

Saga plc (the Company)

Terms of Reference of the Remuneration Committee of the Board of Directors of the Company

adopted by the Board on 18 September 2019

The following are the terms of reference of the Remuneration Committee (the “Committee”) of Saga plc (the “Company”) and its subsidiaries (together, the “Group”). The Committee has been delegated responsibility from the board of directors of the Company (the “Board”) for, the determination of the policy and determination and approval of the terms and conditions of employment, remuneration/compensation and benefits of each of the Chairman of the Board, Executive Directors, senior management (being those individuals who report to the Group Chief Executive Officer) and the Company Secretary, Group Head of Internal Audit and Chief Risk and Compliance Officer (together the “Senior Executives”). Additionally, the Committee is also responsible for reviewing workforce remuneration and incentive programmes throughout the wider Company to ensure alignment with the Company’s culture and strategy and to take this into account when determining the policy and remuneration for the Senior Executives. The Committee also has delegated responsibility from the Board for the determination of all aspects of share-based arrangements.

1. Membership

- 1.1 The Committee shall comprise at least three members, all of whom shall be independent non-executive directors. In addition, the Chairman of the Board (the “Chairman”) may be a member (if he/she was considered independent on appointment as Chairman) of the Committee.
- 1.2 The Board shall appoint the chair of the Committee, who shall also be an independent non-executive director (the “Chair”) and determine the period for which they shall hold office. Before appointment as Chair, the appointee should have ideally served on a remuneration committee for at least 12 months. In the absence of the Chair and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be Chair of the Committee.
- 1.3 Only Committee members have the right to attend and vote at Committee meetings. However, the Committee may invite any directors or other executives of the Company, including the Chairman, Group Chief Executive Officer or any external professional advisors to attend all or part of any meetings as and when appropriate. An executive will not attend when their own remuneration is under discussion.
- 1.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as the members continue to be independent.
- 1.5 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee Chair.

2. Secretary

- 2.1 The Company Secretary (the “Secretary”), or his or her nominee, shall act as secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members of the Committee (both of whom must be independent non-executive directors).
- 3.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise any or all the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.3 All the members of the Committee may participate in a meeting of the Committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least twice a year and at such other times as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members.
- 5.2 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, date and time and dial-in details (if required), together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, and to other attendees as appropriate and all other non-executive directors as soon as practicable, and in any event no later than five working days before the date of the meeting. The notice period shall be reduced only with the consent of all the Committee members.

6. Minutes of Meetings

- 6.1 The Secretary, or his or her nominee, shall minute the proceedings and decisions of Committee meetings, including the names and job titles of those present and in attendance.
- 6.2 The members of the Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary, or his or her nominee, shall minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to the Chair and, once agreed, to all members of the Committee and to all other members of the Board, unless in the opinion of the Chair it would be inappropriate to do so.

7. Annual General Meeting

- 7.1 The Chair shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities and responsibilities.

8. Duties

The Committee shall:

- 8.1 Determine and agree with the Board the broad remuneration policy for the Senior Executives, including pension rights and any compensation payments. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. The remuneration of non-executive directors shall be a matter for the Chairman of the Board and the Executive Directors subject to the constraints contained in the Company's Articles of Association and the remuneration policy. No director or Senior Executive shall be involved in any decisions as to their own remuneration.
- 8.2 In determining such policy, consider all factors which it deems necessary, including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code (the "Code") and associated guidance, and the remuneration trends across the Company and the Group. The objective of such policy shall be to attract, retain and motivate Senior Executives of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders. The remuneration policy should have regard to the risk appetite of the Company and alignment to the Company's long-term strategic goals. Executive remuneration should be structured to link rewards to corporate and individual performance, performance-related elements should be transparent, stretching and rigorously applied. When setting such targets, the Committee shall seek to align those targets with the Group's strategic objectives and relevant financial and non-financial measures to ensure alignment with the delivery of value over the long term in line with the Company's purpose. The Committee shall also determine whether such targets have been met and approve the total annual pay-outs to be made.
- 8.3 In determining the remuneration policy and approving design of, and determining the targets for, any performance related remuneration schemes for Senior Executives, consider all factors which it deems necessary including, but not limited to:
 - 8.3.1 Relevant legal and regulatory requirements;
 - 8.3.2 The principles and provisions of the Code and recommendations in associated guidance;
 - 8.3.3 The views and long-term interests of shareholders and other stakeholders;
 - 8.3.4 The remuneration and related policies of the wider workforce;
 - 8.3.5 The risk appetite of the Company;
 - 8.3.6 The alignment of the remuneration policy to the Company's purpose, values, culture and long-term strategy.
- 8.4 Review and consider (at least annually) remuneration and related policies in place across the Company or Group to:
 - 8.4.1 Ensure the alignment of workforce remuneration including all incentive programs with the Company's culture and strategy;

