Saga plc Annual General Meeting - Schedules (Remuneration Matters)

22 June 2020

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt as to the action you should take, we recommend you seek advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your shares in Saga plc, please send this document at once to the purchaser or transferee; or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Schedule 1
Letter from the Chair of the Remuneration Committee of Saga plc

Dear Shareholder,

NEW DIRECTORS REMUNERATION POLICY AND INTRODUCTION OF THE SAGA PLC 2020 RESTRICTED SHARE PLAN

Background

When drafting this letter, the focus on responding to the societal and business disruption caused by the COVID-19 pandemic is immense and the Remuneration Committee is acutely aware of its responsibilities in taking account of this context in its discussions and decisions.

In the normal course of events, we would be seeking shareholder approval for a new Remuneration Policy in 2021 three years after the approval of the current Policy in 2018 (the "Current Remuneration Policy"). However, there are a number of reasons driving the Committee to feel it is appropriate to bring forward a new Policy in 2020:

- To support the implementation of the new strategy communicated in 2019;
- To reflect our new team of Executive Directors and a desire to align their interests with shareholders as soon as possible;
- A desire to simplify our remuneration;
- A desire to incentivise the creation of long-term shareholder returns through sustainable long-term performance;
- The historic challenge the Company has had in determining the right performance conditions and targets for its long-term incentive arrangements. This is evidenced by the number of consultations held with shareholders on this point over the years since the IPO and the last consultation conducted by the Committee in 2019 demonstrated the wide variety of views amongst our shareholders on this topic.
- In reflection of the current context and the additional uncertainties it introduces over the mid-term.

We, therefore, believe it is time for something different.

The proposed new Remuneration Policy is set out in Schedule 2 on pages 9 to 21. A full explanation of the new Policy and the Committee's rationale for the changes are set out there. In this letter, I am focusing on the new, proposed Saga plc 2020 Restricted Share Plan (the "Restricted Share Plan" or "RSP") which will form part of the new Policy and require separate shareholder approval.

Summary of the key elements of the proposed new Remuneration Policy (the "New Policy")

Restricted Share Plan (the "RSP")

- Removal of the current Long-Term Incentive Plan (the "LTIP") and replacement with a Restricted Share Plan.
- Three-year vesting period for shares and two-year holding period.
- Underpin for the Committee to adjust vesting if business performance, individual performance or wider Company considerations mean in their view that an adjustment is required.
- Reduction in the maximum award for the CEO from 200% of salary (other Executive Directors 150% of salary) under the current Long-Term Incentive Plan to:
  - Initial 2020 RSP award of:
    - 70% of salary for the CEO;
    - 65% of salary for the CFO; and
    - 56% of salary for the CEO of Insurance;
  - Ongoing RSP award of a maximum of:
    - 100% of salary for the CEO;
    - 85% of salary for the CFO; and
    - 75% of salary for the CEO of Insurance.
- The Committee is conscious of the current volatility and low share price of the Company, due to the impact of COVID-19 on its cruise and tour operations division, amongst other factors. In order to protect all stakeholders, the Committee is proposing the following safeguards:
  - A reduction in the value of the initial 2020 RSP awards (see above);
  - The Committee will review each year the size of the award under the RSP within the maximums set out above taking into account the considerations outlined.

- The Committee will also take into account the following underpinning factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:
  - o whether threshold performance levels have been achieved for the performance conditions for the Bonus Plan for each of the three years covered by the vesting period for the restricted shares;
  - o whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually;
  - o whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually;
  - o the level of employee and customer engagement over the period; and in all cases subject to the Committee's holistic assessment at vesting based on business performance, individual performance or wider Company considerations.
- The Committee will review the share price performance at the end of the vesting period to determine whether there are any inappropriate windfall gains.

It should be noted that the Committee has a track record of adjusting the formulaic incentive outcomes where they do not reflect the underlying performance of the business. For example, it adjusted the 2018/19 bonus payable to the CEO downwards to reflect the "how" in the delivery of the PBT performance and more recently, a downwards adjustment from the formulaic outcome has been made to the 2019/20 bonus (see the 2019/20 Remuneration Committee Report for further details).

Bonus Plan

The Committee is not proposing to make any changes to the structure of the Bonus Plan but, following consultation with the Board, the Committee is proposing the following performance conditions and weightings to best align with the strategy and current position of the Company:

- 25% Balance Sheet Protection;
- 15% Cost Efficiency;
- 30% Insurance Business Delivery;
- 30% Operational and Strategic Objectives.

Rationale behind the new performance conditions for the Bonus Plan

The following points are the key reasons for the selection of the new performance conditions for the Bonus Plan for its operation in FY2020/21 (the Committee will continue to review the performance conditions on an annual basis to ensure they are appropriate):

Key Rationale	Detail
Bonus Plan The Committee has reviewed carefully the performance conditions and targets for the Bonus Plan to ensure a holistic approach when combined with the new proposed RSP. Under the proposed incentive structure, the Bonus Plan will be used to target financial and operational performance on an annual basis and the steps needed to align behind the longer-term strategic goals. The principal objectives behind the revised Bonus Plan are: • Relevance and alignment with shareholders' interests; • One plan for the Group Executive and Saga Leadership Team; • A focus on the three areas set out below which the Board believes are the most compelling drivers of value. As a complement, the RSP ensures a long-term focus on sustainable performance and that the delivery of the strategy gives rise to recovery and long-term growth in shareholder returns.	
Balance Sheet Protection – 25%	The Committee believes that it is important for the Executive Directors (as well as the Group Executive and Saga Leadership Team) to ensure, over the next period, that the Company has sufficient cash to fund its existing operations and over the medium term, to make appropriate investments in the business. Focus is directed to ensuring the protection of the Saga balance sheet by building awareness and alignment of purpose throughout the eligible bonus population, on meeting the renegotiated bank covenants.
Cost Efficiency – 15%	In the Committee's opinion this element works holistically with Balance Sheet protection by maximising efficient use of resources available to the Company through reducing costs and it builds on the first phase of the Simpler Saga programme already in delivery.
Insurance Business Delivery (and other businesses) – 30%	In the current climate and given the impact of COVID-19 on the Cruise and Travel businesses, achieving appropriate levels of success in the largest business within the Group is critical. This performance condition will be split into three components: • EBITDA; • Cash and; • Customer retention.

Key Rationale	Detail
Operational & Strategic Objectives – 30%	The Operational & Strategic Objectives will be based on quantifiable performance conditions focusing on "how" the financial performance of the Company is delivered and will include Risk and ESG based objectives.

