Consulting had been appointed by the Committee to provide support in searching for a new Chairman and we explained the process involved. The Committee recommended my appointment as Chairman, which was subsequently approved by the Board.

Following my appointment, the Committee considered the skills needed to support delivery of the strategy. We concluded that there was a need to appoint a Non-Executive Director with strong insurance experience and a focus on customer outcomes, who would succeed Bridget McIntyre as a Board Director and Chair of Saga Services Limited. In addition, we identified the need to appoint a Non-Executive Director with both insurance and commercial experience, who would also chair AICL, and a Non-Executive Director with strong consumer experience, particularly in optimising customer journeys, marketing and brand awareness. MWM Consulting was involved in appointing all of the Non-Executive Directors.

Following the resignation of Jonathan Hill as Group Chief Financial Officer, a search was instigated for his replacement. Spencer Stuart was involved in this process. Neither MWM Consulting or Spencer Stuart have any other connection with the Company.

Job specifications were carefully crafted to reflect the requirements for each role, including time commitment and experience. A shortlist was considered for each role and a series of interviews with all members of the Committee and the Group CEO followed for preferred candidates. References were obtained and terms of appointment were considered. Candidates were assessed against their strategic skill set, experience, and personality and fit. Consideration was also given to diversity and whether individuals being considered for the Non-Executive roles met the independence criteria set out in the Code.

Re-election and election of Directors

During the year, the Committee considered the profiles of the Directors and recommended to the Board that all should be put forward for re-election or election at the 2018 AGM. Individuals did not participate in the discussion when their own re-appointment was being considered.

After the year end, but prior to the publication of this annual report, the Committee considered each Director's contribution and the time commitment necessary to perform their duties. A recommendation was made to the Board that all Directors be put forward for re-election (or election) at the 2019 AGM.

Succession planning and talent development

The Committee has continued to oversee the development of Group Executive Committee members and senior management. An established talent review framework is in place, which identifies potential successors for each role, a pipeline of candidates for the Executive and a development process. Diversity is considered as part of this discussion.

The Committee recognised the importance of the Board having access to senior management meeting individuals in the talent pool. Arrangements were made for the Board to meet these individuals and they were invited to attend Group Executive meetings to gain an understanding of the skills required to operate at a senior level.

Diversity

The Company has a diversity and dignity policy in place to provide equal opportunity for all individuals including in relation to protected characteristics of individuals. This policy applies to the Group, including the Board of Directors, and is communicated to all staff. All employees are expected to co-operate in making this policy effective and to adhere to it and report any breaches of the policy, whether actual or perceived, to their line manager or to human resources.

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

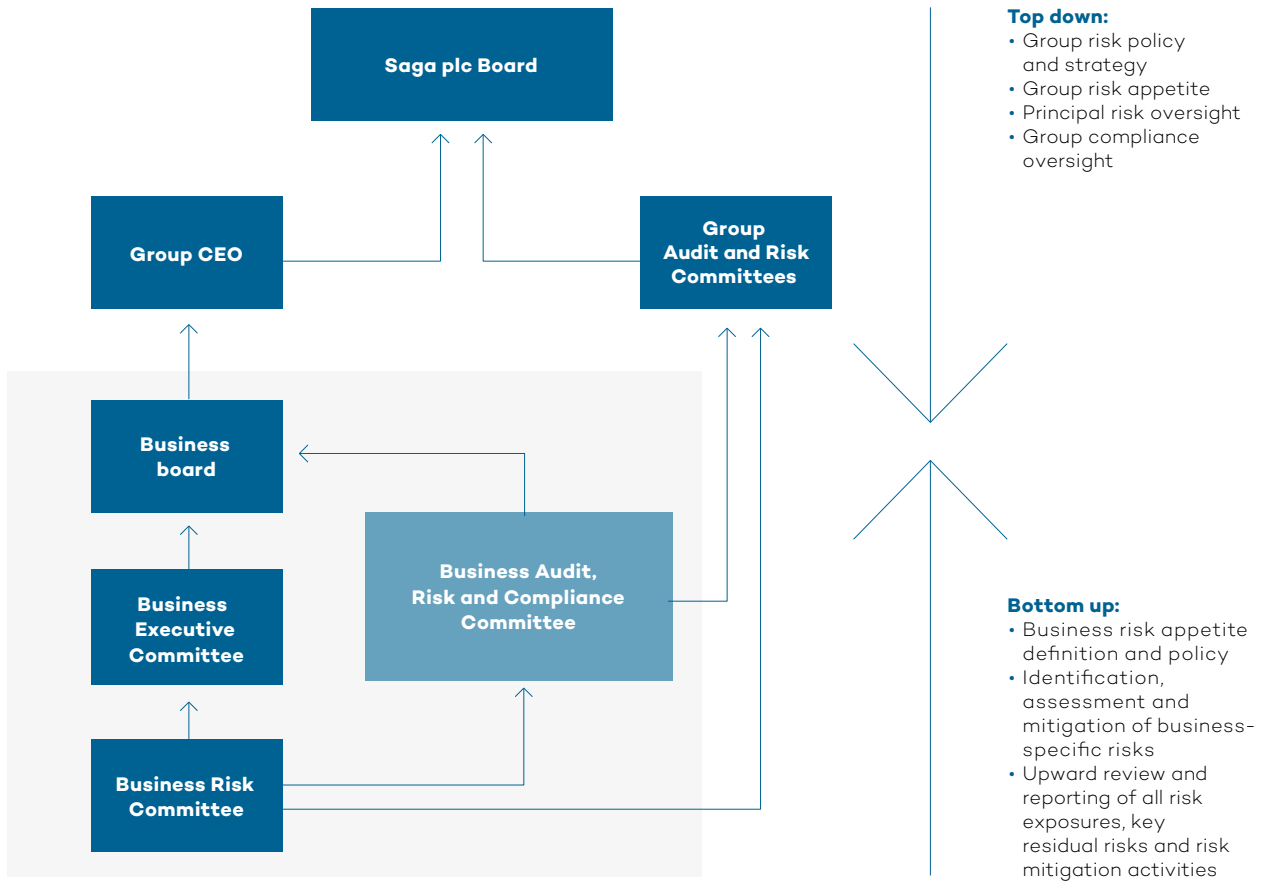
Terms of reference

Committee terms of reference were reviewed against best practice. The impact of the UK Corporate Governance Code 2018 was also considered. As a result, the terms of reference were amended to provide for consideration of the length of service of the Board as a whole and the need for a progressive refresh of its members; reference to diversity 'of perspective, including gender, social and ethnic backgrounds'; implementation of the diversity policy; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning.



Patrick O' Sullivan
Chair, Nomination Committee

Risk management and internal control



Board assessment of risk management and internal control

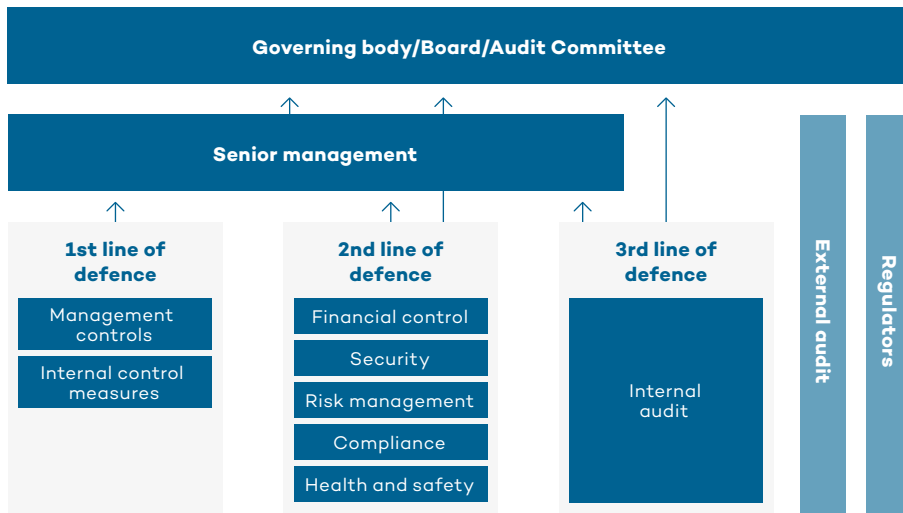
The Board has ultimate responsibility for the Group’s risk management and internal control, and for the Company’s risk culture. In accordance with section C 2.3 of the Code, the Board is responsible for reviewing the effectiveness of risk management and control systems, ensuring that:

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

During 2018, 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. The Board has agreed risk policies, risk appetite and the strategic approach to risks and it has overseen the identification and mitigation of emerging and principal risks. Details regarding the involvement of the Risk and Audit Committees in the development and review of risk management and internal control systems can be found in the Risk and Audit Committee Reports on pages 79-81 and 75-78 respectively.

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

Saga’s ‘three lines of defence’ risk governance model



1st line of defence – Business managers and staff are responsible for identifying and managing risk in line with agreed risk appetite, risk policies and procedures.

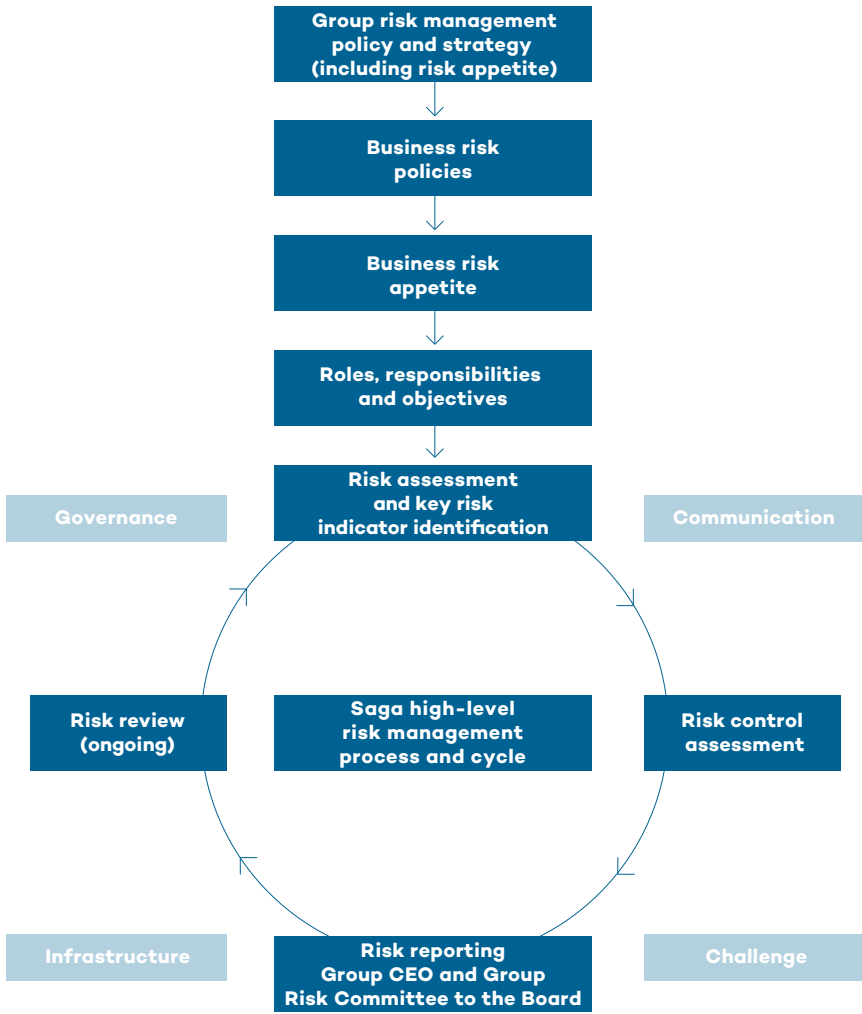
2nd line of defence – Independent oversight is provided by the various control functions. Duties include advice on Group and business risk appetites, independent review and challenge of the rating of key risks, and approach and adequacy of business risk management strategies. The 2nd line of defence is also responsible for reporting on the management of PRUs to the Risk Committee and Board.

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

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

Risk management framework

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



- Framework foundations
- Elements of the risk management process and cycle
- Key elements of the framework

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

Identification of risk appetite

Saga defines risk appetite as the amount and sources of risk which we are willing to accept in aggregate in pursuit of our strategy. Group risk appetite is reviewed annually and derived from our strategic objectives. It is used as a measure against which all of our current and proposed activities can be tested. Group risk appetites and tolerances are further defined within the principal risks and uncertainties section (pages 34–37).

Business risk appetites are separately crafted. These may be different to Group appetites but cannot exceed them.

Risk policies

Saga has a Group risk policy that defines our risk management strategy, framework, governance structures, and detailed assessment and mitigation processes. Individual business policies are also created, these are 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 and control assessment

Each Saga business is responsible for identifying and managing its risks, which are captured on risk registers and also include associated controls and incidents. Risks are rated in terms of probability and impact on both an inherent and a residual basis and are graded on a red, amber, yellow and green scale.

Risk review and reporting

Risk reports are reviewed at business risk committees, which are attended by key 1st and 2nd line of defence managers. An aggregated Group view of the principal risks is subject to independent review by the Risk Committee. Explicit consideration is also given as to whether risks lie within or outside our risk appetite. Any risk close to appetite limits on a residual basis is examined to ensure that our desired risk/reward balance is maintained.

Significant control weaknesses or failures are escalated to the Board of the individual business or, if of sufficient scale and seriousness, to the Risk Committee. Each subsidiary risk committee considers cross-Group risks and incidents to ensure the risk of contagion is minimised.

