Corporate Governance Statement

Chairman's introduction to governance

s172 Section 172 matters are addressed throughout this statement

"2020/21 has been an extraordinary and unprecedented year for Saga and the Board has been kept very busy."

SIR ROGER DE HAAN
Non-Executive Chairman

DEAR SHAREHOLDER,

On 5 October 2020, I became Non-Executive Chairman of Saga plc after the Company's successful capital raising exercise that generated £150m (approximately £140m net of costs). I invested £100m for just over 26% of the share capital.

Senior Independent Director

In anticipation of my appointment and the likelihood that I would have a significant shareholding in the Company and might not be considered independent, the Board broadened Orna NiChionna's role as Senior Independent Director.

Changes to Board composition

The Board now has seven Directors and all but one have been appointed in the last two years. During the year, Patrick O'Sullivan retired after serving two and a half years as Chairman and Ray King and Gareth Williams retired as Non-Executive Directors after serving six years and six and a half years respectively. Cheryl Agius stepped down as an Executive Director in January 2021 after serving for one year.

The Company complies with the UK Corporate Governance Code 2018 ('Code') requirement that at least half of its Board members, excluding the Chairman, are Independent Non-Executive Directors.

Sub-committees of the Board

The following changes to the composition of the sub-committees of the Board were made during the year. They were all recommended by the Nomination Committee.

- Eva Eisenschimmel became Chair of the Remuneration Committee in February 2020.
- Gareth Hoskin became Chair of the Audit Committee in June 2020 and a member of the Nomination Committee in September 2020.
- Julie Hopes became a member of the Nomination Committee in September 2020, Chair of the Risk Committee and a member of the Audit Committee in December 2020.
- I became a member of the Nomination Committee in October 2020.

Subsidiary company Boards

Saga's trading subsidiary companies have their own Boards whose members perform the normal governance duties of company directors. The board of Saga Services Limited (SSL), Saga's Insurance Broking business, has six Directors, of whom four are non-executive. Julie Hopes, a Non-Executive Director of the Saga plc Board, chairs the SSL Board. Acromas Insurance Company Limited (AICL), Saga's Underwriting business, has seven Directors. Three are non-executive and Gareth Hoskin, a Non-Executive Director of Saga plc, chairs the AICL Board.

This governance structure works well and it is extremely helpful that Saga's two regulated subsidiaries, which account for a significant proportion of the Group's trading, are chaired by two of our main Board Non-Executive Directors.

Board focus and decisions

As I said in my Chairman's Statement on pages 4 to 5, 2020/21 has been an extraordinary and unprecedented year for Saga and the Board has been kept very busy. It began the year focusing on Euan Sutherland's, as the new Group Chief Executive Officer's (CEO), ideas for delivering early improvements to the Company's operation and then on the effect of, and the plan to deal with, the pandemic. This involved moving the Company's operations from being office to home based without disrupting the quality of service afforded to our customers. The Board also had to consider the many ramifications of the suspension of all our Travel operations. It agreed to the sale of a number of non-core companies within the Group. It agreed to the capital raising exercise and was involved in considering the working capital report, working capital memorandum and the detailed review of historical budgeting accuracy and the current trading update prepared by our external auditor. During the year the Board had to consider the Financial Conduct Authority (FCA) report on general insurance pricing practices and dedicated considerable time to discussing the Company's new strategy.

Risk management

The Audit and Risk Committees played an important part in reviewing the systems, processes and controls to ensure that the principal risks and the risk tolerance thresholds were monitored.

People and remuneration

Saga has a People Committee which is regularly attended by Eva Eisenschimmel. She provides an important link in communicating to the Board the views of our colleagues. Eva is also Chair of the Remuneration Committee and discussed with our major shareholders the Company's proposed Remuneration Policy and how it supported our strategy. The Policy was approved at our Annual General Meeting (AGM) in June 2020.

Environmental, Social and Governance (ESG)

Our ESG task force has met every two weeks since it was established in the last financial year. A number of its recommendations have already been agreed by the Board and have been implemented. It is reviewing a wide range of extremely important issues including diversity, our carbon footprint and how we can make a positive impact, particularly in the communities where we are based.

Board and committee evaluation

During the year we completed an evaluation of the Board and its Committees. It concluded that the Board had navigated through difficult circumstances presented by COVID-19 and was working well with management in developing a well-formed strategy supported by a clear Company purpose and set of meaningful values. Looking forward, the Board's focus will be on dedicating time to ensuring excellent customer service and ensuring the foundations are in place to begin to deliver sustainable growth.

2021 Annual General Meeting

We will set out the arrangements for our AGM, which will be on 14 June 2021, after we have assessed government advice nearer the time.

Finally, I would like to thank Patrick O'Sullivan, Ray King, Gareth Williams and Cheryl Agius who all stepped down from the Board this year for their dedication and wise counsel.

SIR ROGER DE HAAN
Non-Executive Chairman
6 April 2021

Corporate Governance Statement

Governance in action

s172 HOW GOVERNANCE LINKS TO OUR STRATEGIC PRIORITIES

People and culture step change

The Board considered and debated the following key areas:

- The strategy announced in September 2020 and the purpose, to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities. The conclusion was that the strategy and purpose represented who we are and the way in which we work.
- The proposed values (precision pace, empathy, curiosity, and collaboration) and discussed how these key qualities would ensure we deliver the best experiences for each other and our customers.
- The new operating model for the business, which resulted in restructuring and fewer layers, with specific focus on how we treated all colleagues with respect and care, whether they were leaving or staying with the business.
- The valuable insight into views of the wider workforce provided by the work of the People Committee, to strengthen colleagues' voices in the Board room.
- An award of Free Shares to eligible colleagues under the Share Incentive Plan (SIP) (this was approved for the sixth year running).
- Updates from the workshops held to encourage open dialogue regarding topics relating to diversity, inclusion and belonging (DI&B).

Group CEO's Statement, pages 7-8
Purpose and business model, pages 12-13
Strategic priorities, page 14
Environmental, Social and Governance, pages 18-27

Data, digital and brand transformation

Board discussion included the following:

- How the new platforms in our Insurance business were expected to enhance operational and cost efficiencies. This included the Guidewire implementation for our motor and home products and the new Radar Live system which provides increased data capacity and faster and more efficient pricing capability.
- The development of a single Group-wide customer digital data platform which builds on and optimises the investment made in recent years. Once complete, we will be able to reduce complexity across our systems and we will have a clearer view of our customers across all our businesses. This will enhance the service we are able to offer.

Group CEO's Statement, page 8
Strategic priorities, page 14

Optimising our businesses

The Board had to carefully consider the impact of COVID-19 and make brave decisions as to how to respond, given the pause in the Travel business. Attention was given to all stakeholders' requirements, particularly the effect on customers and colleagues. Key areas of discussion included:

Insurance

- How the Insurance business could continue to perform resiliently, with a focus on our three-year fixed-price product.
- The plan to acquire new business on a direct basis.
- The support available to our customers during the COVID-19 pandemic by actively reaching out, for example, by offering a reduction in mileage or the addition of another driver to their policy, payment holidays and fee waivers, where appropriate.

Travel

- How to take the opportunity, during the COVID-19 suspension period, to reinvigorate the Tours business and return to the DNA that contributed to the success of Saga Holidays for so many years, offering a higher-quality, differentiated product portfolio with aspirational holidays tailored specifically for our customers.
- The plan to extend our Tours product proposition to include a second new river cruise ship.

Group CEO's Statement, pages 6-9
Strategic priorities, page 15

Driving simplicity and efficiency

The Board focused on what action was needed to achieve the following:

- Continue to adopt a cost-conscious approach, ensuring that costs were reduced where possible across the Group.
- Have disciplined cost management during the Travel suspension period, with savings in both marketing and administration costs.
- Remain on track to achieve further run rate cost savings of £20m over time and stay committed to the ongoing assessment of our cost base to ensure that the business is operating at the optimum level for the future.

Group CEO's Statement, page 9
Strategic priorities, page 15
Operating and Financial Review, pages 30-45

Reducing our debt

The Board approved significant projects and transactions, which included:

- The successful capital raise, resulting in approximately £140m of net proceeds from the issue of new shares, allowing repayment of the revolving credit facility (RCF) and approximately half of the term loan.
- Disposals of three non-core businesses; Bennetts, Healthcare and Destinology, generating combined net cash proceeds of £31m.
- Revision of the covenants attached to the term loan and RCF, allowing flexibility through the ongoing disruption arising from COVID-19.
- Agreement of a payment deferral and covenant waiver until 31 March 2022 in respect of the two ship debt facilities.

Group CEO's Statement, page 9
Strategic priorities, page 15
Operating and Financial Review, pages 30-45

Governance statements

s172 KEY STATEMENTS

Compliance Statement	The Board is committed to high standards of corporate governance and manages Saga's operations in accordance with the UK Corporate Governance Code 2018 (the 'Code'). A full version of the Code can be found on the Financial Reporting Council's (FRC) website (www.frc.org.uk). The Company applied the Principles and complied with the relevant Provisions of the Code throughout the year (with two exceptions) as set out on pages 54-55. An explanation of our non-compliance with Provisions 3 and 9 is also provided on those pages.
Viability Statement	The Viability Statement can be found in the Strategic Report on page 46.
Going concern	The going concern basis of preparation can be found in note 2.1 of the financial statements on pages 136 to 138.
Fair, balanced and understandable	In accordance with the Code, the Board has established arrangements to evaluate whether the information presented in the annual report is fair, balanced and understandable. Having taken advice from the Audit Committee, the Board considers that the annual report and accounts, taken as a whole are fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.
Assessment of risk	Through the risk management process detailed on page 67, the Board can confirm that it has carried out a robust assessment of the emerging and principal risks facing the Company, including those which would threaten our business model, future performance, solvency or liquidity and reputation.
Statement of review	The risk management process detailed on pages 66-69 was in place for the year under review and up to the date of approval of this report. The Audit Committee, working closely with the Risk Committee and on behalf of the Board, carried out a review of the effectiveness of the systems of internal control and risk management covering all material controls, including financial, operational and compliance controls and the Group risk management framework. The conclusion was that the internal risk and control environment is broadly effective, with controls to mitigate key risks being generally designed and operating effectively. Whilst the refreshed risk management framework and target operating model continue to drive greater risk management ownership and accountability from the Risk Team into the business, the Group remains in progress in embedding risk management ownership and accountability. This progress in the risk transformation phase has been impacted by a number of factors, primarily the reprioritisation arising from COVID-19 resulting in management focus on other higher priority areas for 2020.
Section 172(1)	The section 172(1) statement can be found in the Strategic Report on pages 47-48.