Rationale behind the Restricted Share Plan in the proposed New Policy

The Committee considered a range of alternative incentive structures and decided that the most appropriate approach with which to support the implementation of the new strategy over the next period was a Restricted Share Plan. The following points are the key reasons why the Committee believes the Restricted Share Plan is appropriate for the Company:

Key Rationale	Detail
Focus on recovering and enhancing shareholder value	The Remuneration Committee believes that a key measure of the success of the implementation of the new strategy is that it leads to the recovery and enhancement of the share price over the next period. The Committee believes that for a new team of Executive Directors, with minimal shareholdings, the RSP ensures that the Executive Directors become material shareholders quickly (subject to their continued employment) ensuring full alignment with shareholders' interests from the beginning of the implementation of the new strategy.
Focus on long-term sustainable performance	It is critical that the Executive Directors are focused on ensuring the long-term sustainable performance of the Company. The implementation of the new strategy is unlikely to be linear and the Executive Directors need to be flexible and nimble on their feet to exploit opportunities as and when they arise. The Committee believes that the ability of the RSP to ensure the Executive Directors are materially locked-in shareholders for the long term, will encourage a focus, when making decisions, on considering the long-term impact on the business. However, the Committee believes that it is also important that the Executive Directors do not take their eye off the need to deliver shorter term financial and operational objectives and achieves this dynamic tension through the retention of the Bonus Plan.
Same ownership experience as shareholders	The Committee feels that it is important, given the history of Saga, that the Executive Directors share the same ownership experience as shareholders, rather than have remuneration outcomes which do not completely align. The Committee believes that a shared ownership experience is the most effective way of ensuring alignment of interests between shareholders and Executive Directors. The key purpose of the RSP and deferred share element of the Bonus Plan is to provide the Executive Directors, from their appointment with, the opportunity to quickly build up a material equity holding to provide this shared ownership experience.
Challenge of setting performance conditions for LTIP awards	The Company has the following headwinds to navigate when attempting to set three-year performance conditions in advance for LTIP awards: • The flexibility required for the implementation of a new strategy to adapt to changing priorities. LTIP performance conditions once set can therefore quickly become irrelevant and the ability to change inflight performance conditions is challenging in the current climate, and, in any case, constant adjustments of performance conditions and targets tends to lead to opacity for all stakeholders. • The Company operates a number of cyclical businesses on different cycles (cruise, travel and insurance). This often results in the timing of when performance conditions are set in the cycle being more important on the vesting outcomes of LTIPs than the absolute performance of the companies. The result tends to be that LTIPs operate on a "boom" or "bust" payment profile which is less relevant to both incentivisation and retention. • The Committee is aware from its engagement dialogue that there is a wide divergence of views between different shareholders as to the right type of performance conditions to use for Saga's LTIP. The Committee itself has struggled with this question as can be seen from the number of shareholder consultations the Committee has held where the LTIP performance conditions were central to the discussions. The use of the RSP avoids the above issues. The challenge is less when setting performance conditions for the Bonus Plan which are annual and where there is greater visibility on the business over this shorter period.

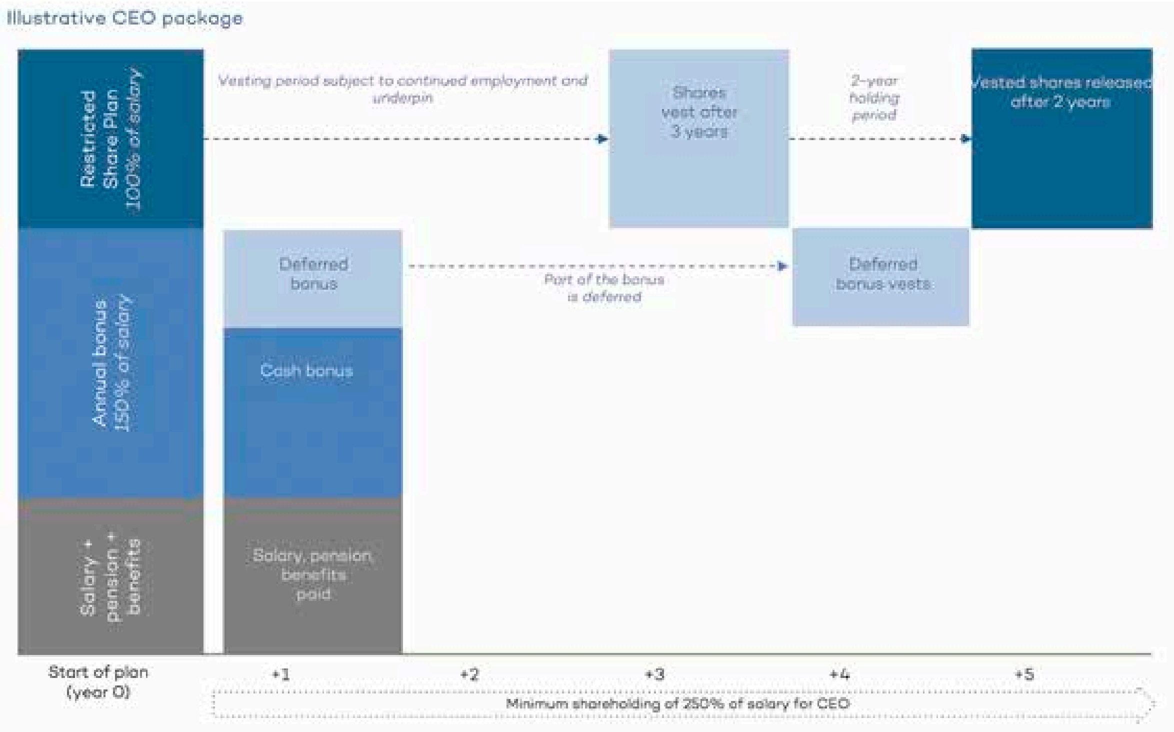
Key Rationale	Detail
Simplification	The Committee believes that the removal of the LTIP and replacement with an RSP simplifies the overall remuneration of the Company for its Executive Directors. For all the reasons set out above it is the Committee's view that the build-up and retention of a material shareholding is the best and simplest way to focus Executive Directors on the long-term sustainable performance of the Company. The Bonus Plan has been operated for a number of years and is market standard and therefore familiar to all stakeholders.
Lowers overall remuneration	The incentive levels set in the current Remuneration Policy are as a result of the expected size and positioning of the Company at the IPO. The Committee, therefore, does feel that it is appropriate to reduce the leveraging in the incentive package given the current low market capitalisation of the Company to ensure that this low starting point does not result in overcompensation.
Approach to Underpin	The Committee considered very carefully the nature of the underpin for the Restricted Share Plan. The Committee took the following approach: • the inherent difficulty of setting accurate financial performance conditions for the Company as set out above which was one of the reasons for the Committee determining a traditional long-term incentive plan was not appropriate; • the nature of the market with material upswings and downswings which could make any financial underpins completely irrelevant when viewed at the end of the three-year vesting period; and • the greater protection provided by a general underpin which allowed the Committee to review holistically the overall performance of the Company, individual performance and wider Company considerations. The Committee, therefore, felt that the introduction of a general underpin provided greater protection for the Company and shareholders. Although a specific financial underpin could be met, there could still be a misalignment with overall performance, while this approach allows the Committee to take all factors into account on vesting. Whilst the RSP is focused on the long-term sustainable performance of the Company, the annual bonus metrics are selected to reward and incentivise performance against key annual goals. It is intended that delivery of these annual objectives and targets will ultimately flow through to long-term sustainable performance of the Company and a recovery in the share price. In order to protect all stakeholders from any potential windfall gain the Committee is proposing the following safeguards: • The Committee will review the share price performance at the end of the vesting period to determine whether any windfall gains have been provided through a 'bounce back' in the share price; • The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting: o whether threshold performance levels have been achieved for the performance conditions for the Bonus Plan for each of the three years covered by the vesting period for the restricted shares; o whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually; o whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually; o the level of employee and customer engagement over the period; and in call cases subject to the Committee's holistic assessment at vesting based on business performance, individual performance or wider Company considerations.