Risk oversight

Independent oversight of the risk management process is provided by the Chief Risk and Compliance Officer, the risk team, the compliance team, the Risk Committee and, ultimately, the Board. All business CEOs certified compliance with the risk management framework at the year end.

Risk monitoring

All risk registers are independently reviewed by the risk team 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.

Process feedback

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

Independent process assurance

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

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

Internal control

Internal audit acts as the 3rd line of defence within Saga's risk management framework. The objective of internal audit is to help protect the assets, reputation and sustainability of the organisation by providing independent, reliable, valued and timely assurance to the Board and executive management. To preserve the independence of internal audit, 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 remit of internal audit and there are no restrictions on the scope of internal audit's work. Internal audit fulfils its role and responsibilities by delivering the annual, risk-based audit plan. Each audit provides an opinion on the control environment and details of issues found. Internal audit works with the businesses to agree the remedial actions necessary to improve the control environment, and these are tracked to completion. The Head of Internal Audit submits reports to, and/or attends, Board and Audit Committee meetings for the subsidiary Saga businesses, as well as meetings of the Audit Committee.

Financial reporting

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

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

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

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

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

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

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

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

The outcome of this modelling confirmed that none of the top three PRUs would compromise the Group's viability. The reverse stress test demonstrated that the likelihood of a combination of PRUs causing us to breach performance and insolvency thresholds was remote.

As set out in the Audit Committee Report on pages 75-78, the Directors have reviewed and discussed the rationale and conclusions of management's viability testing.

Statement of review

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

The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is contained on page 55.

Dear Shareholder,

I am pleased to report on the Audit Committee’s activities during the year to January 2019. This has been another busy year, as the Group continues to invest in new customer acquisition and operating systems, new ships, improving operating efficiency and developing the Possibilities Membership scheme. Against this background, the Committee provided independent scrutiny of the processes in place to monitor the Group’s financial reporting and control environment. While the business remains in an environment of constant change, the Committee’s prime focus is to ensure that internal controls remain robust.



General information

Summary of Committee’s remit

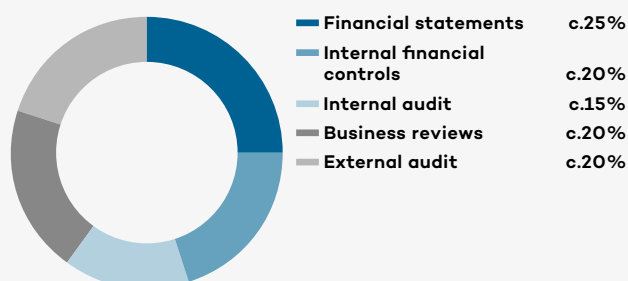
Our main purpose is to assist the Board and discharge its responsibilities for monitoring the:

- integrity of the Company’s financial statements
- adequacy and effectiveness of the Company’s internal financial controls and other internal control systems
- effectiveness, performance and objectivity of the Company’s Internal Audit function and the external auditors.

The Committee’s terms of reference were approved by the Board on 25 September 2018 and are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Committee composition and attendance

Member	Member since	Max. possible meetings	Attendance
Ray King (Chair)	29/05/14	5	5
Bridget McIntyre ¹	01/01/16	3	2
Orna NiChionna	29/05/14	5	5
Gareth Williams	29/05/14	5	5

Note:
1 Bridget McIntyre retired on 31 October 2018

All members are independent Non-Executive Directors. The Board is satisfied that I have recent and relevant financial experience and competence in accounting. This reflects my professional qualification as a chartered accountant and relevant experience during my career including running a business (as CEO and prior to that as CFO) similar to Saga. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sector in which the Company operates. The Board of Directors’ biographies on pages 64–65 contain details of each Committee member’s skills and experience. During the year, the Committee held private meetings with external auditors and the Head of Internal Audit. I also had regular update meetings with them. Since the year end we have appointed Gareth Hoskin as a Committee member.

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 66-67). Overall, the Committee concluded that it has acted in accordance with its terms of reference and that it has ensured the independence, objectivity and effectiveness of the external and internal auditors.

The relationship with the external auditor continues to support a detailed examination of the critical issues and annual report and accounts.

We are encouraging authors of papers to be concise and use executive summaries to bring out key messages.

Reporting**Interim and full year results**

The interim and full year results were reviewed, together with papers summarising the process, the appropriateness and application of key accounting policies, and the areas of significant judgement, including how those judgements were made. Reports were also received from KPMG throughout the year. The report on the full year results included specific focus on areas identified as having significant audit risk or other audit emphasis.

Key areas of focus

- Valuation of insurance contracts' liabilities. The analysis prepared by management was reviewed alongside that of the Group's external auditor. The Committee also examined the governance of the reserving process.
- Valuation of the parent company's investment in subsidiaries. The Committee reviewed and challenged the recoverability of the carrying value of the investment in subsidiaries held in the balance sheet of the Saga plc entity. The review confirmed that an impairment of £1,036m was required (for more information see page 196).
- Valuation of goodwill. The Committee reviewed and challenged the impairment assessments of the recoverability of goodwill. The review confirmed that impairment of £310m was required (for more information see page 160).
- Valuation of the Group's ships. The Committee considered a valuation report on the existing fleet of ships as compared with their carrying value and received a progress update on their sale.
- Adoption of IFRS 9, IFRS 15 and IFRS 16. The Committee considered how the adoption of new reporting standards effective from 1 February 2018 (IFRS 9 and IFRS 15) affected the Group's financial statements and associated disclosures, as included in the annual report. The Committee also considered an assessment of the estimated impact of IFRS 16, which becomes effective from 1 February 2019.

Accounting policy changes were reviewed and approved. The Committee reviewed and supported the key accounting judgements.

The Committee was satisfied that the key accounting choices and judgements were appropriate and served to provide a true and fair view of the Company's financial statements and advised the Board in order for the appropriate statement to be made (page 55).

Fair, balanced and understandable

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

We advised the Board that we supported the statement made on page 55 after considering whether:

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

The Committee has also reviewed and supported the going concern statement as set out on page 55.

Viability statement

The viability statement and the Group's methodology for production of its viability statement are set out on page 54.

Our review took account of the Company's current position and PRUs (as reviewed and approved by the Risk Committee (see pages 34-37)) and the methodology used to provide for an assessment of ongoing viability. We specifically considered the relevant assessment time horizon, 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 as set out on page 54.

Audit and control

Financial controls

Key financial controls were included in the Internal Audit programme and the outcome was reviewed by the Committee. The Group Financial Controller provided an update on accounting issues and key aspects of financial controls at every meeting.

Financial crime

We reviewed policies covering financial crime (including anti-bribery, anti-corruption and anti-fraud) to ensure they are fit for purpose and comply with the most recent legislation. A regular financial crime report (summarising key themes from the Financial Crime, Data and Information Security Committee's meetings) was considered.

We noted the actions taken to improve the detection and management of fraud, particularly in regard to credit card and insurance fraud.

Whistleblowing and open door reporting

We received a report on incidents at each meeting and concluded that all cases had been investigated independently with appropriate follow-up action. No material issues were identified. The whistleblowing and open door policy and procedures were reviewed and I was appointed as the Group's whistleblowing champion. My role is to oversee and ensure the integrity, independence and effectiveness of the Company's policy and procedures, including those intended to protect people who raise issues from being victimised.

Internal Audit

This department consists of eight people with a broad range of skills and is headed by Lynn Fournier, Head of Internal Audit, appointed during the year. Audit skills are sourced externally for specialised audits. Taking the internal audits conducted throughout the year and implementation of the internal audit plan into account, we are satisfied that the Internal Audit function had appropriate resources throughout the year. The Head of Internal Audit is a regular attendee at Committee meetings and provides regular reports on the progress of the Internal Audit monitoring plan.

A proposal from the Head of Internal Audit to enhance the Internal Audit planning methodology so it becomes more adaptive to business needs was considered and approved by the Committee. We approved the Internal Audit Charter. This is available on the Saga website at www.corporate.saga.co.uk/about-us/governance

Internal Audit work is risk-based, covers both financial and non-financial controls, and included reviews of:

- implementation of new operating systems for both the Insurance and Travel businesses to ensure they remained on track to deliver expected benefits (in terms of cost, time and quality)
- cybersecurity – a review of key systems and processes to protect Group IT assets from cybercrime
- IT Disaster Recovery – a review of the Group's restoration procedures and in-built system resilience when a serious disruptive event occurs
- business key controls – a review of the key risks and controls in place for selected number of businesses within the Group
- GDPR – included a review while the changes were being implemented to ensure compliance with new regulations and an end-to-end post-implementation review to ensure continuing GDPR compliance.

We monitored the responsiveness of management to the internal auditor's findings and recommendations and found these to be appropriate.

The Committee considered whether the assurance provided by the Risk, Compliance and Internal Audit teams provided satisfactory coverage of the Group's risk environment and concluded that it did. This included reviewing the results of the internal auditor's work and the assurance from Internal Audit on its 3rd line of defence review of the functioning of the risk management framework.

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

Subsidiary committees

We received an annual update on activities from the independent Non-Executive Directors who chair the Saga Services, Saga Personal Finance and AICL audit committees. These included a review of the governance arrangements to ensure that the appropriate level of oversight and a sufficient level of transparency were in place. Minutes from these meetings were also reviewed at each meeting.

External audit

Following the competitive tender process in 2016, KPMG was appointed as the Company's external auditor in June 2017 and re-appointed in June 2018. The current audit partner Stuart Crisp has been in place since its appointment. We considered and approved KPMG's engagement terms and fee proposal for 2018/19. The Company has complied with the Statutory Audit Services Order 2014 for the financial year under review.

Audit Committee Report

continued

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report on pages 118-126.

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

Audit quality and effectiveness of external auditors

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

- our perception of the external auditor's understanding and insights into the Group's business model
- how KPMG approached key areas of judgement and the extent of challenge
- the quality of the external auditor's reporting to the Committee and its overall efficiency
- the content of the external auditor's management letter and the management's responsiveness to recommendations therein
- feedback from management, who were asked to complete an evaluation survey on the audit process and their interaction with the audit team and audit partners during the year.

We discussed the FRC audit quality inspection report (dated June 2018), and KPMG's quality improvement plan. Further, as part of the routine procedures, the FRC selected for audit quality review KPMG's audit of Saga plc's accounts for the year to 31 January 2018. We discussed the findings with the external auditor and were pleased there was nothing material to disclose.

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

Auditor independence and non-audit services

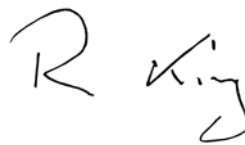
The objectivity and independence of KPMG was reviewed by the Committee and confirmed by the auditor throughout the year in a letter to the Committee.

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

We noted that KPMG will discontinue the provision of non-audit services to FTSE 350 companies (other than those required by law or closely related to the audit).

A policy on employment of former employees of the external auditor was also reviewed during the year and approved on 12 September 2018. This policy complies with the FRC's Guidance on Audit Committees and Revised Ethical Standard.

The audit fees payable to KPMG in respect of the year ended 31 January 2019 were £1.3m (2018: £1.2m) and non-audit service fees incurred were £0.2m (2018: £0.2m) for work to review the Group's half year results. This equates to a non-audit to audit fee ratio of 0.14 (2018: 0.20). A summary of fees paid to the external auditor is set out in note 4 to the consolidated financial statements on page 154.



Ray King
Chair, Audit Committee

Dear Shareholder,

I am pleased to present our report, which summarises the activities of the Risk Committee during the year. We have increased our focus on some specific items including supplier risk management; the threat of a cybercrime attack; the implications of Brexit; conduct risk; and regulatory scrutiny of pricing practices in the insurance industry. We continued to measure and discuss principal risks and uncertainties (PRUs), aiming to ensure that processes were aligned with strategy. We also reviewed the way in which information was presented to us, to ensure that the Committee had better visibility of risks and key performance indicators (KPIs) in each business area as well as on an aggregate basis. This review was reflected in the revised risk policy approved by the Board during the year.

Throughout the year, the Committee received regular updates from senior management across the Group. We will continue to review the impact that our risk management approach has on the way the business operates in a continually changing environment. I was also pleased that Helen Webb, Chief Risk and Compliance Officer, was appointed to the Group Executive Committee during the year, as this will ensure that risk remains at the heart of strategic discussions and decisions.



General information

Summary of Committee's remit

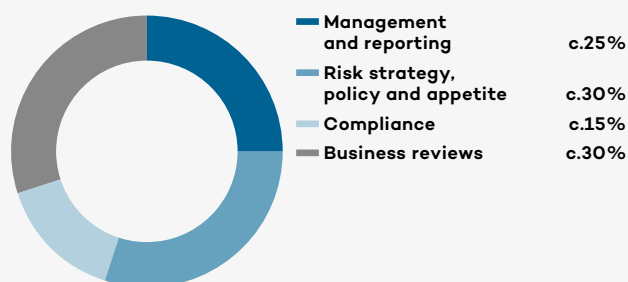
Our main purpose is to assist the Board in discharging its responsibilities for monitoring:

- the Group's overall risk appetite, tolerance and strategy
- the risk assessment processes that inform the Board's decision making process
- the effectiveness of the Group's risk management systems and compliance management procedures
- the Group's capability to identify and manage new risk
- any material breaches of risk limits and adequacy of proposed action.