Corporate Governance Statement

Governance statements continued

APPLICATION OF CODE PRINCIPLES

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

1. Board leadership and Company purpose

A. Effective Board

The Board met formally 14 times during the year. The schedule of matters reserved for the Board (detailed on page 56) was reviewed on 4 September 2020. The governance structure in place sets out delegated authorities clearly. The Board considered progress against long-term strategy at each Board meeting. More information on Company key performance indicators (KPIs), strategic priorities, principal risks and uncertainties (PRUs), and stakeholder engagement is provided in the Strategic Report.

i Strategic Report, pages 1-49
Board leadership and Company purpose, pages 56-57

B. Purpose, values, strategy and culture

s172 The Company's purpose, values and strategy are defined in the Strategic Report. Culture played an important part in delivery of strategy and operation of the business model. During the year, the Company's purpose was redefined to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities, and new values were developed.

i Strategic Report, pages 1-49
Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60
Directors' Remuneration Report, pages 77-110

C. Resources and controls system

The Board and its principal Committees' focus was to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls. This enabled risk to be assessed and managed. The Board and Committee framework meant that the Company's strategic aims were continually assessed and ensured that the necessary resources were in place for Group objectives to be met and to review management performance.

i Environmental, Social and Governance, pages 18-27
Principal risks and uncertainties, pages 28-29
Key disclosure statements, pages 47-49
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73

D. Stakeholder engagement

s172 The Board remains committed to understanding the views of the Company's key stakeholders and considering their interests in Board discussion and decision making.

The importance of ongoing dialogue with shareholders was recognised. The Remuneration Committee Chair consulted with key shareholders regarding the new Remuneration Policy, which was approved by shareholders at the Company's AGM held on 22 June 2020.

The Company did not comply with Provision 3 of the Code. As the Non-Executive Chairman is a significant shareholder in the business, it was determined that it would be more appropriate for the Senior Independent Director to engage with major shareholders in order to understand their views on governance and performance against the strategy.

In addition, the Group CEO and Group Chief Financial Officer (CFO) met with shareholders and provided an update to the Board. Advisers attended Board meetings to provide feedback and analyst reports were circulated.

i Strategic Report, pages 1-49
Environmental, Social and Governance, pages 18-27
Key disclosure statements, pages 47-49

E. Workforce policies and ability to raise concerns

s172 Key policies were reviewed and submitted to the Board as part of an annual review for discussion and approval. These were reviewed in the context of regulatory changes as well as best practice and to reflect the Company's values and training, tailored to the audience. The Company's robust Whistleblowing and Open Door Policy and process was repositioned as the 'Speak Up' Policy. Board members considered a 'Speak Up' report and the Audit Committee Chair served as 'Speak Up Champion'. The People Committee and People Forums provided an effective mechanism for colleagues to speak freely.

i Environmental, Social and Governance, pages 18-27
Key disclosure statements, pages 47-49
Board leadership and Company purpose, pages 56-57
Audit, risk and internal control, pages 66-69
Directors' Remuneration Report, pages 77-110

2. Division of responsibilities

F. Role of the Chairman

s172 The Chairman set the agenda for meetings, managed the meeting timetable (in conjunction with the Group Company Secretary) and facilitated open and constructive dialogue during the meetings, with particular focus on strategic issues. This year saw the appointment of a new Non-Executive Chairman who was not considered independent on appointment (as per Provision 9, taking the circumstances set out in Provision 10 into account), due to his shareholding in the Company. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, the terms of the Relationship Agreement between him and the Company and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. Shareholders supported this appointment, when they voted in favour of the capital raise at a general meeting held on 2 October 2020.

i Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60
Nomination Committee Report, pages 64-65

G. Board and its responsibilities

s172 The division of responsibilities between the Non-Executive Chairman and the Group CEO, and the role of the Senior Independent Director were clearly defined. The Non-Executive Chairman was responsible for the leadership and effectiveness of the Board. The Group CEO was responsible for leading the day to day management of the Group within the strategy set by the Board. A document clarifying these divisions and responsibilities was reviewed and approved by the Board on 4 September 2020. This document is reviewed annually by the Board. Matters reserved for the Board and the Board and Executive Committees' terms of reference were also reviewed. The Board Committees' terms of reference can be found on the Company's website (www.corporate.saga.co.uk/about-us/governance).

i Division of responsibilities, pages 58-60
Board of Directors, pages 62-63

H. Non-Executive Directors

The Non-Executive Directors provided objective, rigorous and constructive challenge to management and met regularly without the Executive Directors. The Senior Independent

Director acted as a sounding board for the Chairman, led an appraisal of the Non-Executive Chairman's performance, and attended meetings with major shareholders, some of which were requested leading up to the capital raise.

Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60

I. Information and support

The Chairman, in conjunction with the Group Company Secretary, ensured that all Board members received accurate and timely information, had the resources needed and were kept informed on all governance and regulatory matters. This included communication of the policies and procedures needed in order to function effectively and efficiently. A regulatory report detailing the impact of all emerging and future changes was tabled at each Board meeting.

Environmental, Social and Governance, pages 18-27
Board leadership and Company purpose, pages 56-57
Division of responsibilities, pages 58-60
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73
Risk Committee Report, pages 74-76
Directors' Remuneration Report, pages 77-110

3. Composition, succession and evaluation

J. Appointment process

The appointment of new Directors to the Board is led by the Nomination Committee and the process is such that candidates are selected on merit and with due regard for the benefits of diversity, in all forms.

Composition, succession and evaluation, page 61
Nomination Committee Report, pages 64-65

K. Board composition

s172 The Nomination Committee was responsible for reviewing the composition of the Board, considering succession planning and evaluating the skills, knowledge and experience required of Board candidates. 2020/21 saw a number of changes to the Board and Committee composition, which went smoothly as a result of prior succession planning. The Company requires all Directors to stand for annual re-election by shareholders at the Company's AGM.

Division of responsibilities, page 60
Composition, succession and evaluation, page 61
Nomination Committee Report, pages 64-65

L. Board evaluation

The Board conducted an annual evaluation of its own performance and that of its Committees. The Chairman and Non-Executive Chairman met with individual Directors during the year and discussed their contribution.

Composition, succession and evaluation, page 61
Nomination Committee Report, pages 64-65

4. Audit, risk and internal control

M. Independence and effectiveness of internal and external audit functions

The Board delegated a number of responsibilities to the Audit Committee, which was responsible for overseeing the Group's financial reporting processes, internal controls and the work undertaken by, and the effectiveness of, the internal and external auditors.

Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73

N. Fair, balanced and understandable assessment

The Board has established arrangements to ensure that reports and other information published by the Group are fair, balanced and understandable. The Strategic Report provides information about the performance of the Group, the business model, strategy and emerging PRUs relating to the Group's future prospects.

Strategic Report, pages 1-49
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73
Financial statements, pages 131-211

O. Risk management and internal controls

The Board set the Group's risk appetites and Risk Policy. The effectiveness of the Group's risk management and internal control systems was reviewed during the year. The Risk Committee was responsible for monitoring the Group's overall risk appetite, tolerance, strategy and risk assessment processes, effectiveness of the Group's risk management and the Group's capability to identify and manage new and emerging risks and deal with any material breaches of risk limits.

Principal risks and uncertainties, pages 28-29
Viability Statement, page 46
Audit, risk and internal control, pages 66-69
Audit Committee Report, pages 70-73
Risk Committee Report, pages 74-76
Notes to the consolidated financial statements, pages 136-203

5. Remuneration

P. Remuneration policies and practices

The Remuneration Committee was responsible for setting levels of remuneration that supported strategy and promoted the Company's long-term sustainable success. Remuneration was structured to link it to both corporate and individual performance, so that the interests of management were aligned with those of shareholders and the Company's key stakeholders. Annual bonus was underpinned by personal objectives which were aligned with the Company's purpose and values and clearly linked to the delivery of the Company's strategy.

Strategic Report, pages 1-49
Board leadership and Company purpose, pages 56-57
Directors' Remuneration Report, pages 77-110

Q. Procedures for executive remuneration

Details of the work of the Remuneration Committee and the Remuneration Policy can be found in the Directors' Remuneration Report. A copy of the current Remuneration Policy can also be found on the Company's website (www.corporate.saga.co.uk/about-us/governance). None of the Directors were involved in deciding their own remuneration outcome.

Directors' Remuneration Report, pages 77-110

R. Independent judgement

The Remuneration Committee exercised independent judgement and discretion when considering remuneration outcomes, taking account of Company and individual performance, and wider circumstances. The Committee had the ability to override formulaic remuneration if necessary.

Directors' Remuneration Report, pages 77-110

Corporate Governance Statement

Board leadership and Company purpose

The Board is responsible for providing overall direction for management, debating our strategic priorities and setting Saga's values and standards.

OUR BOARD

s172 There is an articulated set of matters which are reserved for the Board and these are reviewed annually. The last review took place on 4 September 2020. Matters reserved for the Board include the following:

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

s172 A fundamental part of this role is to consider the balance of interests between our stakeholders including shareholders, our customers, our colleagues and the communities in which we operate. See pages 26 and 27 for details of the Board's role in stakeholder engagement which supports Directors' duties under Section 172(1) of the Companies Act 2006.

All Directors, members of the Executive Leadership Team (ELT) and persons discharging managerial responsibilities receive training on an ongoing basis.

CAPITAL RAISE AND SHARE CONSOLIDATION

s172 Governance played a vital role as the Company took steps to improve financial resilience, strengthen its balance sheet and complete a £150m capital raise in September 2020, with cornerstone investment from Roger De Haan. A share consolidation took place following the capital raise.

This transaction saw Roger return as Non-Executive Chairman. It was important to ensure there were clear, defined responsibilities for this role, and those of the Senior Independent Director and Group CEO. Committee composition was also reviewed.

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2021 at 11.00am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. We are considering how this meeting will be held this year, in light of the impact of the COVID-19 pandemic and will set out full details in the Notice of AGM.

The Notice of AGM will also contain an explanation of business to be considered at the meeting. A copy will be available on Saga's website in due course (www.corporate.saga.co.uk).

HOW OUR PURPOSE AND VALUES UNDERPIN OUR GOVERNANCE:

Precision pace

- Governance and policies, protocols and processes are structured so that Saga can move quickly, remain focused on the right things and retain high standards.

Curiosity

- By applying curiosity to our processes and governance structures, there is scope to continuously improve and ensure that they remain aligned with the Company's purpose and always support delivery of the strategy.

Empathy

- Empathy influences how we make decisions, and how we set up our processes and procedures. Consideration is given as to how people might feel throughout and as a consequence of the end result.

Collaboration

- By working together as one team, governance is consistent across the Group.

BOARD ACTIVITIES DURING THE YEAR

Meetings are structured to enable the Board to support the ELT on the delivery of strategy within a transparent and robust governance framework as illustrated on pages 58-59.

Areas of Board focus during the year:

Strategy
s172

During the year, the Board agreed a new strategy, which was announced in September 2020. *Transforming Saga – Experience is Everything* builds on the strength of the Saga brand and its heritage, and returns our customers to the heart of the business. The Board discussed the strategy in the context of the external environment and considered the impact of COVID-19. Regular updates were provided by management on strategic and commercial priorities, including the plans to prepare for a resumption in the Travel business, to remain resilient in Insurance and to develop a data, digital and brand strategy that would ensure that Saga emerges stronger out of the crisis.