- 8.4.2 Report how decisions on executive pay align with the wider Company remuneration policy;
- 8.4.3 Enable the Committee to feedback to the Board on workforce reward, incentives and conditions and how they address any pay gaps and pay ratios between various quartiles within the business; and
- 8.4.4 Work with the Nomination Committee as appropriate regarding the structure of the workforce remuneration. Within the terms of the agreed policy and in consultation with the Chair and/or Group Chief Executive Officer as appropriate, determine the total individual remuneration package of the Senior Executives including but not limited to base salary (and the pension consequences of base salary increases) bonuses, incentive payments, discretionary payments, pension contributions, benefits in kind and share options or other share awards. The Committee should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of the Company and individual performance, and wider circumstances.
- 8.5 Consider and approve any payment to and/or any non-cash benefit (including pension contribution and all other elements) to be provided to, or for the benefit of an Executive Director or other member of the Senior Executives and any other terms and conditions to apply on termination of that person's employment (once the decision to dismiss or reach agreement to terminate employment has been taken by the Board) to ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company. Any payment for loss of office to any current or former Chair or Executive Director of the Board should be consistent with the most recent directors' remuneration policy that has been approved by shareholders or is otherwise approved by the shareholders as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations"), the Companies Act, the Listing Rules and all other relevant laws and regulations. A robust line on reducing compensation to reflect departing director's obligations should be taken so that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.6 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. The Committee shall have full authority to appoint, at the Company's expense, remuneration consultants and to commission any reports, surveys or other information which it deems are reasonably necessary to help it fulfil its obligations, within any budgetary restraints set by the Board.
- 8.7 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee and consider any other connection they may have with the Board.
- 8.8 Approve the design and criteria of, and determine targets for, any performance related pay schemes (for the Senior Executive) operated by the Company and approve the total annual payments made under such schemes (in accordance with the provisions of the Code and guidance in relation to executive directors) and monitor their operation. Future share awards such as LTIPs (excluding the Deferred Bonus Plan) promoting long-term shareholdings should be released for sale on a phased basis and be subject to a total vesting and holding period of five years. Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes. They should also include provisions that would enable the Company to recover and/or withhold the payment of any sum or share awards] and specify the circumstances in which it would be appropriate to do so. The Committee shall develop a formal policy post-employment shareholding requirements encompassing both vested and unvested shares.

- 8.9 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Senior Executives and the performance targets to be used.
- 8.10 Determine the policy for, and scope of, pension arrangements for each Executive Director and other Senior Executives. Only basic salary shall be pensionable. The pension contribution rates for the Senior Executives, or payments in lieu, shall consider those available to the workforce.
- 8.11 Oversee any major changes or investments in employee pay or benefits structures throughout the Company or Group.
- 8.12 Recommend setting up any additional employee share scheme to the Board and monitor all employee share scheme's implementation to ensure that they are run in accordance with the rules of that scheme and any applicable legal and stock exchange requirements and with any requirements of Her Majesty's Revenue and Customs.
- 8.13 The Committee shall be responsible for, including, but not limited to (subject always to the rules of the relevant scheme, the Articles of Association of the Company from time to time and any applicable legal and stock exchange requirements):
 - 8.13.1 the selection of those eligible directors and employees of the Company and its subsidiary companies to whom long term incentives, share options or awards should be granted;
 - 8.13.2 the timing of any grant;
 - 8.13.3 the numbers of shares over which long term incentives, share options or awards are to be granted;
 - 8.13.4 the exercise price at which long term incentives, share options or awards are to be granted; and
 - 8.13.5 the setting of any performance condition(s) which must be complied with before any option or award (other than the awards issued at IPO (referred to as the "IPO Awards") may be exercised.