Other proposed changes in the New Policy

These changes have been made to bring the new Remuneration Policy into line with the 2018 UK Corporate Governance Code and best practice.

- Alignment on Company pension contributions for new and incumbent Executive Directors with the majority of employees at 6% of salary (currently).
- Introduction of post-cessation of employment shareholding requirement for the full in-employment requirement (250% of salary for the CEO, 200% of salary for other EDs) to apply for two years following cessation.
- Reduction of the target level of bonus to 50% of the maximum bonus opportunity.

Summary illustration of the proposed New Policy



Implementation in 2020/21

Current Policy

In respect of the Current Policy there are no proposed salary changes for the CEO and for the CEO of Insurance who have recently been appointed. As new Executive Directors, their Company pension contribution on appointment was set at 6% in line with that available to the majority of the workforce. The CFO has agreed to reduce his Company pension contribution from 10% to 6% of salary.

The Committee believes that the CFO deserves a material rise from his current salary on the basis that:

- his initial salary was sized to reflect that this was his first appointment as CFO of a listed company;
- his excellent performance in the role since appointment;
- the view of the Board and key external stakeholders that he is now operating at the level of a FTSE 350 CFO;
- his critical role in developing and starting to implement the new strategy for the Company; and
- to bring his salary broadly into line with his predecessor.

However, both the Committee and the CFO believe that with the exceptional circumstances facing the Company and society in general resulting from COVID-19 that it would not be appropriate to increase his salary during 2020. The Committee will revisit the salary position of the CFO in Q1 2021.

New Policy

- It is proposed that the Bonus Plan and RSP, on the basis of shareholder approval, operate as set out above.

Shareholder consultation

As a part of the Policy design process, we held preliminary consultations with our 5 largest shareholders seeking feedback on the proposals. We are pleased that the majority of those Shareholders initially consulted indicated that they are supportive of the proposals. Following the initial consultation, the Committee incorporated the following changes to the Policy originally proposed:

- Greater clarity on the underpin for the RSP and the specific circumstances when the Remuneration Committee may apply the underpin; and
- Greater detail on the operation of the annual bonus in conjunction with the RSP, especially how performance metrics could be used to ensure a holistic approach to incentives.

Following the initial consultation and having reflected the above amendments, we undertook a further consultation with our top 20 shareholders and the main shareholder representative bodies. I am pleased to report that the consultation with the top 20 shareholders also yielded a positive response, following which the Committee decided to proceed with the proposed changes to our Policy; with some additional changes in respect of the initial award under the RSP to reflect concerns around the potential starting share price and potential for windfall gains given COVID-19 (see above for details of the reduced level of initial awards).

Board Recommendation

The Board considers the proposed new Policy, including the new Restricted Share Plan, to be in the best interests of the Company and Shareholders. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the ordinary resolutions set out in the Notice of Annual General Meeting.

Yours faithfully,

Eva Eisenschimmel

Chair of the Remuneration Committee

Schedule 2
Proposed New Directors' Remuneration Policy (the "New Policy")

This section of the Report sets out the Company's New Policy on remuneration for Executive and Non-Executive Directors, to be approved by shareholders at the Annual General Meeting on 22 June 2020. Once approved, the New Policy may operate for up to three years.

The New Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the Act) and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the Regulations), the Listing Rules of the UK Listing Authority and the UK Corporate Governance Code.

The Committee has built in a degree of flexibility to ensure the practical application of the Policy. Where such discretion is reserved, the extent to which it may be applied is described. The Company's New Policy retains its primary goal to attract, retain and motivate its leaders and to ensure they are focused on delivering business priorities within a framework designed to promote the long-term success of Saga, aligned with shareholder interests.

CHANGES TO THE CURRENT POLICY

Element	Changes to Policy	Rationale
Pension	Pension contributions for incumbent and new Executive Directors to be aligned to that of majority of employees (currently 6%).	Brings provision to be in line with corporate governance best practice.
Long-term incentives	Introduction of Restricted Share Plan to replace current LTIP.	Simplifies long-term incentive arrangements and addresses challenges of setting performance targets given the Company's new strategy. Detailed rationale as described above.
Post-cessation shareholding requirements	Formal post-cessation employment for full in-employment requirement for 2 years following cessation	Ensures Executives' focus on long-term sustainable performance and extends the length of alignment between management and shareholders.
Malus & clawback	Provisions expanded to refer specifically to risk management failure and corporate failure.	To bring the provisions further in line with best practice.