Strategic Report, pages 1-49

Purpose, values and culture
s172

The Board considered and discussed the revised purpose put forward by the ELT, to create Exceptional Experiences Every Day and the proposed values of precision pace, empathy, curiosity and collaboration. The conclusion was that these would support delivery of the strategy to ensure that colleagues were encouraged to live the purpose and values and do the best work they can. Details of how governance links to our strategic priorities and our core values are provided in the tables on pages 52 and 56. The People Committee and Forums facilitated ongoing dialogue and transparency with our colleagues, and provided useful insight and feedback.

Purpose and business model, pages 12-13
Environmental, Social and Governance, pages 18-27

Stakeholder engagement
s172

The Board considered the views of and impact of decisions on our stakeholders. Active dialogue was maintained with our shareholders throughout the year, responding to enquiries via our Investor Relations (IR) Team, and holding meetings with investors and financial analysts to discuss business performance and strategy. The Chair of the Remuneration Committee held meetings with key shareholders to discuss the proposed Remuneration Policy, which was approved by shareholders on 22 June 2020.

Environmental, Social and Governance, pages 18-27

Governance
s172

An exercise to simplify the Group's governance structure took place, designed to clarify the role and purpose and improve the efficiency and effectiveness of Group and subsidiary boards and committees. As a result, an Executive Leadership Risk Committee was established at Group level and various Group committees (including Business Continuity, Health and Safety, Financial Crime, Information Security and Data Protection and Supplier Risk Management) were disbanded and their duties reassigned.

Division of responsibilities, pages 58-60

Risk management
s172

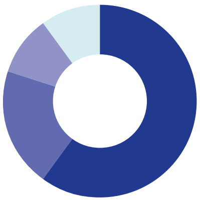
The Board recognised that it was more important than ever to monitor the effectiveness of risk management throughout the Group, to ensure that the risks associated with the impact of the COVID-19 pandemic and suspension of the Travel business were closely monitored and effective action was taken. The Audit and Risk Committees played a crucial part in ensuring that appropriate systems, controls and processes were in place and that emerging and principal risks and uncertainties and risk tolerance thresholds were monitored.

Principal risks and uncertainties, pages 28-29
Audit Committee Report, pages 70-73
Risk Committee Report, pages 74-76

Corporate Governance Statement
Division of responsibilities

A full review of our governance structure took place during the year. As a result, an Executive Leadership Risk Committee was introduced, reporting into the Risk Committee. A Data Governance Committee and an Environmental Committee were established as sub-committees, to ensure that these vital areas were given due attention.

Board responsibilities – allocation of time



Strategy and business performance	c.60%
Capital raise and share consolidation	c.20%
Oversight of risk and management	c.10%
People and culture	c.10%

s172 THE BOARD'S RESPONSIBILITIES

- Approval of strategic direction and ensuring its successful implementation.
- Overall leadership and management of the Group, including setting the Group's values and standards.
- Approval of the Group's 'Speak Up' Policy and discussing an annual report presented by the Non-Executive Director nominated as 'Speak Up Champion'.

The Nomination Committee's responsibilities

- Review the structure, size and composition (including the need for progressive refresh of membership) of the Board.
- Consider how to develop a diverse pipeline in succession planning and talent development of Executive Directors and other senior executives.
- Evaluate the independence, experience, diversity and knowledge of the Board.
- Identify and nominate candidates to fill Board and Committee vacancies.
- Review Board performance evaluation results in relation to Board composition.

Nomination Committee Report, pages 64-65

The Audit Committee's responsibilities

- Consider integrity of the financial statements.
- Review the adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- Monitor the effectiveness of the Company's Internal Audit function, Finance function and the external auditor.
- Review the Internal Audit work plan.
- Review annual and half yearly financial statements and accounting policies.
- Approve the remuneration and terms of engagement, and determine the independence of the external auditor.
- Monitor the scope of the annual audit and the extent of non-audit work undertaken by the external auditor.
- Provide recommendations on the fair, balanced and understandable assessment, going concern and viability statements.
- Ensure that whistleblowing ('Speak Up') and anti-fraud systems are in place and monitored.

Audit Committee Report, pages 70-73

THE EXECUTIVE LEADERSHIP TEAM RESPONSIBILITIES
(reports to the Board via the Group CEO and Group CFO)

- Develop and recommend strategy to the Board, and then implement it.
- Set the Group's business principles, and develop and implement values, behaviours and standards.
- Ensure customers are treated fairly, in line with the Saga brand values.
- Review and monitor brand and customer KPIs, trading and marketing performance.
- Review financial forecasts and financial performance of the Group.

- Encourage innovation to meet the needs of our stakeholders, including colleagues, customers and shareholders.
- Ensure compliance with statutory and regulatory obligations.
- Maintain sound systems of internal controls and risk management.
- Assess potential impact of decisions.

The Remuneration Committee's responsibilities

- Set and monitor the Remuneration Policy for senior executives, considering relevant legal and regulatory requirements and all relevant factors to ensure alignment with the delivery of value over the long term.
- Recommend and monitor remuneration packages for Executive Directors, the Chairman and senior management.
- Work with the Nomination Committee regarding workforce structure, reward, incentives and conditions.
- Review workforce remuneration and incentive programmes to encourage desirable culture, behaviour and responsible risk taking.
- Determine all aspects of share-based incentive arrangements.
- Review and administer employee share schemes.
- Set KPIs for the Annual Bonus Plan and long-term incentives.
- Prepare a Directors' Remuneration Report annually.

Pages 90-94 of the Directors' Remuneration Report are incorporated into this report by reference.

Directors' Remuneration Report, pages 77-110

The Risk Committee's responsibilities

- Review and advise the Board on the Group's overall risk appetite, tolerance and strategy and risk assessment processes.
- Oversee and advise the Board on current risk exposure and future risk strategy.
- Monitor the effectiveness of the Group's risk management and internal control systems and conduct risk management procedures.
- Monitor PRUs.
- Provide qualitative and quantitative advice to the Remuneration Committee on risk weightings.
- Consider the Group's capability to identify and manage new and emerging risk.
- Review material breaches of risk limits and adequacy of action.

Risk Committee Report, pages 74-76

The Executive Leadership Risk Committee's responsibilities (reports to the Risk Committee via the Chief Risk Officer)

- Consider a risk report from business areas, to include (where necessary/material matters to report):
  - business continuity;
  - supplier risk management;
  - data governance;
  - fraud;
  - financial crime;
  - information security;
  - health and safety; and
  - environment.
- Assess opportunities and risks across all business areas.
- Derive PRUs from strategy and business model.
- Oversee material outsourcing contracts and management of insurer relationships.
- Conduct thematic reviews (to align with strategy).
- Oversee Data Governance and Environmental Committees.

- Review and discuss talent management and succession planning throughout the Group (prior to consideration by the Nomination Committee).
- Review and monitor culture, DI&B and colleague engagement metrics.
- Manage risk and conduct, reviewing Group Risk and Internal Audit and compliance plans, and report potential or actual breaches of regulation or policy to the Board.

Corporate Governance Statement

Division of responsibilities continued

INDEPENDENT NON-EXECUTIVE DIRECTORS AND BOARD COMPOSITION

We continue to comply with the Code recommendation that at least half of our Board, excluding the Chairman, are Non-Executive Directors whom the Board considers to be independent. The Board considers Eva Eisenschimmel, Julie Hopes, Gareth Hoskin and Orna NiChionna to be independent Non-Executive Directors, free from any business or other relationships that could materially interfere with the exercise of their independent judgement or objective challenge of management.

We recognised that our Non-Executive Chairman was not considered independent on appointment and this was carefully considered as part of the capital raise. Taking into account Roger De Haan's history with the Saga brand and business, his proposed time commitment, and the terms of the Relationship Agreement and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. This was supported by shareholders, who voted in favour of the capital raise at a general meeting held on 2 October 2020. Other changes to the Board and its Committees included the retirement of Ray King (who did not stand for re-election at the 2020 AGM) and Gareth Williams (who retired on 31 December 2020). Eva Eisenschimmel assumed the role of Remuneration Committee Chair on 1 February 2020, Gareth Hoskin became Audit Committee Chair on 22 June 2020, Julie Hopes was appointed Chair of the Risk Committee and a member of the Audit Committee on 31 December 2020. On 5 January 2021, Cheryl Agius stepped down, for personal reasons, from her role as CEO of Saga Insurance and as an Executive Director of Saga plc.

Composition, succession and evaluation, page 61

Board of Directors, pages 62-63

BOARD ATTENDANCE DURING THE YEAR

s172 The Board and Committees have a scheduled forward programme of meetings. During the year, the Board met formally on 14 occasions. In addition, meetings were convened as necessary to discuss and approve strategic matters and a strategy event was held in July, at which the strategic direction for each of the businesses was discussed. Board members made themselves available for all discussions necessary to deal with the impact of COVID-19 and to discuss the capital raise and share consolidation projects, over and above scheduled meetings. The Chairman meets with the Senior Independent Director and Non-Executive Directors outside of formal meetings.

Member	Role	Maximum possible meetings	Attendance
Roger De Haan[1]	Non-Executive Chairman (leadership, Board governance, sets the agenda and facilitates open Board discussions, performance and shareholder engagement)	3	3
Euan Sutherland	Group Chief Executive Officer (Group performance and develops strategy for Board approval)	14	14
James Quin	Group Chief Financial Officer (Group financial performance, including creation of the budget and five-year plans for recommendation to the Board)	14	14

Independent Non-Executive Directors		Maximum possible meetings	Attendance
Orna NiChionna	Participate in, assess, challenge and monitor Executive Directors' delivery of the strategy (within risk and governance structures), financial controls and integrity of financial statements, and Board diversity. Evaluate and appraise the performance of the Non-Executive Chairman, Executive Directors and senior management.	14	14
Eva Eisenschimmel		14	14
Julie Hopes		14	14
Gareth Hoskin		14	14

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

Former Directors		Maximum possible meetings	Attendance
Patrick O'Sullivan[1]	Chairman	11	11
Cheryl Agius[2]	Chief Executive Officer of Insurance	11	11
Ray King[3]	Non-Executive Director	5	5
Gareth Williams[4]	Non-Executive Director	12	12

Notes:
1 Roger De Haan replaced Patrick O'Sullivan as Chairman on 5 October 2020
2 Cheryl Agius resigned as Chief Executive Officer of Insurance on 5 January 2021
3 Ray King retired on 22 June 2020
4 Gareth Williams retired on 31 December 2020

Composition, succession and evaluation

s172 Section 172 matters are addressed throughout this page

THE MEMBERS OF THE BOARD

The Board considers its overall size and composition to be appropriate, having regard in particular to the independence of character, integrity, differences of approach and experience of all the Directors.