Committee terms of reference were approved by the Board on 25 September 2018 and are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Committee composition and attendance

Member	Member since	Max. possible meetings	Attendance
Orna NiChionna (Chair)	29/05/14	5	5
Ray King	29/05/14	5	5
Bridget McIntyre ¹	01/01/16	3	2
Gareth Williams	29/05/14	5	5

Note:
1 Bridget McIntyre retired on 31 October 2018

All members are independent Non-Executive Directors. Since the year end we have appointed Julie Hopes and Gareth Hoskin as Committee members.

Committee evaluation

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 66-67). The review indicated that the Committee's work is comprehensive, with an increased focus on Group-wide risks. Suggested development areas included continuing to test approaches that can help the Committee to fully consider enterprise-wide risks and the need to link these to strategy.

Management and reporting

At each meeting, we considered a detailed risk report. These reports included a summary of the principal risks of the Group, including those that would threaten the business model, future performance, solvency or liquidity. We recommended to the Board that the appropriate statement regarding robust assessment of principal risks facing the Group could be made (see page 55).

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

In co-ordination with the Audit Committee, a review of the effectiveness of the risk management framework took place during the year, as part of the wider review of risk management and internal control. This was considered by the Committee. The Committee concluded that a robust risk management framework was in place and that a good risk and control culture was apparent across the Group with a continuous improvement approach. The Committee recommended to the Board that the appropriate part of the statement could be made (see page 55).

The insurance programme for the Group was considered, including whether any additional cover was required, specifically in relation to the threat of cybercrime and the reintroduction of sanctions in the USA against Cuba. We noted that the cover in relation to the Cruise business would be monitored, to ensure it remained appropriate for the new ships.

Risk strategy, policy and appetite

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

Changes and additions to the PRUs list were scrutinised in line with agreed strategy and the results of this process are shown in the Strategic Report on pages 34-37. These formed the basis of the scenario testing used for the production of the viability statement (see page 54). Our risk management processes are described on pages 70-74. 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.

Our discussions also considered conduct risk as an essential part of our review. We reviewed how our business decisions and behaviour could impact our customers, affect our reputation or undermine the integrity of the financial markets.

Risk appetites and tolerances were reviewed continually, including those that are outside of agreed risk appetite. We concluded that where this was the case, the probability of occurrence was very low and that existing mitigating actions were appropriate. We remain satisfied that controls are in place, meaning that the risk of significant failing across the business model is unlikely.

The Group risk policy was reviewed during the year and while no material changes were proposed, it was presented in a simplified format, to clarify the tone from the top and to provide a high-level view of the approach to risk management.

We discussed key change management projects and how the benefit of each would be measured. We were assured that planned projects were subject to appropriate risk mitigation and management. The Committee noted that where acceptable risk was taken as projects progressed, it was carefully monitored. We concluded that there are no systemic issues with any change management projects and that the Committee has good oversight in terms of roles and planning.

The risk associated with the IT systems within the Group was discussed and it was noted that a replacement HR system was being considered.

IT risk and protection of data are important areas of focus for us to consider as a Committee, both in terms of cyber-risk and regulatory compliance. IT operations are structured to form dedicated teams, structured around business processes and project delivery.

The cyber and information security strategy for the Group is reviewed regularly, together with consideration of vulnerability management of information systems and IT crisis management and communication plans. Strategies are in place to deal with malware and ransomware threats: these are kept under constant review and development as the threat evolves. The toolkit released by the National Cyber Security Centre and Saga's response was discussed.

Data quality was recognised as an area of focus.

We continued to monitor how the GDPR (which came into force in May 2018) will affect how we do business. The Committee noted that a Data Governance Forum had been established to ensure the proactive management of the risks presented by these regulations.

A review of legal risk and action taken to mitigate this took place. The Committee concluded that it was important for each business to continue to have appropriate controls to manage legal risk.

Supplier risk management continues to be an ongoing process, with contracts above a certain threshold being subject to a review process, resulting in enhancement to due diligence processes and a focus by the organisation on the risks associated with larger suppliers and those that carry reputational risk.

Compliance

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

Business reviews

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

Reviews of individual businesses during the year included the following:

Saga Services Limited

- Considered regulatory reform and the FCA Market Study.
- Reviewed the business challenges, including the impact of GDPR and market conditions.
- Discussed the challenges of ensuring that the culture within Saga Services Limited was fully aligned with their strategy.

Travel

- Heard how the business model and Holidays transformation plan would deliver in the long-term.
- Discussed the revised structure of the division, its governance, and issues of transformation and change.
- Considered the principal risks and noted the potential effects of Brexit and steps taken to plan for this.
- Reviewed customer health, safety and emergency procedures and lessons learnt from Travel-related incidents.

Cruise

- Discussed the logistics of launching the Spirit of Discovery, including the need to have the necessary procurement in place and recruitment/training of staff.
- The Committee was satisfied that sufficient resource had been deployed to ensure as far as possible that the delivery schedule remained on track.

Saga Money

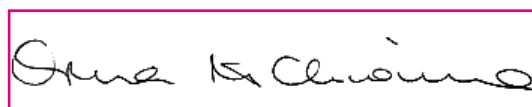
- Discussed core products in the savings and equity release markets and how demand would be managed to ensure there was no reputational damage to the Group.
- Considered how product offerings provided an opportunity to grow relationships with customers and how these would link to the Possibilities Membership scheme.

AICL

- Discussed how the processes for reserve releases and Solvency II could support best practice.
- Reviewed supplier risk and potential operational changes on the horizon.

CHMC

- Discussed a programme of system fixes to reduce the number of defects.
- Heard how the claims process was audited and monitored.



Orna NiChionna
Chair, Risk Committee

Relations with shareholders

Shareholder communication

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

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

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

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

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
- make past key presentations available via our corporate website.

Wider communication

We also:

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

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

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

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

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

Annual General Meeting

The AGM will be held on 19 June 2019 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, www.corporate.saga.co.uk, in due course.



Dear Shareholder,

The Committee is pleased that our Remuneration Policy was approved by shareholders at the AGM in June 2018, receiving a vote in favour of over 99.34%. The changes we made were long-term in nature and were aimed at further aligning our remuneration with best practice. In particular, the following features were added to the Remuneration Policy:

- Reduced maximum pension contribution for Executive Directors from 20% of salary to 15% of salary for existing Executive Directors and to 10% of salary for newly appointed Executive Directors, in line with average employee contributions.
- Introduced a mandatory post-vesting two-year holding period to the Long Term Incentive Plan (LTIP).
- Increased minimum shareholding requirements to 250% of salary for the Group Chief Executive Officer from 200%; and for the Group Chief Financial Officer from 150% to 200% of salary.

We believe that the Remuneration Policy reflects the long-term goals of the business and market best practice, but we will continue to monitor emerging FTSE 250 best practice following the update to the UK Corporate Governance Code (the 'Code') and consider any policy adjustments as required. The 2017/18 Annual Report on Remuneration also received votes in favour in excess of 99%. The Committee is pleased shareholders recognised that the Executive Directors' decision to waive their entitlement to the annual bonus was reflective of Company performance during the 2017/18 financial year.

Compliance with the new UK Corporate Governance Code

We have considered the compliance of our Remuneration Policy in the context of the new Code which applies for financial years beginning on or after 1 January 2019. While we are not required to comply with the Code for the year being reported on, the following table shows that we are already substantially compliant with the new Code:

Key remuneration element of the Code	Company position
Five-year period between the date of grant and realisation for equity incentives.	The LTIP meets this requirement.
Phased release of equity awards.	The LTIP ensures the phased release of equity awards through annual rolling grants.
Discretion to override formulaic outcomes	The Remuneration Policy contains the ability to override formulaic outcomes for both the Deferred Bonus Plan (DBP) and the LTIP. The Committee has exercised its judgement in respect of the year being reported on.
Post-termination holding requirement	We are introducing a one-year post-termination shareholding requirement.
Pension alignment	It is the Committee's intention to bring new Executive Directors in at a pension contribution equivalent to the average employee contribution (10% of salary). The Committee does not intend to change the provision for existing Executive Directors.
Extended malus & clawback	The current malus and clawback provision already exceeds the best practice suggested in relation to the new Code.

This report lays out the activities and decisions of the Remuneration Committee over the past 12 months. We believe these take full account of our actual performance and the desire to deliver sustainable, long-term value creation in the business. Where the Committee has exercised its judgement or discretion this has been clearly set out.

Company performance for the 2018/19 financial year

The implementation of our strategy (as outlined on pages 14-15) has been measured against the KPIs set out below:

- Underlying Profit Before Tax down 5.4% at £180.3m (the measure used for assessing management bonus).
- Strong reserve releases but disappointing Retail Broking result.
- Loss before tax of (£134.6m) after goodwill impairment of £310m.
- Available operating cash flow of £180.6m.
- Net debt reduced to £391.3m with net debt to Trading EBITDA at 1.7x.
- Execution of new IT platform in support of both Insurance and Travel businesses.
- Good progress in Cruise and Tour Operations. Launch of Spirit of Discovery on track with forward bookings meeting expectations.
- Continued efficiency gains with like-for-like overhead reductions of £10m.
- Upweighted investment in Membership and the Saga brand.

2018/19 bonus

Page 86 sets out the calculation based on the predetermined performance criteria for the percentage of salary earned under the Bonus Plan for 2018/19 by Lance Batchelor (CEO) of 77.4% of salary (maximum 150%). The Remuneration Committee, with the support of the CEO, exercised its judgement to depart from this formulaic determination of the bonus and award the CEO a reduced bonus of 52.65% of salary and to provide the whole bonus as an award of shares deferred for three years. The Committee made this decision based on its view that whilst the PBT targets for the Insurance business have been satisfied it was intended that they be met more through Retail Broking than reserve releases. The payment in deferred shares will increase the alignment of the CEO to shareholders and support a focus on the announced strategy and long-term shareholder value. James Quin (CFO) received a bonus of 82.5% of salary equivalent to 6.9% of salary pro-rated for one month given his start date of employment of 1 January 2019. The Committee felt that given the short period in role and his excellent performance no change to the bonus calculation should be made for the CFO.

2016 LTIP vesting

It is currently anticipated that 0% of the 2016 LTIP will vest on 16 May 2019. The EPS performance condition resulted in 0% of this proportion of the award vesting. No element is currently expected to vest in respect of the Total Shareholder Return (TSR) performance of the Company over this performance period. The only Executive Director eligible to receive this LTIP award was Lance Batchelor (CEO).

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

- Made grants in May 2018 under the Saga LTIP for the Executive Committee and senior management of the Company. Grant levels were consistent with our normal award policy.
- Approved the award of Free Shares to all eligible employees in July 2018.
- Reviewed the governance and processes of the three Saga Share Plans in operation in the Company and confirmed that they met the necessary standards and were well-communicated.
- Supported base salary increases of 2.0% (average) for the employee population. Executive Director salaries will be frozen at their current level. The Board concurrently agreed that Non-Executive Director fees would remain at their current level.
- Reviewed and approved the bonus outcomes for 2018/19 as detailed above.
- Reviewed a risk evaluation for the subsidiary regulated businesses, Saga Personal Finance Limited, Saga Services Limited and AICL, and considered whether they highlighted any material adverse activities, decisions or outcomes that should impact subsidiary or Group bonus calculations. We concluded that these evaluations were robust and that there were no risk issues to consider in determining bonus outcomes for any of the regulated entities.
- Approved the business and personal objectives for 2018/19. These were considered in light of both overall performance expectations for 2018/19 and our medium-term business strategy. Details of the personal objectives for the Executive Directors are on page 109.

- Noted the voting results on our Remuneration Report at the 2018 AGM.
- Considered the operation of the Remuneration Policy for 2019/20.
- Introduced a one-year post-termination shareholding requirement.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy; and approved terms of reference for a People Committee to engage with employees. The Chairman of the Remuneration Committee attended the People Committee meeting on 23 January 2019. The next engagement will be the day of the 2019 AGM.
- Reviewed and agreed the compensation package for the new Group Chief Financial Officer, James Quin.

Changes to the Board

Jonathan Hill, our former Group Chief Financial Officer, left Saga in September 2018.

Upon his departure from the Board, Jonathan's unvested awards under the LTIP and DBP lapsed in line with our Remuneration Policy and he received no payments for loss of office.

General information

Committee composition and attendance

Member	Member since	Max. possible meetings	Attendance
Gareth Williams (Chair)	29/05/14	7	7
Ray King	29/05/14	7	7
Bridget McIntyre ¹	01/01/16	5	3
Orna NiChionna	29/05/14	7	7

Note:

1. Bridget McIntyre retired on 31 October 2018

All members are independent Non-Executive Directors. Since the year end we have appointed Eva Eisenschimmel and Julie Hopes as Committee members.

The Committee receives assistance from Karen Caddick, Group HR Director and Vicki Haynes, Company Secretary. Our adviser (PwC) attends by invitation.