DIRECTORS' REMUNERATION POLICY TABLE

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Salary			
Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Group's strategy.	An Executive Director's basic salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of salary, the Committee considers: • pay increases to other employees; • remuneration practices within the group; • any change in scope, role and responsibilities; • the general performance of the group and each individual; • the experience of the relevant director; and • the economic environment.	The Committee ensures that maximum salary levels are positioned in line with companies of a similar size and complexity to Saga and validated against an appropriate comparator group, so that they are competitive against the market. The Committee intends to review the comparators each year and will add or remove companies from the groups as it considers appropriate.	A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
	Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted policy level until they become established in their role. In such cases subsequent increases in salary may be higher than the general rises for employees until the target positioning is achieved.	In general salary increases for Executive Directors will be in line with the increase for employees. However, larger increases may be offered if there is a material change in the size and responsibilities of the role (which covers significant changes in Group size and/or complexity). The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the salaries for that year for each of the Executive Directors.	
Pension			
Provides a fair level of pension provision for all employees.	The Company provides a pension contribution allowance that is fair, competitive and in line with governance best practice. Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations.	The maximum value of the pension contribution allowance for both current and newly appointed Executive Directors will be aligned to that of the wider workforce (currently 6% per annum). The Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year the pension contributions for that year for each of the Executive Directors.	No performance or recovery provisions applicable.
Benefits			
Provides a market standard level of benefits.	Benefits may include family private health cover, death in service life assurance, a car allowance, subsistence expenses and staff discounts in line with other employees. The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Group strategy. Additional benefits which are available to other employees on broadly similar terms may therefore be offered such as relocation allowances on recruitment.	The maximum is the cost of providing the relevant benefits set out adjacent.	No performance or recovery provisions applicable.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Annual Bonus			
The Annual Bonus Plan provides a significant incentive to the Executive Directors linked to achievement in delivering goals that are closely aligned with the Company's strategy and the creation of value for shareholders. In particular, the Annual Bonus Plan supports the Company's objectives allowing the setting of annual targets based on the businesses' strategic objectives at that time, meaning that a wider range of performance metrics can be used that are relevant and achievable.	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 Company will set out in the section headed Implementation of Remuneration Policy, in the following financial year, the nature of the targets and their weighting for each year. Details of the performance conditions, targets and their level of satisfaction for the year being reported on will be set out in the Annual Report on Remuneration. 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 Share Bonus Plan element (the "DBP"). The minimum level of deferral is one-third of the bonus; however, the Committee may determine that a greater portion or in some cases the entire bonus be paid in deferred shares. The main terms of these awards are: – 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. The Remuneration Committee may award dividend equivalents on those shares to Plan participants to the extent that they vest. The Remuneration Committee has the discretion to apply a holding period of two years post vesting for deferred bonus shares.	The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. Percentage of bonus maximum earned for levels of performance: • Threshold up to 20%; • Target 50%; • Maximum 100%.	The Annual Bonus Plan is based on a mix of financial and strategic/ operational conditions and is measured over a period of one financial year. The financial measures will account for no less than 50% of the bonus opportunity. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the bonus outcome is not a fair and accurate reflection of business, individual and wider Company performance. The exercise of this discretion may result in a downward or upward movement in the amount of bonus earned resulting from the application of the performance measures. Any adjustments or discretion applied by the Remuneration Committee will be fully disclosed in the following year's Remuneration Report. The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the detailed financial targets used for the annual bonus, disclosing precise targets for the Annual Bonus Plan in advance would not be in shareholder interests. Actual targets, performance achieved, and awards made will be published at the end of the performance periods so shareholders can fully assess the basis for any payouts under the annual bonus. Both the Annual Bonus Plan and the DBP contain malus provisions. In addition, the Annual Bonus Plan contains clawback provisions.

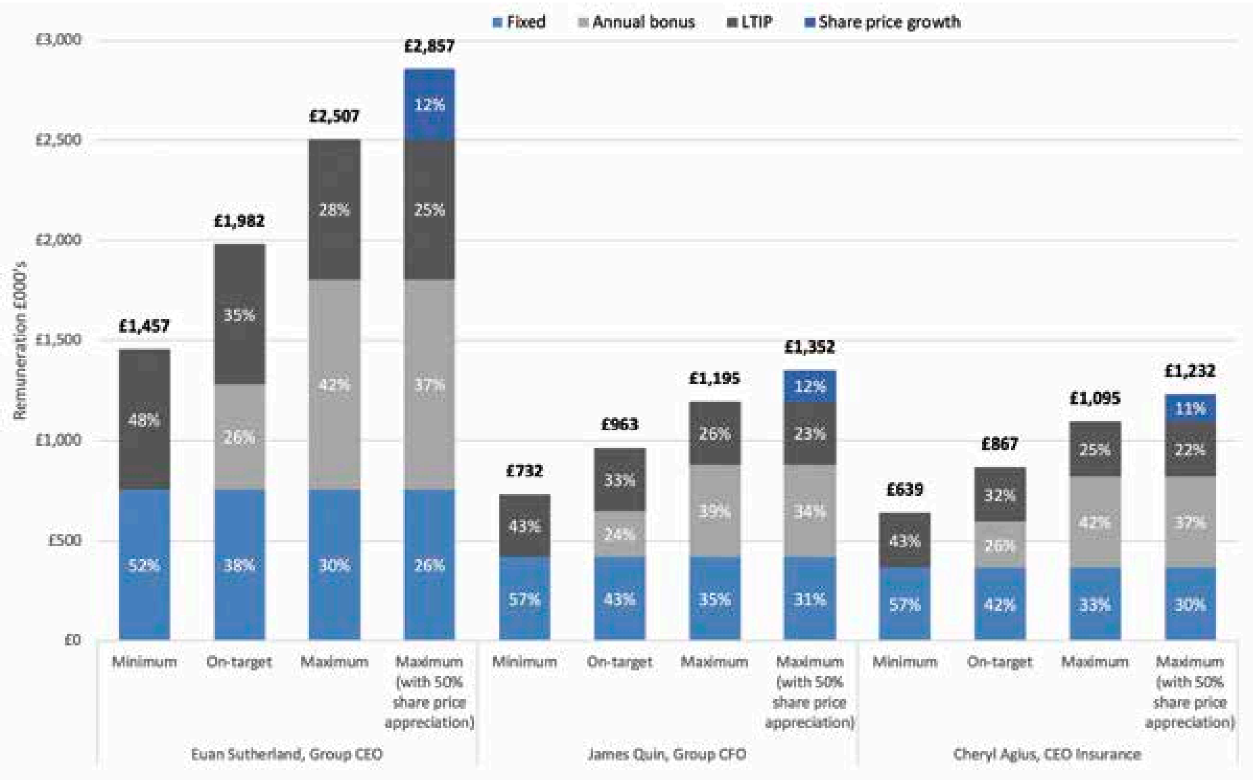
Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Restricted Share Plan			
Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.	Awards are granted annually to Executive Directors in the form of restricted shares. Restricted Shares vest at the end of a three-year period subject to: • the Executive Director's continued employment at the date of vesting • the satisfaction of an underpin as determined by the Remuneration Committee whereby the Committee can adjust vesting for business, individual and wider Company performance A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors. Upon vesting, sufficient shares may be sold to pay tax on the shares. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	Maximum value of 100% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan.	No specific performance conditions are required for the vesting of Restricted Shares but there will an underpin in that the Remuneration Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting: • whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period for the restricted shares; • whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually; • whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually; • the potential for windfall gains; • the level of employee and customer engagement over the period. The Restricted Share awards are subject to clawback and malus provisions.