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

ANNUAL RE-ELECTION

The Directors are standing for election or re-election at the AGM. The Board's view is that each of the Directors standing for re-election should be re-appointed and that Roger De Haan, who is standing for election, should be appointed. We believe that they have the skills required for the Board to discharge its responsibilities, as outlined in each of their biographies set out on pages 62 and 63. The details of the specific reasons why each Director's contribution continues to be important to the Company's long-term sustainable success will be included in our Notice of AGM.

GENDER AND DIVERSITY

The Group has a Diversity and Dignity Policy and, during the year, forums were held on topics relating to DI&B which provided valuable insight around how colleagues felt relating to matters such as age, ethnicity and gender.

Environmental, Social and Governance, pages 18-27
Nomination Committee Report, pages 64-65

GENDER ON THE BOARD AND IN SENIOR MANAGEMENT

The Board recognises the need to develop a diverse pipeline in succession planning. The Company currently has three women on its Board (43%) and six in total across the combined Board and Senior Management (37.5%).

	Male		Female		Total
	(n)	%	(n)	%	
Board	4	57%	3	43%	7
Senior Management[1]	5	62.5%	3	37.5%	8

Notes:
1 Senior management for this purpose is the Executive Leadership Team or the first layer of management below Board level, including the Company Secretary

EVALUATION OF THE BOARD, COMMITTEES AND DIRECTORS

Directors and regular attendees were asked to complete a questionnaire to assess the performance of the Board and Committees over the year. The Senior Independent Director and the other Non-Executive Directors also appraised the Non-Executive Chairman's performance and the Non-Executive Directors had regular meetings with the Chairman and Non-Executive Chairman at which their performance was discussed. Support was provided by Independent Audit Limited, which does not have any other connection to the Company or individual Directors.

The evaluation was focused on assessing progress in the areas identified during last year's review as opportunities for further development including:

- ensuring Saga has the right strategy;
- whether the Company focuses sufficient effort and resource on delivering sustainable long-term growth;
- considering whether we are giving excellent customer service and being fair to our colleagues;
- establishing if the review of performance and trends was appropriate;
- a review of how risk is managed; and
- the performance of the Committees.

The review concluded that the Board had navigated through difficult circumstances presented by COVID-19 and was working well with management in developing a well-formed strategy supported by a clear company purpose and set of meaningful values. The evaluation confirmed that there was a strong emphasis on the welfare of colleagues, with active consideration of fairness to colleagues and their rewards and a recognition of the need to support wellbeing. Respondents said that the Board was working to an effective agenda with a clear focus on the right issues.

DEVELOPMENT PLAN FOR 2021/22

- Dedicating time to ensuring excellent customer service.
- Focusing on ensuring that foundations are in place to begin to deliver sustainable growth.
- Ensuring risk management procedures are effective and embedded sufficiently.

FINDINGS FROM THE 2019/20 EVALUATION

The 2019/20 review concluded that areas of focus should include the following:

- Increasing visibility around performance, ensuring key messages and discussion points are highlighted.
- Simplifying the governance between subsidiary boards and the Company.
- Ensuring that the Board had identified objectives which were aligned with strategy.
- Developing a set of cultural indicators to monitor and measure progress against.

As a result, various dashboards and financial and customer KPIs were introduced and these were discussed at Board meetings, and a full review of governance was undertaken, with the aim of improving and simplifying the structure. The Board recognised that culture needed support by clear values, and these were defined and communicated to colleagues.

PROCESS FOR BOARD AND COMMITTEE EVALUATION

Chairman and Group Company Secretary prepared a questionnaire based on the conclusions and actions arising from the 2019/20 review and which took into account recent changes to the Board and Committees

Directors and Board/Committee attendees completed the questionnaires and provided feedback

Report produced by the Company Secretariat Team with support from Independent Audit Limited

Review/discussion by Chairman and Group Company Secretary

Discussed at Board (including feedback to Committee Chairs)

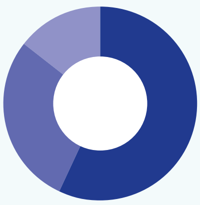
Action plans prepared
Progress tracked at future Board meetings

Corporate Governance Statement
Board of Directors

Key to Committees

- A Audit Committee
- R Remuneration Committee
- E Executive Committee
- RI Risk Committee
- N Nomination Committee
- ● Committee Chair

COMPOSITION OF THE BOARD[1]



Non-Executive Directors	4
Executive Directors	2
Non-Executive Chairman	1

1 Patrick O'Sullivan was Chairman until 5 October 2020. Cheryl Agius, Ray King and Gareth Williams served as directors during the year (see page 65)

1. ROGER DE HAAN
Non-Executive Chairman N

Appointed
5 October 2020

Key strengths and experience
- Experienced business leader and board director with extensive experience in travel and financial services industries.
- Significant history with Saga having worked for it for 39 years, including over 20 years as Chairman and Chief Executive.
- Instrumental in transforming Saga from a specialist tour operator to one that offered its own cruises and expanded the business to cover publishing, insurance and financial services, creating the Saga brand.
- Knighted in the 2014 New Years Honours List for services to education and to charity in Kent and overseas.

Other roles
- Director of Folkestone Harbour companies, Creative Folkestone, Friends of Folkestone Academy; Trustee of Roger De Haan Charitable Trust; Trustee and governor of The Kings School, Canterbury.

2. EUAN SUTHERLAND
Group Chief Executive Officer E

Appointed
6 January 2020

Key strengths and experience
- Significant experience in leading major consumer-facing businesses through periods of change to deliver a more efficient organisation.
- Leadership, senior operational experience and marketing specialism.
- Corporate strategy creation, branding, large workforce direction and motivation.
- Implementing strategy focused on customer insight, digital innovation and wholesale expansion.
- Previous senior roles include: CEO of Superdry plc, the global digital brand, and The Co-op Group; Group COO & CEO UK at Kingfisher plc; and background in global fast moving consumer goods (FMCG) brands including Mars and Coca-Cola.

Other roles
- Non-Executive Director and member of the Audit and Nomination Committees of Britvic plc (appointed February 2016).

3. JAMES QUIN
Group Chief Financial Officer E

Appointed
1 January 2019

Key strengths and experience
- Fellow of the Institute of Chartered Accountants in England and Wales.
- Seasoned insurance executive with over 28 years of senior leadership experience.
- Experience in delivering corporate strategy, investor communications and internal/external analysis and reporting.
- Extensive strategic, investor and operational finance experience within the insurance industry.
- Previous senior roles include: Zurich Insurance Group (UK CFO, Global Life CFO and Head of Investor Relations), Partner at PwC and Managing Director at Citigroup Global Markets.




4. ORNA NICHIONNA

N A RI R

Senior Independent Non-Executive Director

Appointed
Senior Independent Director on 31 March 2017
Non-Executive Director on 29 May 2014

Key strengths and experience
- Significant experience in strategy, new concept development and launch, business turnaround, logistics re-design and supply chain management. Previous client portfolio included many consumer-facing clients.
- Previous roles include: Senior Independent Director of Royal Mail plc, HMV plc, Northern Foods plc and Bupa; Non-Executive Director of Bank of Ireland UK Holdings plc and Bristol & West plc; former Partner at McKinsey & Company.

Other roles
- Non-Executive Director and Chair of the Remuneration Committee at Burberry Group plc (appointed January 2018); Non-Executive and Chair of Founders Intelligence Limited (appointed July 2019); Deputy Chair of the National Trust (appointed January 2014); and Trustee of Sir John Soane's Museum (appointed January 2012).

5. EVA EISENSCHIMMEL

N R

Independent Non-Executive Director and 'People Champion'

Appointed
1 January 2019

Key strengths and experience
- Over 30 years of experience as a brand and marketing professional.
- Extensive experience in customer relations and all aspects of human resources and people strategy.
- Previous roles include: Non-Executive Director (and a member of the Audit, Nomination, Remuneration and Risk Committees) of Virgin Money plc; Managing Director of Marketing, Brands and Culture at Lloyds Banking Group plc; Chief Customer Officer at Regus plc; Chief People and Brand Officer at EDF Energy and senior positions at Allied Domecq and British Airways.

Other roles
- Chief of Staff at Lowell (appointed February 2016).

6. JULIE HOPES

A N RI R

Independent Non-Executive Director, Chair of Saga Services Limited and Saga Personal Finance Limited

Appointed
1 October 2018

Key strengths and experience
- Associate with the Chartered Institute of Bankers.
- Wealth of insurance experience coupled with over 20 years in a variety of roles, specialising in general insurance and predominantly in personal lines.
- Highly customer focused, with a breadth of functional, membership and affinity experience and a track record of driving growth.
- Previous roles include: Chair of Police Mutual and its Remuneration Committee; Non-Executive Director and Chair of the Risk Committee of Co-operative Insurance; Tesco Bank; and CEO of The Conservation Volunteers, a UK community volunteering charity.

Other roles
- Deputy Chair, Senior Independent Non-Executive Director and Remuneration Committee Chair of West Bromwich Building Society (appointed April 2016).

7. GARETH HOSKIN

A N RI

Independent Non-Executive Director, Chair of Acromas Insurance Company Limited and 'Speak Up Champion'

Appointed
11 March 2019

Key strengths and experience
- c.20 years' experience in insurance, in a variety of roles.
- Chartered Accountant with recent and relevant financial experience and competence in accounting (Institute of Chartered Accountants in England and Wales).
- Previous roles include: main Board Director and CEO International, and finance, retail marketing and HR roles in Legal & General; accountant at PwC; and Trustee, Non-Executive Director and Chair of the Audit and Risk Committee at Diabetes UK.

Other roles
- Audit Chair and Senior Independent Director at Leeds Building Society (appointed November 2015).

Corporate Governance Statement

Nomination Committee Report

s172 Section 172 matters are addressed throughout this report

GENERAL INFORMATION

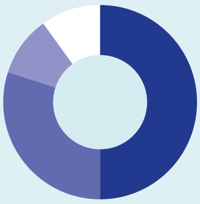
The Committee's remit

- To review the structure, size and composition (including the independence, experience, diversity and need for progressive refresh of membership) of the Board.
- To prepare a description of the role, skills, knowledge and expected time commitment required for appointments.
- To consider how to develop a diverse pipeline in succession planning and talent development for Executive Directors and other senior executives.
- To review the results of the Board performance evaluation process that relate to the composition of the Board.

The Committee's terms of reference (approved by the Board on 4 September 2020) are available on our website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters



Board composition	c.50%
Executive succession and talent development	c.30%
Board evaluation	c.10%
Diversity	c.10%

Committee composition and attendance

Members (majority of independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Orna NiChionna[1] (Chair)	29/05/14	7	7
Roger De Haan[2]	05/10/20	4	4
Eva Eisenschimmel	04/04/19	7	7
Julie Hopes[3]	10/09/20	4	4
Gareth Hoskin[3]	10/09/20	4	4
Ray King[4]	29/05/14	2	2
Patrick O'Sullivan[5]	18/05/18	3	3
Gareth Williams[6]	29/05/14	7	7

Notes:
1 Orna NiChionna was appointed Committee Chair on 5 October 2020
2 Roger De Haan became a member on 5 October 2020
3 Julie Hopes and Gareth Hoskin became members on 10 September 2020
4 Ray King retired on 22 June 2020
5 Patrick O'Sullivan stepped down as Committee Chair on 5 October 2020
6 Gareth Williams retired on 31 December 2020

ORNA NICHIONNA
Chair, Nomination Committee

DEAR SHAREHOLDER,

This is my first statement as Chair of the Nomination Committee since assuming the role from Patrick O'Sullivan when he stepped down from the Board on 5 October 2020. I would like to formally thank Patrick for his valuable contribution as Committee Chair.