Summary of Committee's remit

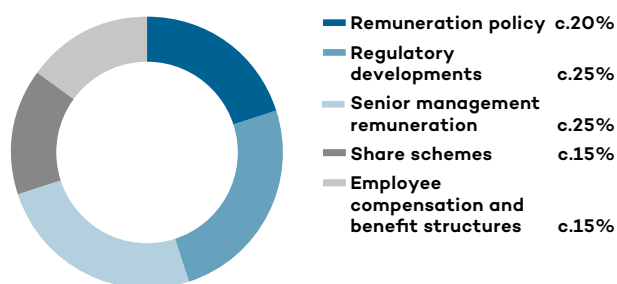
The Committee's main purpose is to assist the Board in discharging its responsibilities for:

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

Committee terms of reference were approved by the Board on 31 January 2019 and are available on our website at www.corporate.saga.co.uk/about-us/governance

What we have done during the year

Time spent on matters



Committee evaluation

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

Structure of the report

- Chairman's Annual Statement (pages 83-85).
- Summary Report (pages 86-97).
- Fairness, diversity and wider workforce considerations (pages 98-107).
- Annual Report on Remuneration (pages 108-112).

Further evolution of this report

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

As part of our commitment to fairness, we introduced a new section to this report last year which set out more information on the pay conditions of our wider workforce, the cascade of incentives throughout our business and our CEO to employee pay ratio, our gender pay statistics, and our diversity policy. This year we have expanded our disclosures in preparation for the new Code. Whilst we recognise there is much work still to do, we believe that transparency is an important first step towards making improvements in relation to these important issues.

Looking ahead

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

Shareholder consultation

We did not have an active shareholder consultation exercise during 2018/19 as we had made no material changes to the Remuneration Policy which received such strong shareholder support at the 2018 AGM. The Policy approved at the 2018 AGM took into account the views of the Company's key shareholders. Given the evolving strategy of the business, it is our intention to consult with shareholders on potential changes to measures and targets in the LTIP. It is intended this should be done in early May 2019. The final outcome will be published on the Company website prior to the AGM on 19 June 2019.

Conclusion

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

Remuneration Summary Report

In this section, we summarise:

- the actual performance and remuneration outcomes for the 2018/19 financial year
- the Remuneration Policy which applied for the 2018/19 financial year; how it was operated and the proposed application in 2019/20
- the link between our strategy for 2019/20 and the Remuneration Policy.

Actual performance and remuneration outcomes for 2018/19

How we have performed in 2018/19

Bonus (audited in conjunction with details on page 94)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2018/19 financial year are shown in the table below.

Performance condition	Weighting	Threshold performance required	Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Annual bonus value achieved (% of salary)	
								Lance Batchelor	James Quin
Group PBT ¹	55%	£171.4m	£180.0m	£187.2m	£180.0m	100%	60%	49.5%	3.4%
Group cash flow ²	15%	72.2%	77.2%	81.2%	72.7%	100%	24.3%	5.4%	0.4%
Personal objectives	30%	See page 109 for details of personal objectives and their achievement				100%	0%	22.5%	3.1%
Total	100%							77.4%	6.9%
Total calculated (£)								£533,893	£25,686
Total payable ³ (£)								£363,171	£25,686

Notes:

1 Defined as Underlying Profit Before Tax excluding derivatives, the impairment of goodwill and cruise ships, and in the prior year excluding restructuring costs and debt issue costs

2 Defined as net available cash generation

3 See the Remuneration Committee Chair Annual Statement on pages 83-85 for an explanation of the difference

LTIP

KPIs	Threshold	Target	Maximum	Actual	Percentage of current potential LTIP vesting
2016 LTIP award as at year end 31 January 2019					
EPS growth (p.a.) ¹	5%	-	12%	1.1%	0%
TSR	Median	-	Upper quartile	Below median	0%
2017 LTIP award as at year end 31 January 2019					
Basic Earnings Per Share (EPS) growth (p.a.)	5%	-	12%	(1.1%)	0%
Organic EPS ² growth (p.a.)	12%	-	21%	(5.9%)	0%
TSR	Median	-	Upper quartile	Below median	0%
2018 LTIP Award as at year end 31 January 2019					
Organic EPS growth (p.a.)	12%	-	21%	(16.9%)	0%
TSR	Median	-	Upper quartile	Below median	0%
Return On Capital Employed (ROCE) ³	10.5%	-	11.5%	(10.1%)	0%

Notes:

1 Defined as PBT divided by the number of shares in issue

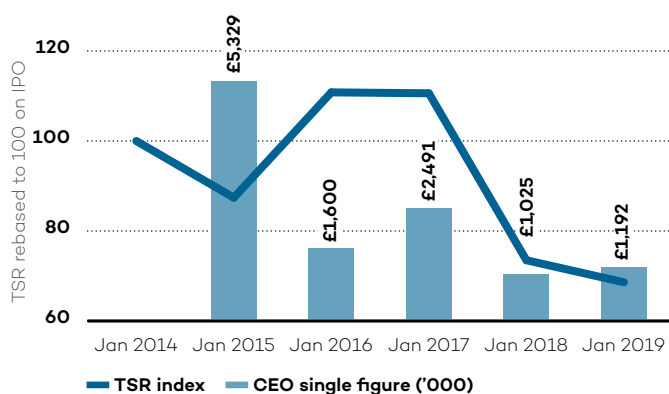
2 Defined as post-tax profit excluding the effect of reserve releases divided by the fully diluted number of shares in issue

3 Defined as earnings before interest and tax divided by the carrying value of shareholders' equity plus long-term liabilities (debt)

The 2016 LTIP will vest on 16 May 2019. The indications for the LTIP performance in the table above are as at 31 January 2019. The relative TSR target for the 2016 LTIP is substantially (but not fully) completed as at 31 January 2019. The EPS target is complete. The Committee has included the current position for the 2017 and 2018 LTIP awards to allow shareholders to see the potential value in the long-term remuneration over the next three years. The final level of performance and corresponding level of vesting of the LTIP awards will be dependent on the performance at the end of the relevant performance period.

Long-term performance

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



Single total figure of remuneration for Executive Directors for the 2018/19 financial year

Executive Directors	Period	Salary £	Taxable benefits £	Bonus £	LTIP £	Pension £	Total £
Lance Batchelor	2018/19	689,785	35,319	363,171	0	103,468	1,191,743
(Group Chief Executive Officer)	2017/18	689,785	32,346	0	199,547	103,468	1,025,146
James Quin	2018/19	30,833	3,097	25,686	0	3,083	62,699
(Group Chief Financial Officer)	2017/18	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Hill	2018/19	282,981	15,580	0	0	42,448	341,009
(Former Group Chief Financial Officer)	2017/18	424,483	24,243	0	92,099	63,672	604,497

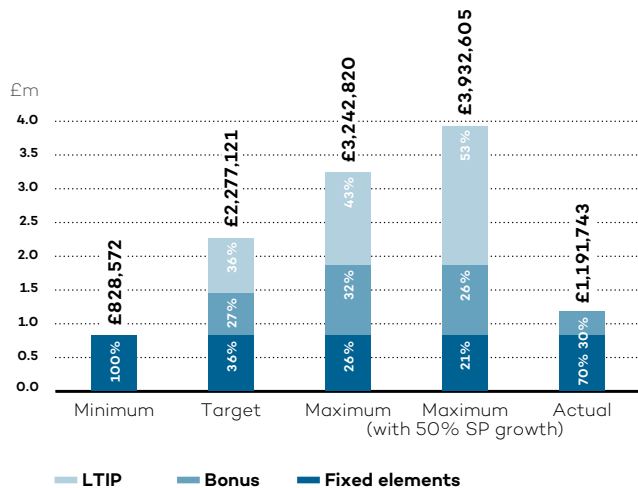
Note: Jonathan Hill resigned from the Board on 28 September 2018 and was replaced by James Quin on 1 January 2019. Therefore only the remuneration paid to them during the financial year is shown

For the full single figure table, please see page 108 in the Annual Report on Remuneration.

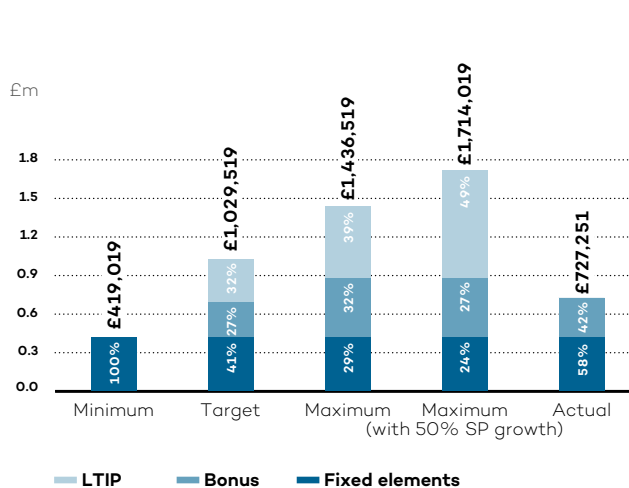
Illustration and application of current Remuneration Policy in 2018/19

The following charts show the 2018/19 actual remuneration against the current Policy levels of remuneration for the Executive Directors.

Group Chief Executive Officer (Lance Batchelor)



Group Chief Financial Officer (James Quin)



To aid comparability we have used James Quin's full year annualised package for his actual remuneration. His actual total remuneration for 2018/19 is £62,699.

Under the Policy, the remuneration payable to each of the Executive Directors is based on salaries at the start of 2018/19, and is shown for 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 2018/19. In line with the new remuneration reporting regulations, we have also shown the maximum performance scenario with the effects of a 50% increase in share price on the value of the LTIP.

The following table⁴ outlines the elements included in the illustration above:

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

Notes:

- 1 Based on 2018/19 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 new regulations, share price growth has been added to the LTIP only for the 'maximum (with 50% share price growth)' scenario. Dividend equivalents have not been added to deferred share bonus and LTIP share awards.

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)
- 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 the target performance scenario (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.

Group Chief Executive Officer (Lance Batchelor)



At risk	£1,448,549
Pension and benefits	£138,846
Salary	£689,785

Group Chief Financial Officer (James Quin)



At risk	£610,500
Pension and benefits	£49,066
Salary	£370,000

Remuneration Summary Report

continued

Directors' share interests (audited)

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

Director	Shareholding requirement (% salary) ¹	Current shareholding (% salary) ²	Shares counting towards shareholder requirements ³	Shares held directly		Other shares held		Options ⁴		Outstanding interests in the SIP	Shareholding requirement met?
				Beneficially owned ⁵	Deferred shares not subject to performance conditions	LTIP interests subject to performance conditions	LTIP interests vested but not yet exercised	Vested	Unvested		
Executive Directors											
Lance											
Batchelor ⁵	250%	111%	704,522	192,509	338,891	2,328,140	619,847	1,081,080	1,081,082	3,882	No
James Quin	200%	0%	-	-	-	-	-	-	-	-	No
Jonathan Hill ⁶	200%	46%	179,375	179,375	-	-	-	-	-	-	No
Non-Executive Directors											
Patrick O' Sullivan											
	-	-	-	130,000	-	-	-	-	-	-	n/a
Ray King											
	-	-	-	27,027	-	-	-	-	-	-	n/a
Orna NiChionna											
	-	-	-	28,567	-	-	-	-	-	-	n/a
Gareth Williams											
	-	-	-	32,433	-	-	-	-	-	-	n/a
Julie Hopes											
	-	-	-	-	-	-	-	-	-	-	n/a
Eva Eisenschimmel											
	-	-	-	-	-	-	-	-	-	-	n/a
Andrew Goodsell											
	-	-	-	5,532,960	-	-	-	-	-	-	n/a
Bridget McIntyre											
	-	-	-	7,245	-	-	-	-	-	-	n/a

Notes:

1 Shareholding requirements are those that were in existence throughout the course of the year and as at 31 January 2019

2 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements

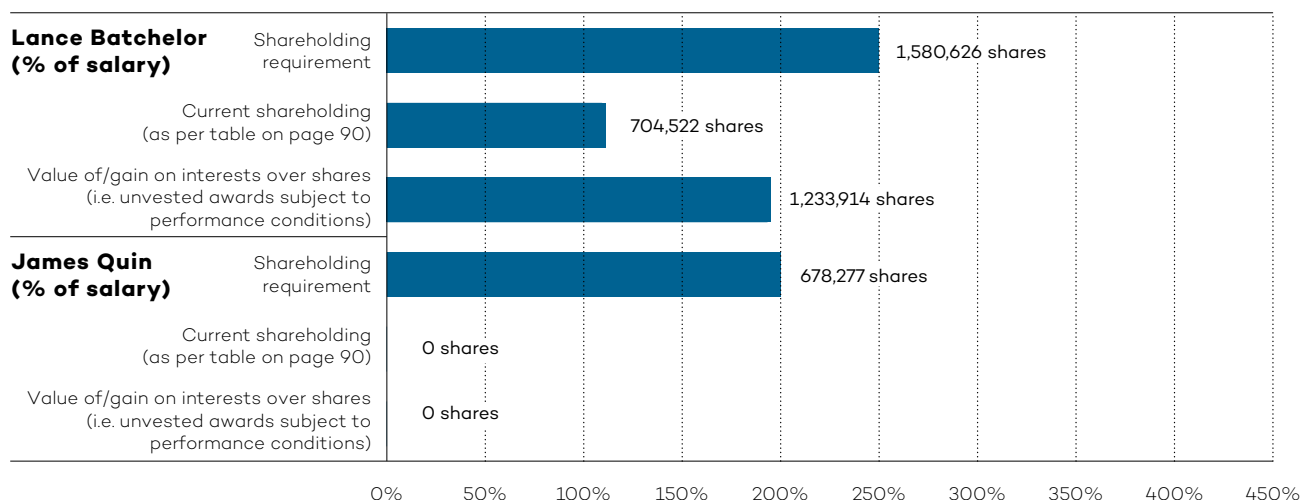
3 Shares counting towards shareholding requirements for Lance Batchelor is calculated on a net of tax basis for both the deferred shares (179,612) and vested but not exercised LTIP interests (328,518)

4 Lance Batchelor – these represent IPO options with an exercise price of £1.85; 540,540 options vested on 29 May 2017; 540,540 options vested on 29 May 2018; and the remaining 1,081,082 options vest on 29 May 2019

5 Since the year end, Lance Batchelor has bought an additional 131 shares through the SIP. There have been no other changes to the shareholdings above

6 The figures for Jonathan Hill are as at his date of leaving of 28 September 2018

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 2019 are set out below:



Notes:

- The mid-market quoted share price of 109.10p as at 31 January 2019 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary
- Value of/gain on interests over shares comprises unvested 2016, 2017 and 2018 LTIP awards for Lance Batchelor on a net of tax basis. 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 2019
- Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines

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

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

The following table sets out the single figure for 2018/19, the number of shares held by the Group Chief Executive Officer at the beginning and end of the financial year and the impact on the value of these shares taking the opening price and closing price for the year. Shares held includes those owned outright as well as nil-cost options currently held under incentive plans which have not yet vested.