For the avoidance of doubt, clause 8.13 in its entirety shall not apply to (and the Committee shall not be responsible for) any terms or conditions in relation to the IPO Awards.

- 8.14 Agree the policy for authorising claims for expenses from the directors.
- 8.15 Work and liaise as necessary with all other Board committees.
- 8.16 Ensure the Chief People Officer has direct access to the Board Chairman, Committee Chair and Committee.

9. Reporting Responsibilities

- 9.1 The Chair shall report (verbally or otherwise) to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall ensure that provisions regarding disclosure of information relating to the Senior Executives' remuneration, including, where required by law, the Senior Executives' remuneration policy and its implementation, as set out in the Regulations, the Companies Act 2006, the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and the Code and all other relevant laws and regulations (each as amended from time to time) are fulfilled and produce a report of the Company's remuneration policy and its implementation to be included in the Company's annual report and ensure each year that it is put to shareholders for approval at the AGM. If the Committee has appointed remuneration consultants, the annual report on remuneration should identify such consultants and state whether they have any other connection with the Company and/or individual directors. The remuneration report should include:
- 9.3.1 an explanation of the strategic rationale for executive directors' remuneration policies, structures and any performance metrics;
 - 9.3.2 reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
 - 9.3.3 a description, with examples, of how the remuneration committee has addressed the principles set out by Provision 40 of the 2018 UK Corporate Governance Code as more fully described in Appendix A to this document;
 - 9.3.4 whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
 - 9.3.5 what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes.
 - 9.3.6 what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and to what extent discretion has been applied to remuneration outcomes and the reasons why.
- 9.4 Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.

10. Other Matters

- 10.1 The Committee shall have access to sufficient resources to carry out its duties, including access to the Company Secretary and other Group functions for assistance as required.
- 10.2 Independent judgement shall be exercised when evaluating the advice provided to the Committee including that from their independent advisers and views from executive directors and Senior Executives.
- 10.3 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members, and if a member wishes to attend specific training, the member may notify the Company Secretary who shall record and progress such request and take steps to ensure that such training is made available to the relevant member.

- 10.4 The Committee must give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as guidelines published by the Association of British Insurers, ISS and the National Association of Pension Funds and any other applicable rules, as appropriate.
- 10.5 In relation to the above, the Committee shall always give due regard to published or other available information relating to pay, bonuses and other benefits of executives in companies which are comparable to the Company.
- 10.6 The duties of the Committee do not include decisions to employ or dismiss members of the Senior Executive. The Committee does not have responsibility for nominations to the Board.
- 10.7 The Committee shall arrange for periodic reviews of its own performance and its terms of reference, at least annually, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised by the Board to:

- 11.1 obtain, at the Company's expense (within the limits authorised by the Board from time to time), independent legal or other professional advice on any matters within its terms of reference and invite those persons giving such advice to attend Committee meetings;
- 11.2 undertake any activity within its terms of reference;
- 11.3 seek any information that it requires from any employee or contractor within the Group to perform its duties;
- 11.4 call any Group employee or contractor to be questioned at a meeting of the Committee, as and when required; and
- 11.5 delegate any of its powers to one or more of its members or the Secretary.

These terms of reference were reviewed and approved by the Board on 18 September 2019.

APPENDIX A

When determining executive director remuneration policy and practices, the Committee should address the following:

- clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce;
- simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand;
- risk – remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated;
- predictability – the range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy;
- proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance; and
- alignment to culture – incentive schemes should drive behaviours consistent with company purpose, values and strategy.