In a year that required resilience to adapt to the impact of the COVID-19 pandemic, and the resulting desirability of a capital raise, it was more important than ever to continually assess whether the Board and Committee structures supported delivery of the strategy. As the nature of the capital raise began to take shape, the Committee considered the proposed role of Roger De Haan as Non-Executive Chairman in the context of the roles of the Group CEO and Senior Independent Director and the proposed responsibilities of each. My role as Senior Independent Director was widened and it was determined that I should become Chair of the Nomination Committee as it was recognised that Roger De Haan would not be considered independent on appointment.

Taking into account Roger's history with the Saga brand and business, his proposed time commitment, and the terms of the Relationship Agreement and his letter of appointment, the Directors supported the appointment, concluding that it was in the best interests of the Company. Shareholders supported this decision when they approved the capital raise and share consolidation at a general meeting held on 2 October 2020. It was agreed that all Non-Executive Directors should be members of the Committee and Julie Hopes and Gareth Hoskin were appointed as members on 10 September 2020.

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details see page 61). The review indicated that the Committee had focused sufficiently on succession planning, whilst acknowledging that there is more work to be done. Respondents confirmed that the Committee had found its rhythm of operation and had navigated complex issues well during the year, with strong direction from the Chair.

Board composition

There were other changes to the Board and its Committees during the year, which went smoothly reflecting succession planning carried out previously by the Nomination Committee. Gareth Williams informed us of his intention to stand down by the end of December 2020 and we concluded that Eva Eisenschimmel had the required experience to chair the Remuneration Committee. She assumed this role on 1 February 2020 and Gareth remained a member until he retired on 31 December 2020, which ensured a smooth and efficient handover. Julie Hopes was appointed Chair of the Risk Committee and became a member of the Audit Committee on the same date, following the Committee's recommendation that this would ensure the appropriate skills and balance on these committees.

Ray King also informed us that he would not stand for re-election at the 2020 AGM. Gareth Hoskin's skills and experience matched the requirement that the Chair of the Audit Committee must have significant, recent and relevant financial experience with competence in accounting and accordingly, Gareth assumed this position on 22 June 2020.

Last year, we reported that the Committee had identified the need to consider whether there was sufficient travel experience on the Board. We explored possible options with external advisers for adding a Board member with a travel background. However, the appointment of Roger De Haan to the Board changed the skills balance as he brings very deep experience of the travel industry to the Board.

During the year, each Director completed a skills matrix and the Committee discussed the results, to identify current or future skills gaps and to confirm Committee membership based on the experience and skills of each Director against each Committee's remit. We also considered the Code, guidance from the FRC and best practice. Our priority with any Board appointments over the next three years will be to address the current lack of ethnic diversity on our Board while maintaining our depth and breadth of experience in the functional and sectoral areas of most importance to the Group.

In January 2021, Cheryl Agius informed the Board of her intention to step down from her role, for personal reasons, as CEO of Insurance and as an Executive Director of Saga plc. Euan Sutherland has assumed the responsibilities of Interim CEO of Insurance until a suitable replacement is appointed. He is supported by the Executive Leadership Team (ELT) and the senior management of the Insurance business. The search for a successor is underway.

Re-election and election of Directors

After the year end, but prior to publication of this annual report, the Committee considered the profiles of the Directors, each Director's contribution and time commitment necessary to perform their duties and recommended to the Board that all should be put forward for re-election or election at the 2021 AGM. Individuals did not participate in the discussion when their own re-appointment was being considered.

Succession planning and talent development

The Board and I were aware that, as a long standing Non-Executive Director, it was important to consider the succession plans for my role as Senior Independent Director. In light of the capital raise and the need for continuity on the Board, I agreed to remain on the Board for a further term. The Committee will continue to consider forward looking succession and refreshment plans in detail.

During the year the Committee received an update from the Group CEO and the Chief People Officer (CPO) on how they were approaching talent management in line with the new strategy. This requires intense focus on skills and cultural change in an organisation that is considerably more streamlined than previously, and new processes and frameworks have been put in place to ensure success.

The Committee also reviewed the talent pipelines for the ELT and other key roles.

Diversity

During the year, the Group organised forums on topics relating to diversity, inclusion and belonging (DI&B), which provided valuable insight (see page 21). The Company has a Diversity and Dignity Policy in place, which includes practical steps to promote a working environment in which all colleagues are treated equally. This policy applies to the Group, including the Board of Directors, and is linked to Company strategy and communicated to all colleagues. All colleagues must report any breaches, whether actual or perceived, to their line manager or to the People team.

Whilst the policy does not set specific targets, the Committee is keen to achieve greater ethnic diversity on the Board and will address this in the context of Board appointments over the next three years. Diversity is considered as part of the appointment process, with reference to diversity of perspective, including gender, social and ethnic backgrounds; the need for gender balance in senior management; and the need to develop a diverse pipeline in succession planning. The Board currently has a 43% gender balance of women and 37.5% in the first layer of management below Board level. Details of gender balance of those in the senior management and their direct reports can be found on page 61.

Board evaluation

Committee members discussed the findings of the report produced by the Group Company Secretary (with support from Independent Audit Limited) in relation to the composition of the Board. All Directors and the Group Company Secretary were asked to complete questionnaires about the dynamics of the Board and how well Board meetings supported discussion of the strategy and its delivery. This was a particularly important theme given the pressures caused in the business by COVID-19, as well as the change in the Board composition during the year. The evaluation confirmed that the Board dynamics were seen by colleagues to facilitate high quality discussion and decision-making, despite almost all Board meetings having been virtual throughout the year.

ORNA NICHIONNA
Chair, Nomination Committee

Corporate Governance Statement

Audit, risk and internal control

s172 Section 172 matters are addressed throughout this section

BOARD ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL

The Board has ultimate responsibility for the Group's risk management and internal control, and for the Company's risk culture. The Board is responsible for reviewing the effectiveness of risk management and control systems, ensuring that:

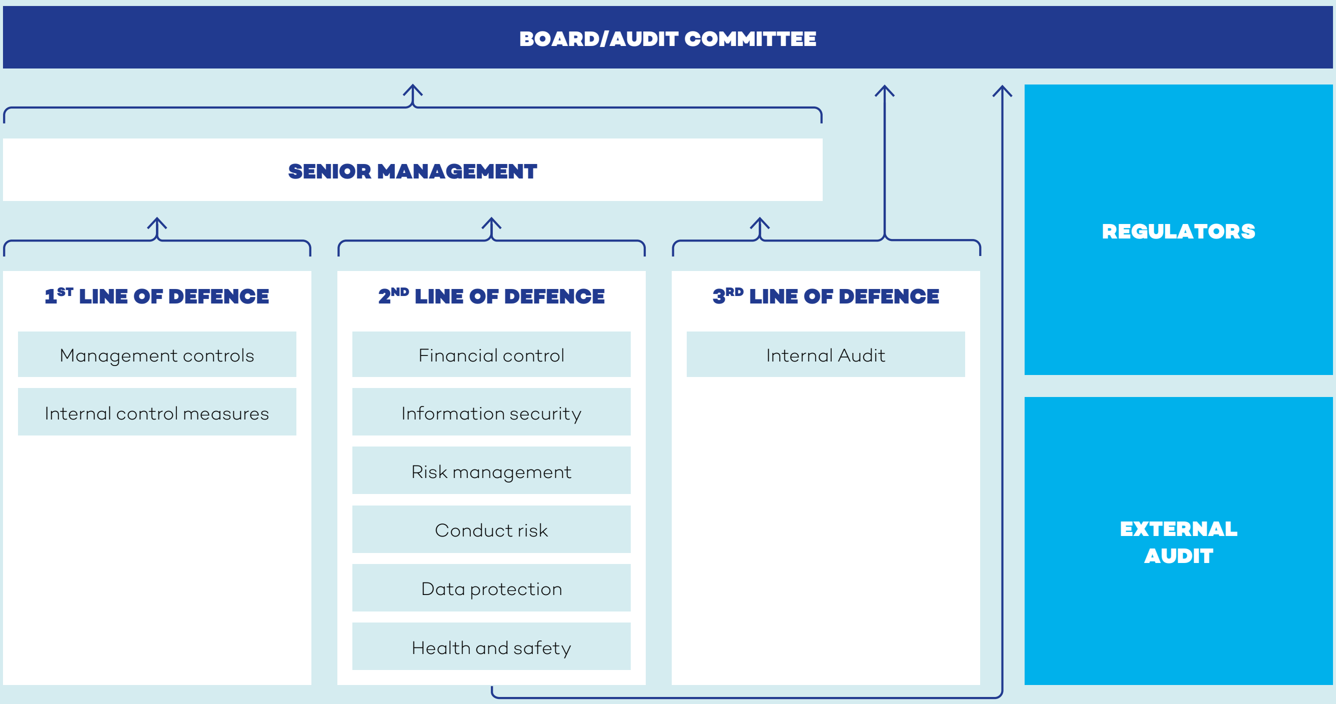
- there is an ongoing systematic process for identifying, evaluating and managing the emerging and principal risks faced by the Company;
- this system has been in place for the year under review and up to the date of approval of the annual report and accounts;
- the system is regularly reviewed by the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

During 2020, risk management activity was largely focused on responding to COVID-19 and protecting Saga's financial and operational resilience. In addition, the conduct risk framework was strengthened and the wider enterprise risk management framework continued to be improved to ensure it remains fit for purpose. Particular areas of focus included the improvement of internal control effectiveness, enhancing change risk governance and ensuring an appropriate risk culture towards speaking up and managing incidents effectively. Key to this work was ensuring Saga's Leadership Team possessed the required risk management capability. This was achieved through comprehensive training and the selection and development of 'Risk Champions' within the first line.

The Board has directly, or through delegated authority to the Risk and Audit Committees, overseen and reviewed the development and performance of risk management activities, practices and internal control systems in the Group. The Board has agreed risk policies, risk appetite and the strategic approach to risks and has overseen the identification and mitigation of emerging and principal risks. The Risk Committee also reviewed areas identified as requiring improvement that related to particular subsidiaries and activities carried out by Saga more widely. Members of senior management were invited, when relevant, to provide an update on areas of concern including root cause analysis and an update on improvement action plans. Further details regarding the involvement of the Risk and Audit Committees in the development and review of risk management and internal control systems can be found in the Audit and Risk Committee Reports on pages 70-73 and 74-76 respectively.