	2018/19 single figure	Shares held at start of year	Shares held at end of year	Value of shares at start of year	Value of shares at end of year	Difference
Lance Batchelor	£1,191,743	2,887,028	3,483,269	£3,360,500	£3,800,246	£439,746

The difference of £439,746 for the year shows that the CEO's shareholding is meaningful in comparison to his single figure. Hence a material proportion of the CEO's wealth is tied to the share price of the Company, aligning him with the ownership experience of other shareholders during the period. It should be noted that the increase in value is as a result of an increase in the number of shares owned by the CEO during the year with the actual share price having fallen during the period (£1.164 on 31 January 2018, £1.091 on 31 January 2019).

Remuneration Policy and its implementation

Remuneration Policy

The new Remuneration Policy was passed at the Company's AGM on 21 June 2018 and a condensed summary can be found in this report. A full version of the Remuneration Policy can be found on pages 112-120 of the 2018 annual report available on our website, www.corporate.saga.co.uk/media/1248/saga_ar18_drr.pdf and from the Company Secretary at Saga's registered office.

Remuneration philosophy

The Remuneration Policy and strategy are designed to stimulate sustainable, value-creating growth and performance for the business and to reward Executives' performance accordingly. The Company's core principles of remuneration are to support:

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

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

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

When determining the Remuneration Policy, specifically for the Executive Directors, the Remuneration Committee addressed the following:

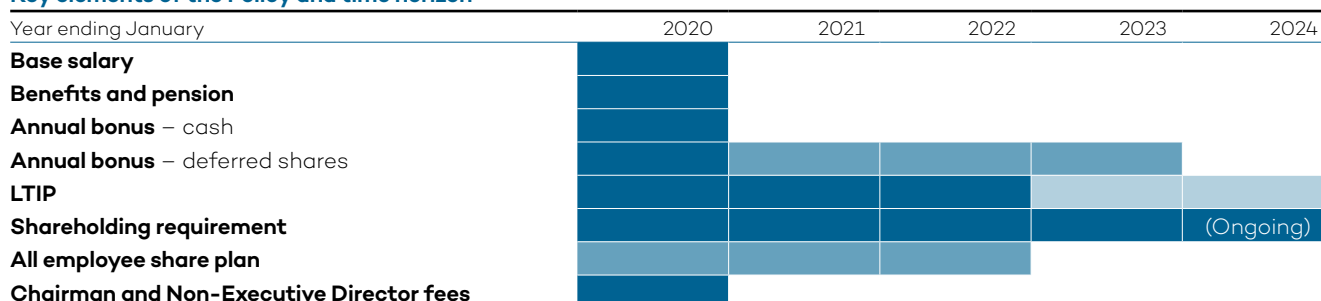
Factor	How the Committee addressed it in the Remuneration Policy
Clarity	The Company's performance remuneration is based on supporting the implementation of the Company's strategy measured through key KPIs which are used for the bonus and LTIP. This provides clarity to all stakeholders on the relationship between the successful implementation of the Company's strategy and the remuneration paid.
Simplicity	The Company operates a UK market standard approach to remuneration which is familiar to all stakeholders.
Risk	<p>The Remuneration Policy includes:</p> <ul style="list-style-type: none"> • setting defined limits on the maximum awards which can be earned • requiring the deferral of a substantial proportion of the incentives in shares for a material period of time • aligning the performance conditions with the strategy of the Company • ensuring a focus on long-term sustainable performance through the LTIP • ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. <p>These elements mitigate against the risk of target-based incentives by:</p> <ul style="list-style-type: none"> • limiting the maximum value that can be earned • deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short-term behaviours • aligning any reward to the agreed strategy of the Company • the use of an LTIP which supports a focus on the sustainability of the performance over the longer term • reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate • reducing the awards or cancelling them, if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
Predictability	Shareholders were given full information on the potential values which could be earned under the plans on their approval. In addition, all the checks and balances set out above under 'Risk' were disclosed at the time of shareholder approval.
Proportionality	The Company's incentive plans clearly reward the successful implementation of the strategy and through deferral and measurement of performance over a number of years ensure that the Executive Directors have a strong drive to ensure that the performance is sustainable over the long-term. Poor performance cannot be rewarded due to the Committee's overriding discretion to depart from the formulaic outcomes under the incentive plans if they do not reflect underlying business performance.
Alignment to culture	A key tenet of the Company's culture is a focus on customers and their experience. This is reflected directly in the type of performance conditions used for the bonus. The focus on share ownership and long-term sustainable performance is also a key part of the Company's culture. In addition the measures used in incentive plans support directly the implementation of the strategy.

The Remuneration Committee is satisfied that the Remuneration Policy operated as intended during 2018/19.

Remuneration Policy

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

Key elements of the Policy and time horizon



Key Performance period: Vesting period: Holding period:

Remuneration Summary Report

continued

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

- A summary of the key elements of the Remuneration Policy.
- The operation of the Policy in 2018/19 and its proposed operation in 2019/20.

Remuneration Policy element	Operation in 2018/19	Proposed operation in 2019/20
<p>Base salary</p> <p>The Remuneration Committee ensures that maximum salary levels are positioned in line with companies of a similar size to Saga in the comparator group. The companies in the comparator group are the constituents of the FTSE 250.</p> <p>In general salary increases for Executive Directors will be in line with the increase for employees.</p>	<p>Executive Directors did not receive any increase in base salary on 1 February 2018 (all employee rise 2%). James Quin replaced Jonathan Hill as CFO on 1 January 2019 and his salary was set at £370,000, below that of his predecessor.</p> <p>As a result, the salaries for the Executive Directors are:</p> <ul style="list-style-type: none"> • Lance Batchelor: £689,785 • James Quin: £370,000 	<p>Executive Directors will not receive an increase on 1 February 2019 (all employee rise 2%). As a result, the salaries for the Executive Directors remain as:</p> <ul style="list-style-type: none"> • Lance Batchelor: £689,785 • James Quin: £370,000
<p>Benefits</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>Standard benefits.</p>	<p>No change.</p>
<p>Pension</p> <p>The maximum value of the pension contribution allowance is 15% of gross basic salary for current Executive Directors and limited to 10% of salary for newly appointed Executive Directors.</p>	<p>Executive Directors received the following:</p> <ul style="list-style-type: none"> • Lance Batchelor: 15% of salary supplement in lieu of pension. • James Quin: 10% of salary supplement in lieu of pension. 	<p>No change.</p>
<p>Annual bonus</p> <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. The Remuneration Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the Deferred Bonus Plan. The maximum value of deferred shares is 50% of the bonus earned and the minimum will be one third of the bonus earned. The main terms of these awards are:</p> <ul style="list-style-type: none"> • minimum deferral period of three years • the participant's continued employment at the end of the deferral period unless he/she is a good leaver. 	<p>Maximum bonus opportunity:</p> <ul style="list-style-type: none"> • Group Chief Executive Officer – 150% • Group Chief Financial Officer – 125% <p>Two thirds of the total bonus to be paid immediately in cash and one-third deferred into shares for three years.</p> <p>Performance measures were:</p> <ul style="list-style-type: none"> • Group PBT¹ – 55% • Group cash flow² – 15% • Personal objectives – 30% <p>(See page 86 and page 109 for full details on the full year 18/19 targets).</p>	<p>No change.</p> <p>The Committee is of the view that targets for the 2019/20 annual bonus are currently commercially sensitive and these targets will be disclosed retrospectively in the 2020 Annual Report on Remuneration.</p>

Remuneration Policy element	Operation in 2018/19	Proposed operation in 2019/20
<p>LTIP</p> <p>Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.</p>	<p>2018 LTIP award:</p> <p>Group Chief Executive Officer received award of 200% of salary. Outgoing Group Chief Financial Officer did not receive an award.</p> <p>Performance measures for the 2018 LTIP were:</p> <ul style="list-style-type: none"> comparative TSR (40%), Organic EPS³ (30%) – growth of 12% p.a. for 25% of this element of the award to vest with full vesting occurring for EPS growth of 21% p.a. ROCE⁴ (30%) – 10.5% p.a. for 25% of this element of the award to vest with full vesting at 11.5% p.a. straight-line vesting to take place from 25% to 100% of the award introduction of a new two-year holding period. 	<p>2019 LTIP award:</p> <ul style="list-style-type: none"> Group Chief Executive Officer – 200% of salary Group Chief Financial Officer – 150% of salary <p>The structure for the proposed performance measures for the 2019 LTIP will be subject to consultation with shareholders and will be updated as appropriate following that consultation. The Company will notify shareholders of the measures and targets prior to the 2019 AGM.</p>
<p>Shareholding requirement</p> <p>The Remuneration Committee sets formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of base salary.</p>	<ul style="list-style-type: none"> Group Chief Executive Officer – 250% of salary Group Chief Financial Officer – 200% of salary 	No change.
<p>Post-shareholding requirement</p>	No post-termination shareholding requirement.	Introduction of one-year post-termination shareholding requirement.
<p>All employee share plan</p> <p>The Company operates an HMRC SIP.</p>	Saga continued to operate the SIP for all employees in 2018, with a Free Share award of £300 made in July 2018 to all eligible full-time employees.	Saga will continue to provide all employees the opportunity to participate in all employee equity arrangements.
<p>Chairman and Non-Executive Director fees</p> <p>The fees for Non-Executive Directors are set at broadly the median of the comparator group.</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>No increase in the Board fee, Committee Chair fee or Senior Independent Director fee. Non-Executive fees were, from 1 June 2018:</p> <ul style="list-style-type: none"> Chairman fee: £325,000 Board member fee: £63,672 Committee Chair fee: £10,000 Senior Independent Director fee: £20,000 	No change.

Notes:

1 Defined as Underlying Profit Before Tax excluding derivatives, the impairment of goodwill and cruise ships, and in the prior year, excluding restructuring costs and debt issue costs

2 Defined as net available cash generation

3 Defined as post-tax profit excluding the effect of reserve releases divided by the fully diluted number of shares in issue

4 Defined as earnings before interest and tax divided by the carrying value of equity plus net debt

The link between our strategy for 2019/20 and the Remuneration Policy

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 18-19. 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	Framework					
	Relaunch Retail Broking with a compelling direct proposition	Complete the transformation of Cruise	Accelerate the transformation of our Tour Operations business	Increase usage of and engagement with our Membership programme, Saga Possibilities	Complete implementation of IT platforms	Developing our people
<p>Fixed remuneration (salary, benefits and pension)</p> <p>The Company provides competitive levels to attract and retain talent required to successfully deliver on our business strategy.</p>	<p>Sell differentiated products and service to our customers.</p> <p>Launch three-year price for car and house insurance.</p> <p>Improved claims service.</p>	<p>Ensure delivery of two new purpose built cruise ships in July 2019 and August 2020.</p>	<p>Focus the business on higher-margin escorted travel and river cruises.</p> <p>In short haul prioritise high-quality properties and solo travel.</p>	<p>Grow and leverage membership and the Possibilities programme to enhance customer engagement and loyalty.</p>	<p>Ensure we have the IT platforms to deliver great customer outcomes and deliver our commercial objectives.</p>	<p>Build on employee culture which promotes fairness, talent and inclusion and enables a high-performing business.</p>
<p>Annual bonus metrics</p> <p>Maximum annual bonus opportunity is 150% of salary.</p> <ul style="list-style-type: none"> Two thirds of the total bonus to be paid immediately in cash. One third deferred in shares for three years. 	<p>Increase car and house insurance sales through direct channels.</p> <p>Increase customer retention.</p> <p>PBT and operating cash flow.</p>	<p>Achieve targeted future bookings in 2019/20 for both ships.</p> <p>PBT and operating cash flow.</p>	<p>Increase Tour Operations margin.</p> <p>PBT and operating cash flow.</p>	<p>Leverage membership to enhance Holiday and Insurance sales.</p> <p>Operational objectives.</p>	<p>Deliver the benefits from our investments in our Insurance Claims Management and Travel platforms.</p> <p>Operational objectives.</p>	<p>Improve employee engagement.</p> <p>Enhance diverse succession.</p> <p>Operational objectives.</p>

Remuneration Policy	Framework					
	Relaunch Retail Broking with a compelling direct proposition	Complete the transformation of Cruise	Accelerate the transformation of our Tour Operations business	Increase usage of and engagement with our Membership programme, Saga Possibilities	Complete implementation of IT platforms	Developing our people
LTIP metrics¹						
Maximum annual award is 200% of salary.	Increase car and house insurance sales through direct channels.	Achieve targeted EBITA per ship. Increase NPS.	Increase the underlying profit before tax margin. Increase NPS.	Increase prompted brand consideration. Increase the number of regularly engaged customers. Increase in the number of customers with more than one product holding.	Implement the IT platforms required to deliver the three-year strategy. Fully optimise the 'My Saga' digital customer journey.	Improve our engagement score. Increase female representation in our 1 to 2 year succession pipeline. Implementation of phase 2 of the leadership development programme.
Awards will vest at the end of three years subject to the achievement of stretching targets.	Increase customer retention. Increase NPS.	Increase the underlying profit before tax margin.				