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Legacy Long Term Incentive Plan			
Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy.	Awards were granted annually to Executive Directors in the form of a conditional share award or nil cost option. These vest at the end of a three year period subject to: • the Executive Director's continued employment at the date of vesting • satisfaction of the performance conditions. A two year holding period will apply following the three year vesting period for LTIP awards granted to the Executive Directors. Upon vesting, sufficient shares can be sold to pay tax. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest.	Subject to the approval of the 2020 Policy and the Restricted Share Plan, no further awards will be made under the LTIP to Executive Directors. Awards already granted will be eligible to vest in line with their original criteria. Maximum value of 200% of salary p.a. based on the market value at the date of grant set in accordance with the rules of the Plan. 25% of the award vests for threshold performance. 100% of the award will vest for maximum performance. Straight-line vesting between these points.	Awards vest based on performance against stretching targets, measured over a three-year performance period. The Committee reviews and sets weightings and targets before each grant to ensure they remain appropriate. The Committee may change the balance of the measures, or use different measures for subsequent awards, as appropriate. No material change will be made to the type of performance conditions without prior shareholder consultation. The Remuneration Committee retains discretion in exceptional circumstances to change performance measures and targets and the weightings attached to performance measures part-way through a performance period if there is a significant and material event which causes the Remuneration Committee to believe the original measures, weightings and targets are no longer appropriate. Discretion may also be exercised in cases where the Remuneration Committee believes that the outcome is not a fair and accurate reflection of business performance. The exercise of this discretion may result in a downward or upward movement in the amount of the LTIP vesting resulting from the application of the performance measures. Details of the performance conditions for grants made in the year are set out in the Annual Report on Remuneration. The LTIP contains clawback and malus provisions.

<table>
<tr><th>Element and link to strategy</th><th>Operation</th><th>Maximum</th><th>Performance conditions and recovery provisions</th></tr>
<tr><td colspan="4">Shareholding Requirement</td></tr>
<tr><td colspan="4">The Committee already has in place strong shareholding requirements (as a percentage of base salary) that encourages Executive Directors to build up their holdings over a five year period. Adherence to these guidelines is a condition of continued participation in the equity incentive arrangements. This policy ensures that the interests of Executive Directors and those of shareholders are closely aligned.
In addition, Executive Directors will be required to retain 50% of the post-tax amount of vested shares from the Company incentive plans until the minimum shareholding requirement is met and maintained. The following table sets out the minimum shareholding requirements:</td></tr>
<tr><td colspan="2">Role</td><td colspan="2">Shareholding Requirement (percentage of salary)</td></tr>
<tr><td colspan="2">Chief Executive Officer</td><td colspan="2">250%</td></tr>
<tr><td colspan="2">Other Executive Directors</td><td colspan="2">200%</td></tr>
<tr><td colspan="4">The Committee retains the discretion to increase the shareholding requirements.
For this New Policy, the Committee is introducing a post-cessation shareholding requirement of the full in-employment requirement as listed above (or the executive's actual shareholding on cessation if lower) for two years following cessation.</td></tr>
<tr><td colspan="4">Chair & Non-Executive Director fees</td></tr>
<tr><td>Provides a level of fees to support recruitment and retention of a Chair and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.</td><td>The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Chair's fees.
Non-Executive Directors are paid an annual fee and additional fees for chairing of committees. The Company retains the flexibility to pay fees for the membership of committees. The Chair does not receive any additional fees for membership of committees.
Fees are reviewed annually based on equivalent roles in the comparator group used to review salaries paid to the Executive Directors.
Non-Executive Directors and the Chair do not participate in any variable remuneration or benefits arrangements.</td><td>The fees for Non-Executive Directors and the Chair are broadly set at a competitive level against the comparator group.
In general, the level of fee increase for the Non-Executive Directors and the Chair will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce. The aggregate fee for the Non-Executive Directors and the Chair will not exceed £2,000,000.
The Company will pay reasonable expenses incurred by the Non-Executive Directors and Chair and may settle any tax incurred in relation to these.</td><td>No performance or recovery provisions applicable.</td></tr>
</table>

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the proposed New Policy set out in this Report and is based on the normal Restricted Share Plan award level, rather than the lower initial award:



Assumptions used in determining the level of pay-out under given scenarios are as follows:

Element	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed Elements	Base salary for FY2021. Benefits paid for FY2020 annualised for full year equivalent figures. Pension in line with Policy at 6% of salary.			
Annual Bonus	Nil	50% of maximum opportunity	100% of the maximum opportunity	100% of the maximum opportunity
Restricted Shares	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO and 75% of salary for the CEO of Insurance.	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO and 75% of salary for the CEO of Insurance.	100% vesting of Restricted Shares Award levels are 100% of salary for the CEO, 85% of salary for the CFO and 75% of salary for the CEO of Insurance.	100% vesting of Restricted Shares plus the increase in value from 50% share price growth. Award levels are 100% of salary for the CEO, 85% of salary for the CFO and 75% of salary for the CEO of Insurance.

Scenario charts show "minimum", "target" and "maximum" scenarios in accordance with the regulations as well as the impact of a 50% share price growth on the long-term incentives for the "maximum" scenario. All scenarios do not account for dividend equivalents on deferred bonus shares or Restricted Share awards.

Discretion within the Directors' Remuneration Policy

The Committee has discretion in several areas of Policy as set out in this Report. The Committee may also exercise operational and administrative discretions under relevant plan rules as set out in those rules. In addition, the Committee has the discretion to amend Remuneration Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await shareholder approval.

Malus and Clawback

Malus is the adjustment of the Annual Bonus payments or unvested long-term incentive awards (including restricted share plan awards) because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the Annual Bonus or vested long-term incentive awards (including restricted share plan awards) as a result of the occurrence of one or more circumstances listed below.

Clawback may apply to all or part of a participant's payment under the Annual Bonus Plan, Restricted Share Plan or LTIP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company,
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Committee is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant;
- Failure of risk management including but not limited to a material breach of risk appetite and regulatory standards; or
- Corporate failure.

	Annual Bonus (cash)	Annual Bonus (deferred shares)	Restricted Shares	LTIP
Malus	Up to the date of the cash payment.	To the end of the 3 year vesting period.	To the end of the 3 year vesting period.	To the end of the 3 year vesting period.
Clawback	2 years post the date of any cash payment.	n/a	2 years post vesting.	2 years post vesting.

The Committee believes that the rules of the Plans provide sufficient powers to enforce malus and clawback where required.