Effective risk management and control is achieved through application of the 'three lines of defence' model as follows:

SAGA'S 'THREE LINES OF DEFENCE' RISK GOVERNANCE MODEL

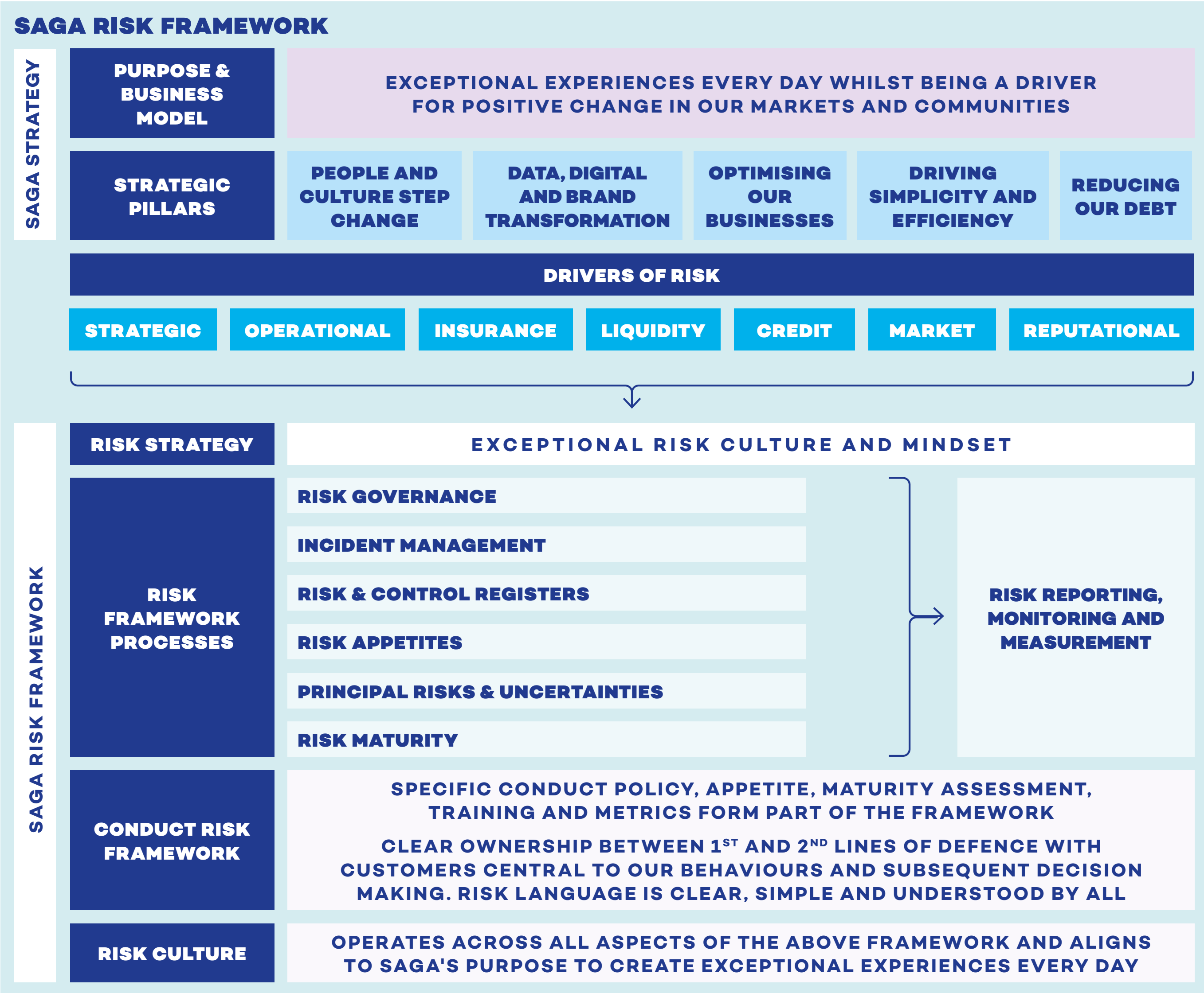


1st line of defence – Colleagues across Saga are responsible for identifying and managing risk in line with agreed risk appetite, risk policies and procedures.

2nd line of defence – Independent oversight is provided by the control functions. They are responsible for designing the risk management framework and policies, independent review of risk management within the 1st line and reporting to senior management and the Board.

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

The variety of business operations throughout Saga requires risk and internal control issues to be considered at both subsidiary business level and aggregated Group level.



RISK STRATEGY

The Group's risk strategy is aligned with the Company's overarching strategy, and is considered and approved annually.

RISK FRAMEWORK PROCESSES

Risk governance – The main consideration within risk governance is the Board management of risk and subsequent delegation to risk committees and other governance forums to ensure risk is managed effectively, and that there is appropriate oversight through reporting and accountability defined within each committee's terms of reference. Additionally, the suite of Saga risk policies, including but not limited to conduct risk, incident management, internal control and risk appetite, define our risk management strategy, framework, and high-level expectations of the 1st and 2nd line in respect of risk management activity.

Incident management – The 1st line business areas are responsible for raising any risk incidents identified in a timely manner, conducting appropriate root cause analysis to prevent recurrence, and resolving incidents promptly. The 2nd line oversees this activity to ensure good customer outcomes, and that the process is managed in line with the policy.

Risk & control registers – Each Saga operating company is responsible for identifying and managing its risks, which are captured on risk registers and scored using a consistent risk scoring matrix that rates risk against both likelihood and severity. Key controls are identified, regularly reviewed and subject to periodic testing with action taken where controls are found to be ineffective.

Risk appetites – Refers to the type and amount of risk that Saga is willing to take to achieve its strategic objectives. Risk appetites are approved at Group level, and adopted by the operating companies. They are used to support formation of strategy and decision making. A definition of Saga's key risk appetite categories can be found on the following page.

Principal risks and uncertainties – The PRUs are informed by the detailed functional/entity risk registers and are linked back to the relevant strategic objectives. This gives visibility to Saga's management of the most significant risks which may impede Saga's ability to achieve its strategic objectives.

Corporate Governance Statement

Audit, risk and internal control continued

Risk maturity – Each operating entity is assessed periodically against Saga's risk maturity framework, with targets for improvement set and monitored.

PROCESS FEEDBACK

Outputs from the risk management cycle are fed back to the Risk Committee and Board by exception to ensure the risk framework remains effective and supports the strategy, business model and decision making processes of the Company.

RISK APPETITES

Our risk appetites define the amount and sources of risk we are willing to accept in pursuit of our objectives. Risk appetites are set both at a Group and operating company level where appropriate and are expressed against the following key risk categories

Appetite risk category	Definition
Credit	The risk of a change in value due to actual credit losses deviating from expected credit losses due to the failure to meet contractual debt obligations.
Liquidity	The inability to meet short-term cash demands.
Insurance	The risk of adverse deviation from predicted outcomes in respect of insurance liabilities for which a fixed premium has been received.
Market	The risk of loss arising from the adverse movement in asset values over time.
Group	The risk arising from being part of the Saga Group, including potential conflicts of strategy, the competition for resources from other businesses, reputational impact from the activities from other parts of the Group, intra-group transactions and concentration risk.
Strategic	The risk of failing to achieve Saga's business objectives due to poor strategy selection, execution or modification.
Colleague engagement	The risk of loss and inability to achieve Saga's business objectives due to lack of colleague engagement.
Conduct risk	The risk that the culture, integrity and ethical behaviour of Saga, its employees and representatives (e.g. partners and suppliers) towards customers, or in the markets in which it operates, leads to adverse customer outcomes.
Information security and cyber threat	The risk of loss arising from a cyber attack on one or more parts of Saga or any third party with whom Saga shares information with who themselves suffer a successful cyber attack.
Regulatory compliance	The risk of loss, sanction and/or reputational damage arising from failure to comply with our regulatory obligations.
Operational resilience	The risk of material disruption to key systems, access to our buildings or availability of colleagues that could affect our ability to service customers or meet strategic objectives.
Third-party risk	The risk of loss, business disruption or poor customer outcomes as a result of failure to manage third parties and partners effectively.
External fraud	The risk of loss as a result of fraudulent activity by an external party.
Change management	The risk of failure to effectively manage and execute change, resulting in loss of planned benefits, business disruption or poor customer outcomes.
Brand/reputation	The potential for loss of customers or market share due to damage to Saga's reputation.

INDEPENDENT PROCESS ASSURANCE

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

Governance statements, page 53

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

All activities of the Group fall within the remit of Internal Audit and there are no restrictions on the scope of Internal Audit's work. Internal Audit fulfils its role and responsibilities by delivering the annual risk-based audit plan. Each audit provides an opinion on the control environment and details of issues found. Internal Audit works with the businesses to agree the remedial actions necessary to improve the control environment, and these are tracked to completion. The Internal Audit Director submits reports to, and/or attends, Board and Audit Committee meetings for the subsidiary Saga businesses, as well as meetings of the Audit and Risk Committees.

FINANCIAL REPORTING

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

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

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

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

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

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

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

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

STATEMENT OF REVIEW

As a result of its consideration and contribution to risk management and internal control activities, the Board is satisfied that there is an appropriate framework for identifying, evaluating and managing the Group's risks and internal controls and, up to the date of the approval of this annual report and accounts, it is regularly reviewed. The Board's statement of review of the effectiveness of Saga's risk management and internal control systems is set out on page 53.

Our risk management framework and systems are designed to manage rather than eliminate risk, and operate to facilitate the achievement of our business objectives within our stated risk appetites.

There has been regular reporting to the Audit and Risk Committees throughout the year on the improvements to the design of the framework. The remaining areas of focus are strengthening our risk culture, conduct risk framework and ownership of risk within the 1st line business. The Committees on behalf of the Board will continue to monitor progress throughout 2021.

Corporate Governance Statement

Audit Committee Report

s172 Section 172 matters are addressed throughout this report

GENERAL INFORMATION

The Committee's remit

Our purpose is to help the Board discharge its responsibilities for monitoring the following:

- Integrity of the Company's financial statements.
- Adequacy and effectiveness of the Company's internal financial controls and other internal control systems.
- Effectiveness of the Company's Internal Audit function and the external auditor.

The Committee's terms of reference (approved by the Board on 4 September 2020) are available on our website (www.corporate.saga.co.uk /about-us/governance).

What we did during the year

Time spent on matters

Financial statements	c.40%
Internal financial controls	c.10%
Internal audit	c.30%
External audit	c.20%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Gareth Hoskin (Chair)[1]	04/04/19	9	9
Julie Hopes[2]	31/12/20	1	1
Orna NiChionna	29/05/14	9	9
Ray King[3]	29/05/14	4	4
Gareth Williams[4]	29/05/14	8	8

Notes:
1 Gareth Hoskin was appointed Committee Chair on 22 June 2020
2 Julie Hopes was appointed as a member of the Committee on 31 December 2020
3 Ray King retired on 22 June 2020
4 Gareth Williams retired on 31 December 2020

On 22 June 2020 Gareth Hoskin replaced Ray King as Chair when he retired. The Board is satisfied that both Ray King and Gareth Hoskin have recent and relevant financial experience and competence in accounting, reflected by their professional qualifications as chartered accountants and relevant experience during their careers. The Board is also satisfied that the Committee members possess an appropriate level of independence and offer a depth of financial and commercial experience across various industries, including the sector in which the Company operates. The Board of Directors' biographies on pages 62-63 contain details of each Committee member's skills and experience.