Note:

1 The Company will be consulting with shareholders on the structure of proposed LTIP metrics for 2019

Contents

This section of the Annual Report on Remuneration deals with the following:

- The Committee's report:
 - on wider workforce pay policies and whether the approach to executive remuneration is consistent
 - on the alignment of the incentives operated by the Company with its culture and strategy.
- General pay and conditions in the Company.
- Gender and diversity.
- Comparison metrics on executive and employee remuneration.

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

Our employees

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

Committee Report

Process

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

Element of remuneration	Saga plc
Alignment with remuneration principles	One of Saga's reward principles is to create fair and flexible reward structures for all Saga employees. In the past two years we have reviewed and redesigned most of our compensation and benefit structures in line with this principle.
Salary	<p>For full year 18/19 Saga has awarded an annual 2% pay review.</p> <p>Employees rated as 'achieving' will receive 2%; higher performers will receive a higher rate up to a maximum of 3.6%.</p> <p>Our annual pay review in February is managed centrally, with recommendations for the Group being presented to the Group Executive in December.</p> <p>National Living Wage For most employees, we maintain a 20p uplift between minimum pay levels and the National Living Wage. MetroMail has maintained an uplift of 5p to reflect our approach to allow flexibility in our reward structures and to sustain financial viability.</p>

Element of remuneration	Saga plc
Bonus	<p>Saga operates three separate bonus schemes, which have different methods of calculation (excluding Group Executives' bonus):</p> <ol style="list-style-type: none"> 1. Top Team Bonus Scheme 2. Management Bonus Scheme 3. Company Bonus Scheme. <p>Our Top Team Bonus Scheme is based on Group and divisional profit and cash performance.</p> <p>Our Management Bonus and Company Bonus Schemes are based on the performance in three areas:</p> <ul style="list-style-type: none"> • Group profit: Group PBT, reported at the end of the financial year • Divisional profit: Divisional PBT for the employing division, reported at the end of the year (Group roles are based solely on Group profit) • Individual contribution: performance against the bonus objectives set at the start of the financial year. <p>Our Top Team Bonus Scheme levels range between 40% and 60% of salary.</p> <p>Management Bonus Scheme levels range between 10% to 20% depending on the level within Saga.</p> <p>Company Bonus Scheme levels range between 0% and 7.5% of salary.</p> <p>Bonuses are paid annually in May subject to Company results.</p>
Sales & commission plans	<p>Sales and commission schemes operate in the following companies within the Saga Group: Saga Services (including Bennetts), ST&H, Destinology, Saga Healthcare, Saga Personal Finance and Titan Travel.</p> <p>The method of calculation varies dependent on business area and product. The majority of these plans are paid monthly.</p> <p>Governance of the sales and commission plans is managed at a divisional Board or Executive Committee level.</p> <p>We review these schemes regularly to ensure they adhere to our reward principles and support good customer outcomes.</p> <p>There are adequate recovery provisions in place for all plans to deal with payments made in error or in breach of our values. These provisions are communicated to all eligible employees.</p>

Element of remuneration	Saga plc		
LTIP	<p>The LTIP is currently only available to Group Executive, Top Team roles or in exceptional circumstances senior management. These are awarded annually.</p> <p>Malus and clawback provisions are in place.</p> <p>The vesting period is three years. Our Executive Directors are subject to an additional two-year holding period.</p> <p>Eligible employees:</p>		
	Level	Number of eligible employees ¹	Targeted ranges
	Group Chief Executive Officer	1	200%
	Group Chief Financial Officer	1	150%
	Group Executive	5	60%-100%
	Top Team	64	40%, 50%, 60%

Note:
1 As at 31 January 2019

Pension	<p>Saga operates two pension schemes, a DB scheme and a defined contribution (DC) scheme. Membership figures (as at 31 January) 2019 are as follows:</p> <ul style="list-style-type: none"> • DB scheme: 1,315 • DC scheme: 1,887 <p>The current contributions rates are as follows:</p> <p>Saga Pension Scheme (DB)</p> <p>Employees can choose to join our DB scheme when reaching three years' service with the Company. The standard accrual is 1/75th with a contribution rate of 8.7% which is matched by the Company. Members have the option to trade up or trade down. The trade down rate is 1/90ths with a contribution rate of 7% employee and 7.5% employer.</p> <p>To trade up they can choose either 1/60th or 1/50th accrual and the contribution rate is 8.7% plus an age-related additional contribution. The employers' contribution is capped at 8.7%.</p> <p>This scheme is not open to resort reps or our carer population.</p> <p>Saga Workplace Pension Scheme (DC)</p> <p>To be eligible for autoenrolment employees need to be aged over 22 and with earnings of over £10k per annum.</p> <ul style="list-style-type: none"> • Less than 12 months' service: 4% of qualifying earnings (employees can pay more but employer contribution is fixed at 4%). • Over 12 months' service: 4.5% of basic salary (employees can pay more but employer contribution is fixed at 4.5%). • Over three years' service: option to increase to an employer-matched maximum of 6% (employees are also eligible to join Saga Pension Scheme (DB)). • Over five years' service: option to increase to an employer matched maximum of 10%.
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The Remuneration Committee receives feedback from employee surveys and now feedback from the new People Committee which will meet regularly throughout the year. The first People Committee meeting was held in January 2019 following an election process for the representatives who sit on it and who are drawn from all areas of our business.

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

Overview of findings

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

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

Competitive pay and cascade of incentives

Organisational level	Employee ¹	Maximum bonus percentage of salary	Maximum proportion of bonus payable in cash	Maximum proportion of bonus deferrable in shares	Maximum LTIP award	SIP
Group Chief Executive Officer	1	150%	67% ²	33% ²	200%	✓
Group Chief Financial Officer	1	125%	67% ²	33% ²	150%	✓
Executive Team	6	100%	67% ²	33% ²	100%	✓
Executive Team	1	80%	100%	0%	80%	✓
Executive Team	1	60%	100%	0%	60%	✓
Directors ³	12	60%	100%	0%	60%	✓
Senior leadership	56	40%	100%	0%	40%	✓
Other bonused employees	2,525	20%	100%	0%	n/a	✓
Non-bonused employees	1,467	n/a	n/a	n/a	n/a	✓

Notes:

1 Employees of the Group as at 31 January 2019

2 The maximum level of deferral of bonus in shares for these employees is 50%. Minimum deferral has been set at 33%

3 Director defined as a statutory Executive Director of any board of the Group other than Executive Directors of the plc Board or members of the Executive Team

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

Fairness, diversity and wider workforce considerations

continued

The alignment between Company strategy and culture is demonstrated in the table of incentives below:

	Culture	Strategy
Bonus plans	<p>Focus on how performance is delivered as well as the actual performance. Customer metrics are an integral approach to incentivisation as is a careful calibration of risk.</p> <p>At senior levels in the organisation a proportion of the bonus is deferred for the long-term to support a share ownership culture in the Company and a focus on long-term performance.</p>	<p>The link to strategy is set out on pages 96-97.</p>
SIPs	<p>All sales plans are designed to produce positive customer outcomes and to ensure levels of risk are mitigated.</p>	
LTIP	<p>The LTIP focuses on long-term sustainable performance which is part of the culture of the Company. The retention of shares for the longer term also supports a shared ownership culture in the Company.</p>	

Conclusion

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

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

Communication with employees

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

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

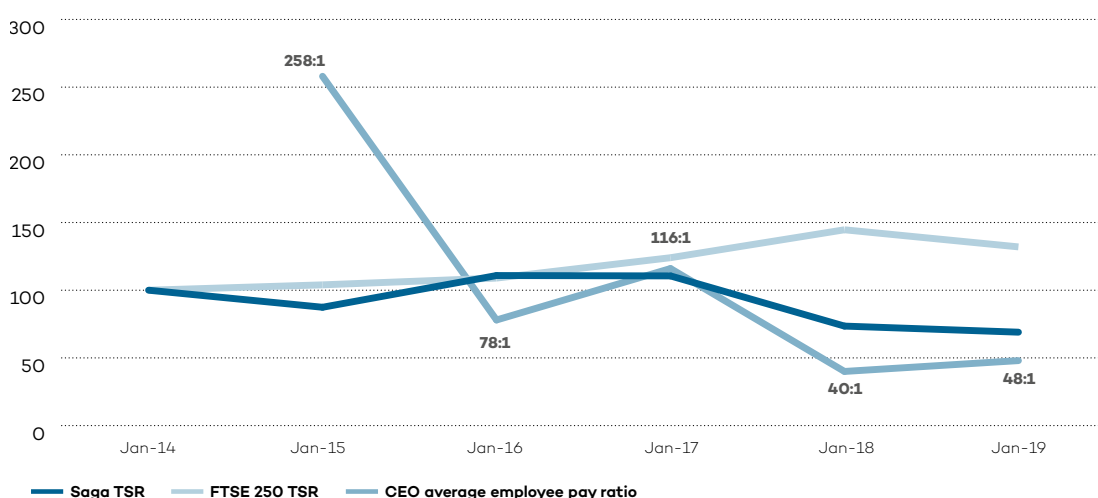
- improved employee engagement across the Group and confidence in the leadership of the business
- a structured and recognised mechanism for collective consultation/feedback which meets the UK Corporate Governance Code and our legislative responsibilities including but not limited to pay review
- a regular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

Equal opportunities

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

Area	Considerations
Pay comparisons	CEO ratio We have set out:

Our CEO to average employee pay ratio for 2018/19 is 48:1. To give context to this ratio, we have set out below a chart tracking the CEO to average employee pay ratio since 2014/15 alongside Saga’s TSR performance since IPO.



FTSE 250 index. The graph shows the TSR generated by both the movement in share value and the re-investment 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 IPO. This graph has been calculated in accordance with the Listing Regulations. It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2019.

In summary there is significant volatility in Group Chief Executive Officer pay, and we believe that this is caused by the following:

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

Fairness, diversity and wider workforce considerations

continued

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

Group Chief Executive Officer	2018/19	2017/18	2016/17	2015/16	2014/15
Total single figure	£1,191,743	£1,025,146 ¹	£2,490,617	£1,600,287	£5,328,702 ²
Annual bonus payment level achieved (percentage of maximum opportunity)	35.1%	0%	67.5%	78.6%	80.7%
LTIP vesting level achieved (percentage of maximum opportunity)	0% ³	26.0%	65.6%	n/a ⁸	n/a ⁸
Ratio of CEO single total remuneration figure to all employees ^{4,5,6}					
25th percentile	59:1	8:1	n/a	n/a	n/a
Median ⁷	48:1	40:1	116:1	78:1	258:1
75th percentile	36:1	33:1	n/a	n/a	n/a
Ratio of single total remuneration figure shown to Executive Committee members	3:1	3:1	4:1	2:1	3:1

Notes:

- For 2017/18 the final value of the 2015 LTIP award as at vesting date is shown which has been restated from the 2017/18 annual report. The share price at vesting date of 30 June 2018 was 125.6p
- 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. Twenty five percent 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
- Based on indicative vesting as at 31 January 2019. The award will vest on 16 May 2019. The final vesting outcome will be stated in the 2019/20 annual report
- The fall in the ratio in 2017/18 is due to the forfeiture of bonus by the Group Chief Executive Officer and the relatively low payout on the LTIP. This reflects the fact that shareholders want Executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group Chief Executive Officer remuneration set out in the table below shows that year-on-year when the volatility of payouts from equity-based awards is excluded that the changes in remuneration for the Group Chief Executive Officer and average employee are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year-on-year
- The increase in ratio for 2018/19 is due to the Group Chief Executive Officer receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout
- For the employee ratio Saga has chosen to use Option B, identifying employees using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time employees for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18 and 2018/19 using the April 2017 and April 2018 gender pay gap data. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018 and 31 January 2019, for these employees calculated in line with the single total figure methodology. For employees who participate in a defined benefit scheme, the value of the pension for the purposes of total pay has been estimated based on the individual's accrual rate and length of service
- The median ratios shown for 2014/15, 2015/16 and 2016/17 have been recalculated to allow a comparison to the 2017/18 and 2018/19 figures which have been calculated in line with the methodology prescribed by the regulations
- There was no LTIP or share option plan operated prior to listing

The employee pay figures used to calculate the ratio are:

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

Area	Considerations								
Pay comparisons continued	Percentage change in Group Chief Executive Officer remuneration								
	The following table sets out the change in the remuneration paid to the Group Chief Executive Officer from 2017/18 to 2018/19 compared with 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			£ Bonus		
			Percent- age change			Percent- age change			Percent- age change
	2018/19	2017/18 ¹		2018/19	2017/18		2018/19	2017/18	
Group Chief Executive Officer ¹	689,785	689,785	0%	35,319	32,346	9% ²	363,171	0	n/a
Average per employee	28,418	28,719	-1% ³	993	928	7% ²	2,971	1,822	63.1%

Notes:

1 2017/18 figure has been revised to include our port representatives and casual drivers

2 The increase in benefits is driven by HMRC annual increases to the company car tax and fuel benefit charge as reported on P11D

3 Decrease in average salary due to number of redundancies in 2017 and 2018

Background

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

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

Our 2018 results demonstrate that we have broadly maintained our overall position when we compare our figures against our 2017 reportable numbers. This is somewhat encouraging given the significant changes in our Leadership Team and the employee base during 2018. As a result, much of the narrative in our 2018 report is consistent with what was reported in 2017. There are also some positive improvements within our reportable numbers such as a decrease in our non-demographic pay gap, which suggest the closer focus on pay and addressing individual pay discrepancies against the market median has had a positive impact on closing the actual difference in pay between men and women.