Loss of Office Policy

When considering compensation for loss of office, the Committee will always seek to minimise the cost to the Company whilst applying the following philosophy:

<table>
<tr><th>Remuneration Element</th><th colspan="3">Treatment on Cessation of Employment</th></tr>
<tr><td>General</td><td colspan="3">The Committee will honour Executive Directors' contractual entitlements. Service contracts do not contain liquidated damages clauses. If a contract is to be terminated, the Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its Directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid. The Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or by way of settlement or compromise of any claim arising in connection with the termination of an Executive Director's office or employment.</td></tr>
<tr><td>Salary, Benefits and Pension</td><td colspan="3">These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.</td></tr>
<tr><th>Bonus Cash</th><th>Good Leaver Reason</th><th>Other Reason</th><th>Discretion</th></tr>
<tr><td></td><td>Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.</td><td>No bonus payable for year of cessation.</td><td>The Committee has the following elements of discretion:
• to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and
• to determine whether to pro-rate the bonus to time. The Remuneration Committee's normal policy is that it will pro-rate bonus for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.</td></tr>
</table>

Bonus Deferred Share Awards	Good Leaver Reason	Other Reason	Discretion
	All subsisting deferred share awards will vest.	Lapse of any unvested deferred share awards.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to vest deferred shares at the end of the original deferral period or at the date of cessation. The Remuneration Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will not pro-rate awards for time. The Remuneration Committee will determine whether or not to pro-rate based on the circumstances of the Executive Directors' departure.
LTIP	**Good Leaver Reason**	**Other Reason**	**Discretion**
	Pro-rated to time and performance in respect of each subsisting LTIP award.	Lapse of any unvested LTIP awards.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to measure performance over the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to determine to vest shares at the end of the original performance period or at the date of cessation. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; • to determine whether the holding period will apply in full or in part. The Committee will make this determination depending on the type of good leaver reason resulting in the cessation; and • to determine whether to pro-rate the maximum number of shares to the time from the date of grant to the date of cessation. The Remuneration Committee's normal policy is that it will pro-rate awards for time. It is the Remuneration Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Restricted Share Plan For the Year of Cessation	Good Leaver Reason	Other Reason	Discretion
	The award will normally be pro-rated for the period worked during the financial year.	No award for year of cessation.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Subsisting Awards	**Good Leaver Reason**	**Other Reason**	**Discretion**
	Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.	Unvested awards will be forfeited on cessation of employment. Vested Awards will remain subject to the holding period.	The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure; • to determine whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; • to determine whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
Other contractual obligations	There are no other contractual provisions other than those set out above agreed prior to 27 June 2012.		

The following definition of leavers will apply to all the above incentive plans. A good leaver reason is defined as cessation in the following circumstances:

- death;
- ill-health;
- injury or disability;
- retirement;
- employing company ceasing to be a Group company;
- transfer of employment to a company which is not a Group company; and
- at the discretion of the Committee (as described above).

Cessation of employment in circumstances other than those set out above is cessation for other reasons.

CHANGE OF CONTROL POLICY

Name of Incentive Plan	Change of Control	Discretion
Cash Awards	Pro-rated to time and performance to the date of the change of control.	The Committee has discretion regarding whether to pro-rate the bonus to time. The Committee's normal policy is that it will pro-rate the bonus for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Deferred Share Awards	Subsisting deferred share awards will vest on a change of control.	The Committee has discretion regarding whether to pro-rate the award to time. The Committee's normal policy is that it will not pro-rate awards for time. The Committee will make this determination depending on the circumstances of the change of control.
LTIP	The number of shares subject to subsisting LTIP awards will vest on a change of control, pro-rated to time and performance.	The Committee has discretion regarding whether to pro-rate the LTIP awards to time. The Committee's normal policy is that it will pro-rate the LTIP awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders.
Restricted Shares	The number of shares subject to subsisting Restricted Share awards will vest on a change of control pro-rated for time and performance against any underpins.	The Committee has discretion regarding whether to pro-rate the Restricted Share awards for time. The Committee's normal policy is that it will pro-rate the Restricted Share awards for time. It is the Committee's intention to use its discretion to not pro-rate in circumstances only where there is an appropriate business case which will be explained in full to shareholders. The Committee also has discretion to consider attainment of any underpins.

RECRUITMENT AND PROMOTION POLICY

The Company's principle is that the remuneration of any new recruit will be assessed in line with the same principles as for the Executive Directors, as set out in the Remuneration Policy table. The Committee is mindful that it wishes to avoid paying more than it considers necessary to secure a preferred candidate with the appropriate calibre and experience needed for the role. In setting the remuneration for new recruits, the Committee will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments as well as giving consideration for the appropriateness of any performance measures associated with an award. The Company's policy when setting remuneration for the appointment of new Directors is summarised in the table below:-

Remuneration element	Recruitment policy
Salary, Benefits and Pension	Salary and benefits will be set in line with the policy for existing Executive Directors. Maximum pension contribution will be aligned to that of the majority of employees.
Annual Bonus	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 150 % of salary.
Restricted Shares	Maximum annual participation will be set in line with the Company's policy for existing Executive Directors and will not exceed 100% of salary for Restricted Shares.
Maximum Variable Remuneration	The maximum variable remuneration which may be granted is the sum of the annual bonus and restricted shares award (excluding the value of any buy-outs). For the proposed Policy under the Restricted Share Plan, the maximum variable remuneration will be 250% of salary.
"Buy Out" of incentives forfeited on cessation of employment	Where the Committee determines that the individual circumstances of recruitment justifies the provision of a buyout, the equivalent value of any incentives that will be forfeited on cessation of an Executive Director's previous employment will be calculated taking into account the following: • the proportion of the performance period completed on the date of the Executive Director's cessation of employment; • the performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied; and • any other terms and condition having a material effect on their value ("lapsed value"); The Committee may then grant up to the same value as the lapsed value, where possible, under the Company's incentive plans. To the extent that it was not possible or practical to provide the buyout within the terms of the Company's existing incentive plans, a bespoke arrangement would be used.
Relocation Policies	In instances where the new Executive Director is required to relocate or spend significant time away from their normal residence, the Company may provide one-off compensation to reflect the cost of relocation for the Executive Director. The level of the relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences/housing allowance and schooling and will not exceed a period of two years from recruitment.

Where an existing employee is promoted to the Board, the Policy set out above would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, prevailing elements of the remuneration package for an existing employee would be honoured and form part of the ongoing remuneration of the person concerned. These would be disclosed to shareholders in the remuneration report for the relevant financial year.

The Company's Policy when setting fees for the appointment of a new Chair or Non-Executive Directors is to apply the policy which applies to current Non-Executive Directors.

SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

The Remuneration Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The Remuneration Committee may in exceptional circumstances arising on recruitment, allow a longer period, which would in any event reduce to 12 months following the first year of employment. The Non-Executive Directors of the Company do not have service contracts. The Non-Executive Directors are appointed by letters of appointment. Each independent Non-Executive Director's term of office runs for a three-year period.

The Company follows the UK Corporate Governance Code's recommendation that all Directors be subject to annual re-appointment by shareholders.