GARETH HOSKIN
Chair, Audit Committee

DEAR SHAREHOLDER,

This is my first statement as Audit Committee Chair since Ray King retired in June 2020 and I would like to thank him for his valued contribution over many years. This has been an unparalleled year, as we demonstrated financial and operational resilience in the face of the COVID-19 pandemic, progressed our strategic reset announced in September 2020, laying the foundations to optimise our business and reduce debt, and undertook a capital raise.

The COVID-19 pandemic created significant challenges for Saga that required prompt, decisive action. Enabling all colleagues to work from home provided maximum colleague safety combined with no business interruption for customers. Our focus was on the improved financial flexibility of the Group to strengthen the balance sheet and improve liquidity. Against this background, the Committee provided independent scrutiny of the Group's financial reporting and the internal controls in its businesses.

Reporting

Interim and full-year results

The interim and full-year results were reviewed and challenged, together with the appropriateness and application of key accounting policies and areas of significant judgement and how these were made. KPMG provided reports throughout the year, with focus on areas identified as having significant audit risk.

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 61). Overall, the review concluded that the Committee received well structured and timely papers, with useful input from internal and external auditors. Respondents confirmed that there was a healthy level of challenge and debate and that the Committee had identified priority topics. For 2021/22, more time will be spent on probing root causes of issues.

Significant issues

– Consideration of the financial implications and impact of COVID-19 on liquidity, going concern and viability
The Committee reviewed and challenged the assessment that management made including the appropriateness of the underlying forecasting assumptions used in the base case and reasonable worse-case scenarios and the mitigating actions that management would take.

Note 2.1 of the financial statements, pages 136-138
Viability Statement, page 46

– Working Capital Report
Discussed and agreed assumptions which underpinned the working capital report in connection with the capital raise, reviewed the financial reporting procedures report prepared by an independent team at KPMG, and recommended the working capital report to the Board for approval.

– Valuation of insurance contract liabilities
The analysis and justification prepared by management in support of the reserves for outstanding claims, including consideration of an independent valuation prepared by Willis Towers Watson and analysis prepared by the Group's external auditor, was reviewed. The analysis and justification was reviewed and challenged initially by the Acromas Insurance Company Limited (AICL) Reserving and Audit Committees, following which it was also then reviewed and challenged by the Committee.

Note 28 of the financial statements, pages 189-193
Independent Auditor's Report to the Members of Saga plc, pages 121-122

– Valuation of goodwill
The Committee considered the recoverability of goodwill and discussed with management the basis of its impairment assessment. The key items considered were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, and the selection of an appropriate discount rate and terminal growth rate including the sensitivity of the assessment to changes in those rates within a reasonable range. The review concluded that the carrying value of the goodwill asset allocated to the Insurance business was recoverable but that the carrying value of the goodwill asset allocated to the Tour Operations and Cruise businesses should be impaired in full.

Note 16a of the financial statements, pages 169-170
Independent Auditor's Report to the Members of Saga plc, page 123

– Valuation of the parent company's investment in subsidiaries
The Committee evaluated the recoverability of the carrying value of the investment in subsidiaries held on the balance sheet of the Company. The Committee reviewed and challenged management's internal valuation of the Group. The Committee also considered alternative valuation data based on market data provided by brokers. The review confirmed that no impairment was required nor was it appropriate to reverse any previous impairments at this stage.

Note 2.5 of the financial statements, pages 151-154
Independent Auditor's Report to the Members of Saga plc, page 123

– Carrying value of other material assets
The Committee reviewed indicators of impairment and resultant impairment reviews of the Group's ocean cruise ships, and land and buildings. For the cruise ships, the key items considered were the appropriateness of underlying forecast cash flows and potential stresses to those cash flows, including, in particular, the potential impact of COVID-19 on the resumption of cruising, and the selection of an appropriate discount rate, which has been impacted this year in particular by an increase in cruise industry asset betas and cost of debt levels. The Committee also considered the sensitivity of the assessment to changes in those rates within a reasonable range. For land and buildings, the Committee challenged the quality of the valuations obtained from independent valuers. The review concluded that the carrying values of the cruise ships were recoverable with a finely-balanced judgement having been made not to impair the carrying value of Spirit of Adventure, and that certain buildings should be written down to their fair value less costs to sell.

Note 17 of the financial statements, page 171-173
Note 2.5 of the financial statements, pages 151-154
Independent Auditor's Report to the Members of Saga plc, page 124

The Committee considered the internal control observations identified by the Group's external auditor as part of the audit and management attended Committee meetings to provide context and assurance regarding appropriate actions.
The Committee was satisfied that the key accounting policy choices and judgements were appropriate and provided a true and fair view of the Company's financial performance and position.

Fair, balanced and understandable
We advised the Board that we supported the statement (see page 53) that this annual report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. This was following consideration of whether:

– the report was clear and presented a balanced view of successes, challenges, opportunities and risks;
– key messages were prominent and an appropriate level of KPIs were disclosed;
– business segments, significant issues and key judgements reporting was consistent with disclosures in the financial statements; and
– definitions provided were explained and Alternative Performance Measures (APMs) were reconciled with the closest IFRS measure in the financial statements.

Going concern and viability
The going concern basis of preparation disclosure note is set out on pages 136 to 138 and the Viability Statement, and the methodology for assessing the Group's ongoing viability, are set out on page 46.

Our review took account of the Company's current position and PRUs (as reviewed and approved by the Risk Committee and detailed on pages 28 and 29) and the methodology used to provide an assessment of ongoing viability over the chosen five-year period of review. We considered the relevant assessment time horizon, severe but plausible potential outcomes and the appropriateness of the scenarios

Corporate Governance Statement

Audit Committee Report continued

modelled. In particular, we considered the continued impact that the COVID-19 outbreak could have on the Group's financial performance and position, and how this could affect both the viability of the Group and the going concern basis of preparation that underpins the Group's financial statements. Based on this review, we confirmed to the Board that we considered that it was reasonable for the Directors to continue to prepare the financial statements on a going concern basis and make the Viability Statement on page 46.

Audit and control

Internal controls

The Committee reviewed the outcome of the audits of key financial controls included in the Internal Audit programme. The Group Financial Controller also provided an update on accounting issues and key aspects of financial controls at each meeting. In December 2020, we received an update on the transformation of the Finance function, which included progress on establishing a new target operating model and the formation of a shared services department, and the digitisation and simplification of financial reporting processes. We noted how this work would improve customer payment and refund methods and optimise working processes for colleagues. The Committee was also trained on the implications of IFRS 17 and continued to be briefed with regular progress updates on the Group's preparatory work on its adoption. This new insurance accounting standard becomes applicable in the financial year ending 31 January 2024.

s172 Financial crime and 'Speak Up' reporting (formerly whistleblowing and open door reporting)

We reviewed and approved policies covering financial crime (including anti-bribery, anti-corruption, anti-fraud, anti-money laundering and treasury sanctions and asset freezing). We reviewed a simplified whistleblowing policy and renamed this the 'Speak Up' policy to encourage colleagues to engage with this. As 'Speak-Up Champion', I am responsible for ensuring the integrity, independence and effectiveness of the Company's 'Speak Up' Policy and procedures. The Committee reviewed all reported incidents and concluded that these had been handled appropriately, with no material issues identified.

Internal Audit

We approved the Internal Audit programme and considered the internal audits conducted throughout the year. In addition, we held an extraordinary Committee meeting in May 2020 to discuss how Internal Audit were responding to, and reprioritising focus due to, the COVID-19 pandemic and the changing control environment. The audit plan was further refreshed for the second half of the year, with progress being appropriately reported by the Internal Audit Director and amendments to the audit plan being approved by the Committee. We were satisfied that the Internal Audit function, a team of eight people with a broad range of skills, when combined with the use of external resource for specialised audits, had appropriate resources. The Internal Audit Director attended Committee meetings and provided regular reports on the progress of the Internal Audit plan.

The Committee monitored whether the Internal Audit function was independent of management and so able to exercise independent judgement throughout the year and was satisfied that this was the case.

A quality assurance and improvement program, as required by the Chartered Institute of Internal Auditors (CIIA) was considered. We concluded that the Internal Audit function complied with the CIIA's definition of internal auditing, the core principles of the Professional Practice of Internal Auditing and the Code of Ethics. The Committee (in co-operation with the Risk Committee) monitored the work of the risk, compliance and internal audit functions to ensure that their activities complemented each other appropriately. KPIs included whether actions were closed within agreed timeframes and customer satisfaction response rate. We approved the Internal Audit Charter, which is available on the Saga website (www.corporate.saga.co.uk/about-us/governance).

Work conducted over the year was risk-based, and covered both financial and non-financial controls. A selection is shown below:

- Customer sales and claims journey audits (Saga Services Limited (SSL) and CHMC Limited): End to end review of the sales and claims customer journeys including, renewals, repudiated claims, complaints, and customer outcomes.
- Cyber security: A deep dive into core focus areas, including cyber governance, cyber resilience, user awareness and training, and threat and vulnerability management.
- Response to COVID-19: A review of the business' response to the crisis, including management and mitigation of associated financial, regulatory, technological and operational risks.

Where improvements were identified, an action plan was agreed with management and appropriately tracked. Internal Audit also conducted the annual year end review of the effectiveness of the risk management and controls framework. This showed that the internal risk and control environment is broadly effective, with controls to mitigate key risks being generally designed and operating effectively. Whilst the refreshed risk management framework and target operating model continues to drive greater risk management ownership and accountability from the Risk Team into the business, the Group remains in progress in embedding risk management ownership and accountability. This progress in the risk transformation phase has been impacted by a number of factors, primarily the reprioritisation arising from COVID-19 resulting in management focus on other higher priority areas for 2020.

Audit, risk and internal control, pages 66-69
Risk Committee Report, pages 74-76

An external review of the effectiveness of the Internal Audit function (in line with the CIIA Standards) was last conducted during the financial year ended 31 January 2017. A tender process was undertaken in the year and PwC were selected by the Committee to carry out an external quality assessment (EQA). The outcome of the EQA is due to be presented to the Committee in July 2021.

Subsidiary audit committees

I have regular meetings with the independent Non-Executive Directors who chair the SSL, Saga Personal Finance Limited and AICL audit and risk committees to ensure an appropriate level of oversight and enable a sufficient level of transparency. Minutes from these meetings were also noted at each Committee meeting.

External audit

KPMG was appointed as the Company's external auditor for the financial year ended 31 January 2018 (following a competitive tender process in 2016) and has been re-appointed annually since then. The current audit partner, Stuart Crisp, has been in place since its appointment. The audit partner is due to be rotated after completion of the January 2022 year end reporting process.