Our reward principles fully support the work on gender pay and we are confident that men and women are paid fairly and equally for doing equivalent jobs across our business. Our full report with all our reportable entities disclosure figures can be found at www.saga.co.uk

Area	Considerations
Pay comparisons continued	Definitions Difference between gender pay and equal pay:

- A gender pay gap is the difference between average male and female pay for an organisation, regardless of nature of work. This means that gender distribution across grades will be a significant driver of any gap.
- An equal pay gap, on the other hand, refers to an unlawful pay gap between male and female employees carrying out the same roles with the same experience and skills.

The 'gender pay gap' is a metric that measures the difference in average hourly pay across all men and women across an organisation, by reference to both the mean and median figures.

- The 'mean' is an arithmetic average of a set of numbers. The mean calculation considers basic average pay/bonus across all of our employees.
- The median is the number in the middle of a set of ordered numbers. The median calculation focuses on those employees in the middle of pay/bonus ranges, thereby reducing the impact of our highest and lowest paid employees. The 'median' calculation reduces the very significant impact of our most senior male employees, in order to provide a gender pay gap figure which is much more representative of the majority of our employees.

Saga Group gender pay gaps

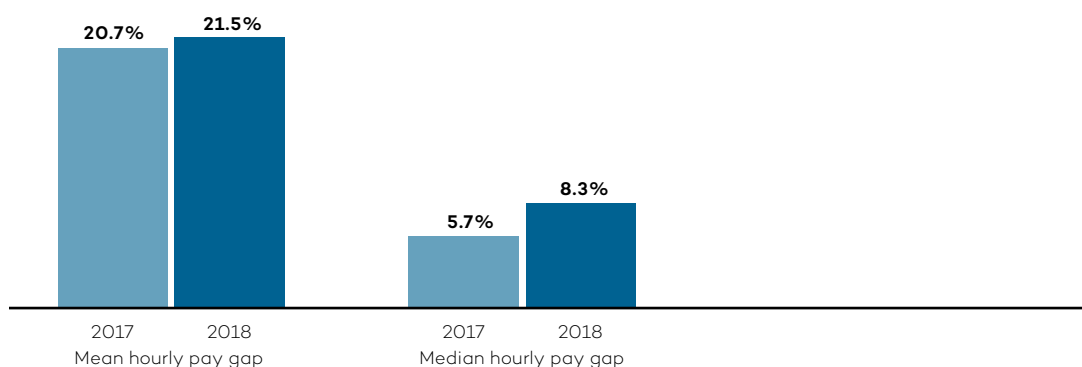
The gaps in both pay and bonus continue to be driven by an over-representation of male employees in our senior highly paid roles, which has the impact of increasing the average male salary across Saga (and therefore driving the overall pay gaps).

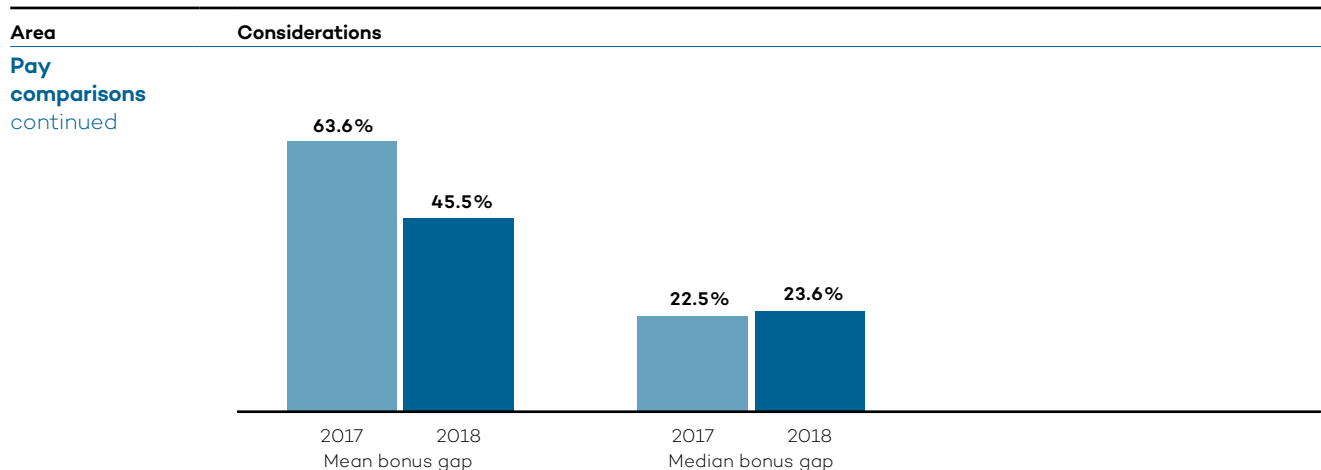
Whilst both the median pay for females and males in 2018 increased, the male median pay increased at a higher rate, hence our relative increase of 2.7%. Several factors contributed to this including:

- senior male hires
- a large proportion of females being excluded from the calculation (we must exclude employees who do not receive normal pay due to sickness, unpaid absence or maternity)
- a decrease in the number of overall employees included in the report with 67% of these being female.

Due to our bonus being linked to base pay, we expect to see a similar correlation in both sets of reportable numbers. The significant change in mean bonus is largely due to the high-value share award to our Chief Executive in 2017, which had a significant impact on our overall gap in 2017.

The tables below show our mean and median hourly pay and bonus gaps, based on April 2018 payroll data.





Addressing representation is a long-term objective of our gender pay workstream. We are passionate about creating a diverse and inclusive culture where everyone succeeds; as such we continue to focus on creating opportunities with our senior leadership team and strengthening our succession pipeline.

What we are doing at Saga to close the gap

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

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

Diversity policy

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

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

See Strategic Report for more information on pages 28-29.

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 2018/19 financial year. Comparative figures for the 2017/18 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013.

	Period	Salary/ fees £	Taxable benefits ¹ £	Bonus ⁴ £	LTIP ² £	Pension ³ £	Total £
Executive Directors							
Lance Batchelor (Group Chief Executive Officer)	2018/19	689,785	35,319	363,171	0	103,468	1,191,743
	2017/18	689,785	32,346	0	199,547	103,468	1,025,146
James Quin ⁵ (Group Chief Financial Officer)	2018/19	30,833	3,097	25,686	0	3,083	62,699
	2017/18	n/a	n/a	n/a	n/a	n/a	n/a
Jonathan Hill ⁵ (Group Chief Financial Officer)	2018/19	282,981	15,580	0	0	42,448	341,009
	2017/18	424,483	24,243	0	92,099	63,672	604,497
Non-Executive Directors							
Patrick O' Sullivan ⁶ (Chairman)	2018/19	243,750	0	0	0	0	243,750
	2017/18	n/a	n/a	n/a	n/a	n/a	n/a
Andrew Goodsell ⁷ (Chairman)	2018/19	71,527	10,858	0	0	0	82,385
	2017/18	284,240	45,488	0	0	0	329,728
Ray King (Non-Executive Director, Audit Committee Chair)	2018/19	73,672	0	0	0	0	73,672
	2017/18	73,256	0	0	0	0	73,256
Orna NiChionna (Senior Independent Non- Executive Director, Risk Committee Chair)	2018/19	96,710	0	0	0	0	96,710
	2017/18	95,756	0	0	0	0	95,756
Julie Hopes ⁸ (Non-Executive Director)	2018/19	36,224	0	0	0	0	36,224
	2017/18	n/a	n/a	n/a	n/a	n/a	n/a
Eva Eisenschimmel ⁹ (Non-Executive Director)	2018/19	5,306	0	0	0	0	5,306
	2017/18	n/a	n/a	n/a	n/a	n/a	n/a
Gareth Williams (Non-Executive Director, Remuneration Committee Chair)	2018/19	73,672	0	0	0	0	73,672
	2017/18	73,256	0	0	0	0	73,256
Bridget McIntyre ¹⁰ (Non-Executive Director)	2018/19	120,568	0	0	0	0	120,568
	2017/18	136,512	0	0	0	0	136,512

Notes:

- The types of benefits provided included family private health cover, death in service life assurance, a car allowance or company car, subsistence expenses and staff discounts in line with other employees
- Values shown for 2018/19 represent the indicative vesting of the 2016 award. The performance period of the TSR element of the award is due to be tested in May 2019, the value in the table above assumes zero vesting under the TSR element based on performance to year end. For 2018/19 the final value of the 2015 LTIP award as at vesting date is shown which has been restated from the 2018/19 annual report. The share price at vesting date of 30 June 2018 was 125.6p
- Reflects the value of the pension supplement
- See the Chair of Remuneration Committee's Annual Statement for the details of the Committee's deliberations on bonus
- James Quin joined the Board on 1 January 2019, replacing Jonathan Hill who left the Company on 28 September 2018
- Patrick O' Sullivan was appointed Chairman on 1 May 2018
- Until his retirement as Chairman on 30 April 2018, Andrew Goodsell continued to receive taxable benefits which are legacy arrangements from his employment as Executive Chairman and comprise a leased car with associated fuel, and healthcare
- Julie Hopes joined the Board on 1 October 2018
- Eva Eisenschimmel joined the Board on 1 January 2019
- Bridget McIntyre retired from the Saga plc Board on 31 October 2018

Annual bonus³

See page 86 for details of the financial performance conditions and their level of satisfaction which are incorporated into this Annual Report on Remuneration by reference.

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

Name	Weighting	Objective	Details	Achievement of objective
Lance Batchelor Group Chief Executive Officer	10%	Deliver Saga growth agenda	Deliver budgeted growth agenda through: <ul style="list-style-type: none"> increase in Insurance policy numbers from 2,769k to 2,785k achieve persistency rates of 77.1% for home and 65.2% for motor deliver Tour Operation and Cruise passenger growth from 211k to 224k deliver 10% growth in cross-sell. 	2% Partially achieved
	10%	Deliver Olympic business case	Deliver business case for Spirit of Discovery and Spirit of Adventure through: <ul style="list-style-type: none"> delivery of 2019/20 detailed annual plan consistent with the agreed business case deliver on track revenue per capacity day of £235 deliver on track ship operating cost per capacity day of £115. 	9% Achieved
	10%	Build employee engagement	Build Saga as an admired place to work by increasing overall employee engagement. Focus on improving underlying sustainable engagement by 5%.	4% Partially achieved
James Quin Group Chief Financial Officer	10%	Introduction to Saga, governance and responsibilities	Positive engagement with the Business, Board and CEO to ensure: <ul style="list-style-type: none"> full understanding of Saga's strategy full understanding of Saga's governance and risk appetite including the responsibilities at the Group and regulated entities level full understanding of the Saga customer and customer experience Saga values, culture and how these are embedded in the Company. 	10% Achieved
	10%	Delivery of required financials	Delivery of 2018/19 financial reporting	10% Achieved
	10%	Deliver Saga growth agenda	Delivery of 2019/20 business plan and strategy	10% Achieved

Notes:

1 The bonus paid to the CEO was adjusted – see the Chair of the Remuneration Committee's Annual Statement on pages 83-85

2 The bonus paid to James Quin (the new Group CFO) was pro-rated to reflect that he had only been employed by the Company since 1 January 2019

3 No bonus was paid to Jonathan Hill, the departed Group CFO

Annual Report on Remuneration

continued

Long-term incentives vested in 2018/19 (audited)

The LTIP awards granted on 30 June 2015 vested on 30 June 2018. The final vesting percentage was 26%, in line with the estimate disclosed in the 2017/18 annual report.

The below table confirms the vesting of the 2015 LTIP award for Lance Batchelor:

Name	Award level (% of salary)	Portion of EPS vesting	Portion of TSR vesting	Total vesting (as % of award)	LTIP value for single figure
Lance Batchelor	200%	52%	0%	26%	£199,547

For the 2017/18 annual report, the average share price for the final quarter of 2017/18 of 146.8p was used to estimate the value of the award. Now that the share price on vesting as well as final number of awards vesting is known, the LTIP value above and in the single figure table have been restated. The value of the award has been calculated using the share price at vesting date of 125.6p. No discretion has been exercised by the Committee in determining the level of LTIP vesting.