Executive Directors					
			Notice periods		
Name	Date appointed	Nature of contract	From Company	From Director	Compensation provisions for early termination
Euan Sutherland	6 January 2020	Rolling	12 months	12 months	None
James Quin	1 January 2019	Rolling	6 months	6 months	None
Cheryl Agius	1 January 2020	Rolling	12 months	12 months	None

Non-executive Directors				
Name	Original appointment	Appointment of current term	Arrangement	Notice period/unexpired term at AGM
Patrick O'Sullivan	01/05/2018	01/05/2018	Letter of appointment	3 months/11 months
Orna NiChionna	29/05/2014	29/05/2017	Letter of appointment	3 months/term to be renewed May 2020
Ray King	29/05/2014	29/05/2017	Letter of appointment	3 months/stepping down at AGM
Gareth Williams	29/05/2014	29/05/2017	Letter of appointment	3 months/stepping down in December 2020
Julie Hopes	01/10/2018	01/10/2018	Letter of appointment	3 months/16 months
Eva Eisenschimmel	01/01/2019	01/01/2019	Letter of appointment	3 months/19 months
Gareth Hoskin	11/03/2019	11/03/2019	Letter of appointment	3 months/28 months

The Board allows Executive Directors to accept appropriate outside Non-Executive Director appointments provided the aggregate commitment is compatible with their duties as Executive Directors. The Executive Directors concerned may retain fees paid for these services, which will be subject to approval by the Board.

Consideration of employment conditions elsewhere in the Group

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

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

The Group aims to provide a remuneration package for all employees that is market competitive and operates the same core structure as for the Executive Directors. The Group operates employee share and variable pay plans, with pension provisions provided for all Executive Directors and employees. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based employees. The Committee annually publishes a section on Fairness, diversity and wider workforce considerations as part of the Directors' Remuneration Report.

Consideration of shareholder views

The Remuneration Committee takes the views of the shareholders seriously and these views are taken into account in shaping remuneration policy and practice. Shareholder views are considered when evaluating and setting remuneration strategy and the Remuneration Committee welcomes an open dialogue with its shareholders on all aspects of remuneration. The Committee consulted its major shareholders and the main shareholder representative bodies IA, ISS and Glass Lewis on the proposed New Policy. The Committee is grateful for the time taken to consider the Committee proposals and provide feedback. At the end of the consultation the majority of shareholders consulted indicated they were supportive of the New Policy.

Compliance with UK Corporate Governance Code

The following table sets out how the New Policy aligns with the UK Corporate Governance Code whose objective is to ensure the remuneration operated by the Company is aligned to all stakeholder interests including those of shareholders:

Key Remuneration Element of the 2018 UK Corporate Governance Code	Alignment with our proposed new Remuneration Policy
Five-year period between the date of grant and realisation for equity incentives.	The Restricted Share Plan meets this requirement through the implementation of the 2-year post-vesting holding period.
Phased release of equity awards.	The Restricted Share Plan meets this requirement as awards are made in an annual cycle.
Discretion to override formulaic outcomes	Included in the terms and conditions of the Bonus Plan and the Restricted Share Plan.
Post-cessation shareholding requirement	The full in-employment requirement for two years following cessation of employment.
Pension alignment	The pension contribution for all Executive Directors aligned with the majority of employees at 6%.
Extended malus & clawback	The proposed malus and clawback provisions are formally enhanced to align with the FRC's Board Effectiveness Guidance.

Provision 40 element	How the Remuneration Policy aligns
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Bonus Plan performance conditions are based on the core KPIs of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. The Restricted Share Plan provides annual grants of shares which have to be retained for the longer-term to ensure a focus on sustainable performance. This provides complete clarity of the alignment of the interests of management and shareholders.
Simplicity – remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The performance conditions for the Bonus Plan are based on the Company's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. Restricted Shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make the remuneration more complex.
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.	The Remuneration Policy includes: • 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 Restricted Share Plan; • ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: • 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 a Restricted Share Plan 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 – 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.	The Remuneration Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management. The introduction of a Restricted Share Plan increases the predictability of the rewards received by management.
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.	The Remuneration Policy sets out clearly the range of values and discretions in respect of the remuneration of management. The introduction of a Restricted Share Plan increases the predictability of the rewards received by Executive Directors, and the Bonus Plan, being based on annual targets, operates over a more predictable time cycle compared with traditional LTIP schemes thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes. The Committee's overriding discretion to depart from formulaic outcomes ensures there is no reward for poor performance.
Alignment to culture – incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	The Bonus Plan drives behaviours consistent with Saga's strategy. The Restricted Share Plan drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.

Schedule 3
Summary of the principal terms of the Saga plc 2020 Restricted Share Plan (the "Restricted Share Plan")

1. THE RESTRICTED SHARE PLAN (THE "RSP")

Terms	**Definition**
Close Period	Period when trading in the Company's Shares is prohibited.
Company	Saga plc registered number 08804263; and Group Company shall be construed accordingly.
Committee	The Remuneration Committee of the Board of the Company.
Participant	An eligible employee who holds a subsisting award under the RSP.
Shares	Ordinary shares of the Company

Element	**Key term**
Eligibility	Executive Directors and Senior Management. At the discretion of the Committee, other employees may participate in the RSP. Non-Executive Directors are not eligible to participate in the RSP.
Quantum	The Committee may grant awards over Shares to eligible employees with a maximum total market value in any financial year of up to 100% of the relevant individual's annual base salary.
Performance conditions	No performance conditions on grant. The Committee has discretion to adjust vesting if business performance, individual performance or wider Company considerations mean in their view that an adjustment is required.
Vesting	RSP awards will normally vest on the third anniversary of the date of grant subject to continued employment, the satisfaction of any applicable performance condition or other condition imposed by the Committee, and to the extent permitted following any operation of malus and clawback. However, if there are any dealing restrictions in place at that time, normal vesting may be delayed until the dealing restrictions have been lifted. RSP Options will normally remain exercisable for a period determined by the Committee at grant which cannot exceed 10 years from grant.
Holding Period	RSP awards for Executive Directors will be subject to a two-year holding period following vesting when the Shares vested cannot be sold. The Committee may also include Sale Restrictions of up to two years for other Participants in the Plan. The Sales Restriction period will run for two years from the vesting date where this occurs three years from the date of grant. The Sales Restriction period continues after employment ceases and malus/clawback can still affect awards but can end early in the case of certain corporate events; death of a Participant; or at the discretion of the Committee.
Cessation of employment	<u>**For the Year of Cessation**</u> **Good leavers:** The award will normally be pro-rated for the period worked during the financial year. **Other leavers:** No award for year of cessation. **Discretion:** The Committee has the following elements of discretion: • to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; • to determine whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.

<table>
<tr><td></td><td><u>Subsisting Awards</u>
Good leavers: Awards will be pro-rated to time and will vest on their original vesting dates and remain subject to the holding period.
Other leavers: Unvested Awards will be forfeited on cessation of employment. Vested Awards will remain subject to the holding period.
Discretion: The Committee has the following elements of discretion:
• to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;
• to determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure;
• to determine whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment;
• to determine whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.</td></tr>
<tr><td>Change of control</td><td><u>For the Year of the Change of Control</u>
The award will normally be pro-rated to the date of the change of control.
Discretion: The Committee has the following element of discretion:
• to determine whether to pro-rate the award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
<u>Subsisting Awards</u>
The awards will vest on the date of the change of control pro-rated to time and the holding period will not apply.
Discretion: The Committee has the following elements of discretion:
• to determine whether the satisfaction of awards should be in cash or shares or a combination of both;
• to determine whether to pro-rate awards on change of control. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the change of control.</td></tr>
</table>

2. PROVISIONS APPLYING TO THE RSP (THE "PLAN")

Operation

The Committee supervises the operation of the Plan in respect of the employees of the Company, including the Executive Directors. The Committee has the discretion to make awards at any time where they consider the circumstances appropriate. No awards will be granted during a Close Period.

Grants of awards

Any Share awards granted under the Plan may normally only be granted during the 42 days beginning on: (i) the date of shareholder approval of the Plan; (ii) the day after the announcement of the Company's results; (iii) any day on which the Committee determines that circumstances are sufficiently exceptional to justify the grant of the Share award at that time; or (iv) the day after the lifting of any dealing restrictions. Awards may be granted for up to ten years from the date of approval by shareholders and can be in the form of options over Shares (the "Options"), a conditional right to acquire Shares (the "Conditional Share Awards"), or Shares which are subject to restrictions and the risk of forfeiture (the "Restricted Shares"). No consideration is payable by Participants to receive an award and Participants will make either a nominal or nil payment for the release of Shares or exercise of an Option under the award, as determined by the Committee. No awards may be granted more than ten years from the date when the Plan was approved by shareholders.

Dilution

The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

The rules of the Plan each provide that, in any rolling 10 year period (i) not more than 10% of the Company's issued Shares may be issued under the Plan and under any other employees' share scheme operated by the Company; and (ii) not more than 5% of the Company's Shares may be issued under the Plan and under any other executive share scheme adopted by the Company. Shares issued out of treasury under the Plan will count towards these limits for so long as this is required under institutional shareholder guidelines. In addition, awards which are renounced, or lapse shall be disregarded for the purposes of these limits.

Dividend Equivalents

The Committee may decide that awards under the Plan will include a payment (normally in additional Shares but may be in cash) equal in value to any dividends that would have been paid on the Shares which vest under an award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie, at the discretion of the Committee. The Committee has discretion to use a different method to calculate the value of dividends.

Malus and clawback

Malus provisions apply to all elements of the Plan. Malus is the adjustment of unvested awards because of the occurrence of one or more circumstances. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of vested awards or payments under the Plan as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a Participant's award or payment under the Plan and may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any vesting condition or condition in respect of an award under the Plan was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a Participant which amounts to fraud or gross misconduct;
- events or the behaviour of a Participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Committee is satisfied that the relevant Participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the Participant;
- Material failure of risk management including but not limited to a material breach of risk appetite and regulatory standards; or
- Corporate failure.

The following sets out the periods during which malus and clawback may be effected:

- Malus – any time to the point of vesting or payment.
- Clawback – 2 years from the date of vesting or payment.

Taxation

The vesting and exercise of awards are conditional upon the Participant paying any taxes due.

Allotment and Transfer of Shares

Shares allotted by the Company or transferred by the Trustee of the Employee Trust will not rank for dividends payable if the record date for the dividend falls before the date on which the Shares are acquired by the Participant. An application will be made for the admission of the new Shares to be issued to the Official List of, and to trading on, the London Stock Exchange plc's main market for listed securities following the vesting and/or exercise of awards.

Variation of Share Capital

On a variation of the capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the number of Shares subject to awards and their terms and conditions may be adjusted in such manner as the Committee determines is appropriate.

Duration

The Plan will operate for a period of ten years from the date of approval by shareholders. The Committee may not grant awards under the Plan after the tenth anniversary of approval.

Amendments

Amendments to the rules of the Plan may be made at the discretion of the Committee.

Prior shareholder approval is generally required for amendments to the advantage of Participants which are made to the provisions relating to eligibility, individual or overall limits, the basis for determining the entitlement to, and the terms of, awards under the Plan, the adjustments that may be made in the event of any variation to the Share capital of the Company and/or the rule relating to such prior approval except for amendments which are of a minor nature and benefits the administration of the Plan or is necessary or desirable in order to take account of a change in legislation or maintain favourable tax, exchange control or regulatory treatment for Participants, the Company or any Group company.

No change to subsisting awards to the material disadvantage of a Participant can normally be made except as a result of a legal or regulatory requirement or where Participants are notified of such amendment and the majority of Participants approve such amendment.

General

Shares acquired and awards and any other rights granted pursuant to the Plan are non-pensionable.

Non-Transferability of Awards

Awards are not transferable, except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant or by will or the laws of inheritance and distribution.

Alternative Settlement

At its discretion, the Committee may decide to satisfy Plan awards with a payment in cash or Shares equal to any gain that a Participant would have made had the relevant award been satisfied with Shares.

Rights attaching to shares:

Except in relation to the award of forfeitable restricted shares, Shares issued and/or transferred under the Plan will not confer any rights on any Participant until the relevant award has vested or the relevant Option has been exercised and the Participant in question has received the underlying Shares. Any Shares allotted when an Option is exercised or an award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue). A Participant awarded forfeitable shares subject to restrictions will have the same rights as a holder of Shares in issue at the time that the Participant acquires the Shares, except to the extent set out in the agreement with the Participant relating to those Shares.

Overseas plans

The Committee may, at any time, establish further plans based on the Plan for overseas territories. Any such plan shall be similar to the Plan, as relevant, but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation under the Plan.

Employee Trust

The Company may utilise the existing discretionary employee benefit trust, The Saga Employee Benefit Trust (the "EBT") which includes any successor trust set up in connection with the Company's employee share schemes), in order to meet obligations due under the Plan. The Trustee of the EBT has full discretion with regard to the application of the trust fund (subject to recommendations from the Committee). The Company will be able to fund the EBT to acquire Shares in the market and/or to subscribe for Shares at nominal value in order to satisfy awards granted under the Plan. Any Shares issued to the EBT in order to satisfy awards under the Plan will be treated as counting towards the dilution limits that apply to the Plan. For the avoidance of doubt, any Shares acquired by the EBT in the market will not count towards these limits. In addition, unless prior Shareholder approval is obtained, the EBT will not hold more than 5% of the issued share capital of the Company at any one time (other than for the purposes of satisfying awards of Shares that it has granted).]

Note: This Schedule 3 summarises the main features of the Plan, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Plan Rules. Copies of the Plan Rules will be available for inspection at the Company's registered office at Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of dispatch of the Notice of the Annual General Meeting up to and including the date of the Meeting. Copies of the Plan Rules will also be made available at Enbrook Park, Sandgate, Folkestone, Kent, CT20 3SE (where the 2020 AGM will be held) for 30 minutes before and after the Annual General Meeting and during the Meeting. The Directors reserve the right, up to the time of the AGM, to make such amendments and additions to the rules of the Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Schedule 3.

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