Long-term incentives vesting in respect of 2018/19 performance (audited)

The LTIP awards granted on 16 May 2016 have not yet vested but as performance was substantially completed during the 2018/19 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 2020 Annual Report on Remuneration to reflect the final vesting outcome and the actual share price on the date of vesting (currently in line with the Regulations the average share price for the last quarter of the financial year has been used). The 2016 LTIP is equally weighted between EPS and relative TSR performance conditions. The EPS growth is measured to the 2018/19 year end and the three year TSR condition concluding on 16 May 2019. The EPS over the period has grown by 10% p.a. against the range of 7-12% p.a. equating to a vesting of 0% of the EPS element. The Company has assessed relative TSR performance against the FTSE 250 (excluding real estate and investment trusts) to 31 January 2019. Saga ranked below the median equating to an indicative vesting of 0%. The table below presents the indicative vesting of the 2016 LTIP award for Lance Batchelor.

Name	Award level (% of salary)	Portion of EPS vesting	Estimate of TSR vesting ¹	Estimate of total vesting (as % of award)	Indicative LTIP value for single figure ²
Lance Batchelor	200% of salary	0%	0%	0%	£0

Notes:

1 Based on TSR performance against the peer group to 31 January 2019

2 Value based on the Company's final quarter average share price to 31 January 2019 of 108.15p

Long-term incentives awarded in 2018/19 (audited)

The table below sets out the details of the long-term incentive awards granted in the 2018/19 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
Lance Batchelor	LTIP	Annual	£1,379,570	1,015,136	25%	100%

The awards were granted on 1 May 2018; the face value is calculated with reference to the share price on 1 May 2018 of 135.90p. The awards will vest, subject to the level of performance achieved, on 1 May 2021. For performance conditions see page 86.

Pension entitlements (audited)

Name	Age at 31/01/2019	Pensionable service at 31/01/2019	Accrued Pension		Single figure numbers		Extra information disclosed under 2013 Directors' Remuneration Regulations	
			01/02/2018	31/01/2019	Pension salary supplement ¹	Value x20 over year ²	Total pension benefits	Normal retirement age
Lance Batchelor	55	2 years, 9 months	£6,213	£6,213	£103,468	£0	£103,468	65
Jonathan Hill	50	1 year, 10 months	£3,156	£3,156	£42,448	£0	£42,448	65

Notes:

1 Pension salary supplement paid is 15% of the Executive Director's base salary

2 Reflects the growth in the Executive Director's pension accrued in the Saga Pension Scheme over the year multiplied by 20, less the contributions by the Executive

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

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

Directors' share interests

Directors' share interests are discussed in the Summary Report on page 90 and are incorporated into this Annual Report on Remuneration by reference.

Performance graph and table

The TSR performance graph and single figure of remuneration for the CEO are set out in the section of the report headed Fairness, diversity and wider workforce considerations and are incorporated into this Annual Report on Remuneration by reference.

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

This information is set out in the section of the report headed Fairness, diversity and wider workforce considerations and are incorporated into this Annual Report on Remuneration by reference.

Fees retained for external Non-Executive Directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. Lance Batchelor is a Trustee of the charity the White Ensign Association; in January 2019, he was appointed as a Non-Executive Director on the Board of the Royal Navy. He does not receive a fee for his position with the White Ensign Association. He does receive a fee for the Navy Board position of £15,000 per annum. James Quin holds no external Directorships.

Implementation of policy

Implementation of policy is discussed in the Summary Report and is incorporated into this Annual Report on Remuneration by reference.

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2018/19 financial year and 2017/18 financial year compared with other disbursements. All figures provided are taken from the relevant company accounts.

	Disbursements from profit in 2018/19 financial year (£m)	Disbursements from profit in 2017/18 financial year (£m)	Percentage change
Profit distributed by way of dividend	100.9	98.5	2.4%
Total tax contributions ¹	74.6	75.1	-0.7%
Overall spend on pay including Executive Directors	123.9	136.7	-9.3%

Note:

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

Annual Report on Remuneration

continued

Shareholder voting at the AGM

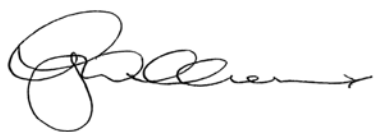
A new Directors' Remuneration Policy was put to a binding vote and the Chairman's Annual Statement and the Annual Report on Remuneration were subject to an advisory vote at the AGM on 21 June 2018. Below we outline the voting outcomes in respect of approving the Directors' Remuneration Report and approving the Directors' Remuneration Policy. Overall both the Remuneration Policy and Report received overwhelming support from shareholders.

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	708,342,888	99.34	4,703,239	0.66	714,727,672	63.6%	1,681,545
To approve the Directors' Remuneration Policy	710,588,229	99.49	3,637,508	0.51	714,727,672	63.8%	501,935

The Committee, therefore, intends to make no change to the Policy or its implementation for 2019/20.

Advisers to the Remuneration Committee

During the financial year, PwC advised the Remuneration Committee on all aspects of the Remuneration Policy for Executive Directors and members of the Executive Team. PwC also provided the Company with tax and assurance work during the year. The Remuneration Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists or existed in the provision of these services. PwC were appointed by the Remuneration Committee, and the Committee is satisfied that the advice provided is independent. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Fixed fees of £80,000 (2017/18: £51,250) were provided to PwC during the year in respect of remuneration advice received. The increase from the prior year is due to additional support in relation to the renewal of the Remuneration Policy.



Gareth Williams
Chair, Remuneration Committee
3 April 2019

Management report

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

Statutory information contained elsewhere in the annual report

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

Information	Location in annual report
Likely future developments in the business of the Company or its subsidiaries	Pages 1-51
Corporate social responsibility	Pages 28-33
Greenhouse gas emissions	Pages 32-33
Employees (employment of disabled persons, employee engagement and policies)	Pages 15 and 28
Corporate Governance Statement	Pages 52-82
Directors' details (including changes made during the year)	Pages 59 and 64-66
Related party transactions	Not applicable
Diversity	Pages 28 and 69
Share capital	Note 29 on page 182
Viability statement	Page 54
Going concern and Fair, balanced and understandable statement	Page 55
Employee share schemes (including long-term incentive schemes)	Note 32 on pages 184-185
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2.3, 18 and 19 on pages 133-144, 162-165 and 167-172
Additional information	Pages 198-201

Disclosure table pursuant to Listing Rule (LR) 9.8.4C

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

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 17 on page 161
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Operating and Financial Review, pages 38-51
9.8.4(4)	Long-term incentive schemes (LR 9.4.3R)	Directors' Remuneration Report, pages 83-112
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 83-112
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 83-112
9.8.4(7)	Non pre-emptive issues of equity for cash	Directors' Report on page 116
9.8.4(8)	Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' Report on page 116 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 116 (under paragraph 'Rights attaching to shares')
9.8.4(14)	Board statement in respect of relationship agreement with the controlling shareholder	Not applicable

Results and dividends

The Group made a loss after taxation of £(162.0m) for the financial year ended 31 January 2019. The Board paid an interim dividend of 3.0p per share and proposes to pay, subject to shareholder approval at the 2019 AGM, a final dividend of 1.0p net per share in respect of the year ended 31 January 2019.

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

Political donations

No political donations were made during the year.

Directors' interests

A list of the Directors, their interests in the long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 83-112.

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 Jonathan Hill, who has resigned from the Board with effect from 28 September 2018, and Bridget McIntyre, who retired from the Board on 31 October 2018, and Eva Eisenschimmel, Julie Hopes, Gareth Hoskin and James Quin, whose elections will be put to the shareholders at the AGM.

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

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

Directors' indemnities and insurance

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors, to the extent permitted by law and the Company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as Directors of the Company or any of its subsidiaries. No amount was paid under any of these

indemnities or insurances during the year other than the applicable insurance premiums. Directors' and officers' liability insurance is in place as at the date of this report, at an amount which the Board considers adequate. This is subject to an annual review.

Change of control – significant agreements

A number of agreements take effect, alter or terminate upon a change of control of the Company, including following a takeover bid, for example, insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is closely managed as part of the contractual governance process.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £250m seven-year public listed bond at 3.375%, due to expire in May 2024, which has 101% put at change of control leading to a 1 notch credit rating downgrade, a five-year £200m term loan expiring in May 2022 and a £100m five-year revolving credit facility, expiring in May 2023.

Twelve year Export Credit Agency backed funding is in place to finance 80% of the cost of the Group's two new ships. These facilities will be drawn as ship builds complete and are secured by way of a charge over the assets financed. The Company has provided a guarantee for the ship debt.

In the event of a change of control the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in note 27 to the consolidated financial statements on page 181.

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.

Share capital and interests in voting rights

The Company's share capital (including movements during the year) is set out on page 182. 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 2019, 1,122,003,328 ordinary shares of 1p each have been issued, are fully paid up and

quoted on the London Stock Exchange. In July 2018, the Company issued 1,707,909 new ordinary shares of 1p each for transfer into an Employee Benefit Trust to satisfy employee incentive arrangements. The new shares were admitted to trading on 10 July 2018. This increased the Company's issued share capital to 1,122,003,328 ordinary shares of 1p, of which no shares are held in treasury.

In accordance with DTR 5.1, the Company has been notified of the following interests in the Company's total voting rights as at 31 January 2019:

Name	Date of disclosure to Company ¹	Ordinary shares	Percentage of capital	Nature of holding
Majedie Asset Management Limited (owned by Majedie UK Income Fund, Majedie Asset Management UK Income Fund, Majedie Asset Management UK Equity Fund, Majedie UK Equity Fund, Majedie Institutional Trust and Discretionary Clients)	03/12/2015	68,956,717	6.17%	Indirect
Artemis Investment Management LLP on behalf of discretionary funds under management	23/03/2017	111,601,253	9.98%	Indirect
BlackRock Inc.	19/04/2018	56,195,022	5.01%	Indirect, Securities Lending, Contract for Difference
Royal London Asset Management Limited (owned by HSBC Global Custody Nominees (UK) Ltd)	31/08/2018	55,282,337	4.9271%	Direct
Pelham Long/Short Master Fund Ltd (owned by Pelham Long/Short Master Fund Ltd)	22/11/2018	49,867,633	4.44%	Contract for Difference
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	08/01/2019	157,793,867	14.06%	Indirect Rights to recall lent shares
Setanta Asset Management Limited	04/02/2019	78,881,033	7.0304%	Indirect

Note:

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

- Information regarding other interests in voting rights provided to the Company pursuant to the FCA DTRs is published on the Company's website and a Regulatory Information Service. Notification was also received by the Company during the year that Deutsche Bank AG and J. P. Morgan Chase & Co (owned by J. P. Morgan Securities plc) had notifiable interests but these ceased to be notifiable interests and are not included in the table above.
- As at 3 April 2019, the Company had been notified, in accordance with the UK Listing Authority's Disclosure Guidance and Transparency Rules that the following shareholders held, or were beneficially interested in, 3% or more of the voting rights in the Company's issued share capital:

Name	Date of disclosure to Company	Ordinary shares	Percentage of capital	Nature of holding
BlackRock, Inc	20/02/2019	56,398,638	5.02%	Direct Securities Lending Contract for Difference
Aggregate of Standard Life Aberdeen plc affiliated investment management entities with delegated voting rights on behalf of multiple managed portfolios	29/03/2019	170,169,192	15.17%	Indirect

Authority to allot/purchase own shares

A shareholders' resolution was passed at the AGM on 21 June 2018 which authorised the Company to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the 'Act') (up to £1,120,295.41 representing 10% of the aggregate nominal share capital of the Company following Admission). This is subject to a minimum price of 1p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the London Stock Exchange trading system.

The Company did not exercise this authority during the year and it will expire at the forthcoming AGM. A special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed. The authority to repurchase the Company's ordinary shares in the market will be limited to £1,122,003.32 and will set out the minimum and maximum price which would be paid.

The Directors of the Company were also granted authority at the 2018 AGM to allot relevant securities up to a nominal amount of £3,730,583. This authority will apply until the conclusion of the 2019 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of section 551 of the Act) to allot relevant securities (i) up to an aggregate nominal amount of £3,736,271; and, (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £7,472,542 (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2020 or, if earlier, 31 July 2020.

Special resolutions will also be proposed to give the Directors authority to make non pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £561,001.66 and to make non pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £561,001.66.

Rights attaching to shares

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

Ordinary shareholders have the right to receive notice, attend and vote at general meetings; and receive a copy of the Company's report and accounts and a dividend when approved and paid. On a show of hands, each shareholder present in person, or by proxy (or an authorised representative of a corporate shareholder), shall have one vote. In the event of a poll, one vote is attached to each share held. No shareholder owns shares with special rights as to control. The notice of the AGM (Notice) states deadlines for exercising voting rights and for appointing a proxy/proxies.

The Saga Employee Benefit Trust (the 'Trust') is an Employee Benefit Trust which holds property, (the 'Trust Fund') including inter-alia money and ordinary shares in the Company, in trust in favour or for the benefit of employees of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in note 32 to the consolidated financial statements.

Restrictions on the transfer of shares

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

Articles of association

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

Research and development

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

Branches outside the UK

The Company does not have any branches outside the UK.

Post-balance sheet events

There were no post-balance sheet events.

Auditor

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

Annual General Meeting

The AGM will be held on 19 June 2019 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice contains an explanation of special business to be considered at the meeting and will be available on our website, www.corporate.saga.co.uk, in due course.

By order of the Board



V. Haynes
Company Secretary
3 April 2019
Saga plc (Company no. 08804263)

Directors' responsibilities

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

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

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

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

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

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

Disclosure of information to the auditor

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

Maintenance of website

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

Directors' responsibility statement

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 59 and 64-65, confirm that, to the best of their knowledge:

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

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

By order of the Board



V. Haynes
Company Secretary
3 April 2019
Saga plc (Company no. 08804263)