Audit planning

KPMG presented an audit plan for the financial year, together with an outline of its risk assessments, materiality thresholds and planned approach. The key aspects of the plan are set out in the Independent Auditor's Report on pages 117-130.

The Committee considered the audit scope, materiality and coverage, areas of audit focus and KPMG's planned response to identified significant audit risks, taking size, complexity and susceptibility to fraud and error into account. We also considered and approved KPMG's engagement terms and fee proposal for 2020/21.

Auditor independence and non-audit services

During the year, the Committee met three times with the external auditor without members of management being present.

The objectivity, challenge and independence of KPMG were continuously monitored by the Committee and independence was confirmed by the auditor throughout the year in letters to the Committee.

In line with the Revised Ethical Standard issued by the FRC in 2016, the Committee has adopted a robust Auditor Independence Policy on non-audit fees and employment of former employees of the external auditor. This policy includes a list of non-audit services where we are satisfied that the external auditor can carry out those services without affecting its independence as external auditor. There are clear approval levels where the Committee Chair (or the whole Committee) is required to authorise assignments. Competitive tendering is used for substantial work.

The audit fees payable to KPMG in respect of the year ended 31 January 2021 were £1.6m (2020: £1.7m) and non-audit service fees incurred were £0.8m (2020: £0.2m), the latter being incurred for work to review the Group's interim results, essential reporting to our banks and travel industry regulators and, in 2020 specifically, work as reporting accountant in support of the Group's equity capital raise. This equates to a non-audit to audit fee ratio of 0.5 (2020: 0.12). A summary of fees paid to the external auditor is set out in note 4a to the consolidated financial statements on page 160. KPMG has discontinued the provision of non-audit services to the current and recent members of the FTSE 350 index that they audit other than those required by law or closely related to the audit.

Audit quality and effectiveness of external auditor

The following was considered when assessing the effectiveness of KPMG:

- Our perception of KPMG's understanding and insight into the Group's business model.
- How key areas of judgement were approached by KPMG, the extent of challenge and the quality of reporting.
- The content of (and management's responsiveness to) KPMG's management letter.
- Feedback from management following completion of an evaluation survey on the audit process (including audit scope, audit communication, independence and objectivity).

The evaluation concluded that the external auditor had continued to challenge the key accounting judgements and estimates rigorously and maintain a high level of independence. Both planning of the audit and communication between the external auditor and management had improved in response to feedback provided in the previous year. The review also confirmed that there remained an opportunity to continue to improve the efficiency of how the audit operates. Overall, the audit was judged to be high-quality.

The Committee is satisfied that the audit continues to be effective and provides independent and objective challenge to management. A recommendation was made to the Board for the re-appointment of KPMG as the Company's auditor at the forthcoming AGM.

GARETH HOSKIN
Chair, Audit Committee

Corporate Governance Statement

Risk Committee Report

s172 Section 172 matters are addressed throughout this report

GENERAL INFORMATION

The Committee's remit

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

- The Group's overall risk appetite, tolerance, strategy and risk assessment processes.
- The effectiveness of the Group's risk management and internal control systems and conduct risk management procedures.
- The Group's capability to identify and manage new and emerging risk.
- Any material breaches of risk limits and adequacy of action.

The Committee's terms of reference (approved by the Board on 4 September 2020) are available on our website (www.corporate.saga.co.uk/about-us/governance).

What we did during the year

Time spent on matters

Management and reporting	c.40%
Risk strategy, policy and appetite	c.25%
Compliance	c.10%
In depth reviews	c.25%

Committee composition and attendance

Members (all independent Non-Executive Directors)	Member since	Max. possible meetings	Attendance
Julie Hopes (Chair)[1]	04/04/19	6	6
Orna NiChionna	29/05/14	6	6
Gareth Hoskin	04/04/19	6	6
Ray King[2]	29/05/14	3	3
Gareth Williams[3]	29/05/14	5	5

Notes:
1 Julie Hopes was appointed as Committee Chair with effect from 31 December 2020
2 Ray King retired on 22 June 2020
3 Gareth Williams retired on 31 December 2020

JULIE HOPES
Chair, Risk Committee

DEAR SHAREHOLDER,

This is my first statement as Chair of the Risk Committee since taking over the role from Orna NiChionna on 31 December 2020. I am pleased that Orna remains a Committee member and would like to formally thank her for her support and commitment to ensuring a smooth handover.

During the year, as the Group focused on transformation of the business and operational and financial resilience amidst unprecedented challenge and change, the Committee considered the relevant risks and interdependencies within the Group. The Committee reviewed progress against the Group's turnaround strategy and considered the risks associated with the COVID-19 pandemic and the end of the Brexit transition period.

The Committee also received regular updates on the external regulatory and macroeconomic landscape, dedicating a significant amount of time to our regulated entities and regulator relationships. We continued to measure and discuss emerging and principal risks and uncertainties (PRUs), aiming to ensure that processes were aligned with strategy, ahead of a pivotal year of transition.

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year, as part of the Board effectiveness review (for details, see page 61). The review indicated that the Committee was chaired effectively, and that the restructured annual plan would ensure that the right discussions took place, at the right time. The effort to remove duplication across the Group was welcomed. The focus for 2021/22 will be on embedding risk management in all business areas and to increase consideration of long-term risks.

Management and reporting

Group risk reports, considered by the Committee at each meeting, provided a comprehensive dashboard spanning the entire Group portfolio. The Committee considered the rationale behind the selection of the PRUs, as well as the risk and conduct risk monitoring plans for each business.

The Committee received regular updates on the developing COVID-19 pandemic, and reviewed related topics such as contagion risk, stress testing and the expectations of the Group's regulators. The impact of the pandemic on business operations and sustainability of the balance sheet were key areas of focus.

We also considered risks relevant to our business transformation programme, including culture. The Committee reviewed the risks relating to the performance of each business and those arising from incidents in relation to control failures or weaknesses. We discussed these incidents in the context of the risk framework to identify causes, necessary actions, lessons learnt and monitoring requirements. All business CEOs certified compliance with the risk management framework at the year end.

The Committee received updates on the Group insurance programme, including whether any additional cover was required, and noted the impact on premiums caused by the COVID-19 pandemic.

The Committee understands that climate and environmental risk are a feature of executive and senior management planning and will continue to feature in Saga's strategy. Reporting and oversight of risk matters, including those pertaining to climate risk, takes place through subsidiary risk governance committees, who will escalate material points for consideration to the Committee and through the Committee's oversight of the PRUs.

The Group's PRUs are refreshed on at least an annual basis, ensuring that new and emerging risks and opportunities are captured and remain at the forefront of the Group's strategic planning.

Risk management and internal controls

The Committee considered changes to the Group Risk function as part of the wider business simplification. The new structure provided an improved profile for the Enterprise Risk and Conduct Risk functions. The Committee concluded that the restructure of the Group Risk function was working as intended.

In co-ordination with the Audit Committee, the Committee discussed a review of the effectiveness of the risk management framework and internal control systems. This included reference to all material financial, operational and compliance controls.

The conclusion was that the internal risk and control environment is broadly effective, with controls to mitigate key risks being generally designed and operating effectively. Whilst the refreshed risk management framework and target operating model continues to drive greater risk management ownership and accountability from the Risk Team into the business, the Group remains in progress in embedding risk management ownership and accountability. This progress in the risk transformation phase has been impacted by a number of factors, primarily the reprioritisation arising from COVID-19 resulting in management focus on other higher priority areas for 2020.

We recommended to the Board that the appropriate statements could be made regarding robust assessment of emerging and principal risks facing the Group and the review of the effectiveness of the risk management process (see page 53).

Risk strategy, policy and appetite

The risk reporting framework continues to provide a holistic approach linked to the Company's strategy and business model. The Committee recognised the strength of our brand and the economic resilience of our customer demographic while considering opportunities and threats.

Changes and additions to the PRUs were scrutinised in line with the agreed strategy and business model and the results of this review are shown in the Strategic Report on pages 1 to 49. These formed the basis of the scenario testing used for the production of the Viability Statement (see page 46). Our risk management processes are described on pages 66 to 69. These are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

We also considered conduct risk and how our decisions and behaviour could impact our customers, or affect our reputation with stakeholders, including shareholders and regulators.

Actions were reviewed against risk appetite and tolerance. We concluded that where scenarios were outside of risk appetite, the probability of occurrence was low and that mitigating actions were appropriate. We remain satisfied that controls are in place, meaning that the risk of significant failing across the business model is unlikely.

The Committee is focused on a continued robust response to the COVID-19 pandemic and ongoing resilient trading in our Insurance business. The safe resumption of our Travel business is also a key topic of consideration, alongside the need for financial flexibility.

Supplier risk management continues to be an ongoing process. As a Committee, we are acutely aware of the need for the organisation to focus on the risks associated with larger suppliers and those that carry reputational risk. The Group has implemented a revised governance framework and system of delegated authorities that allows the Committee to focus on the material issues which are escalated to it.

In depth reviews

COVID-19

Saga responded quickly to the COVID-19 pandemic. Our priorities for the year have been serving our customers and keeping our colleagues safe during a period of major disruption, alongside strengthening our financial position for longer-term recovery and growth. The initial focus of the Committee was around the ability to respond to a pandemic scenario, including the threat of a full lockdown. This initial phase was followed by a focus on managing colleagues

Corporate Governance Statement
Risk Committee Report continued

effectively from home, ensuring there was a continued focus on fair customer outcomes, and identifying new business priorities. Saga engaged with its regulators, including the Financial Conduct Authority (FCA), to ensure steps were taken to confirm customers remained protected. Going forward, the Committee will focus on next steps to emerge stronger from the crisis, as the Travel business resumes operation.

Contagion risk
The Committee considered the threat of contagion risk across the Group and between Group entities, including cash arrangements and the impact on debt covenants. The Committee concluded that the risk mitigations in place were appropriate and that it was important for the Committee to continue to receive updates on these areas.

Impact of the corporate transaction
As part of the process for the capital raise, the Committee considered a risk assessment prepared by the Chief Risk Officer which set out the risks associated with the transaction, including the controls in place to safeguard confidentiality. The Committee concluded that the control systems in place were appropriate, risks were being managed well and that the disclosures included in the prospectus were adequate.

Organisational culture
The Committee received a detailed report on organisational culture across the Group, including the creation a new Company purpose, to deliver exceptional experiences every day, while being a driver of positive change in our markets and communities, and set of values (precision pace, empathy, curiosity and collaboration). The Committee heard how leadership skills would be developed to achieve the desired change. The Committee recognised the importance of culture to support organisational success and concluded that the steps being taken were appropriate.

Purpose and business model, pages 12-13

Cyber security and business continuity
Cyber security remains a key priority. The Chief Information Security Officer provided an update to the Committee regarding the integration of cyber controls across the Group, particularly in light of the elevated threat associated with opportunistic cyber attacks following the move to working from home. The Committee also reviewed logical access management controls and the Group's approach to data classification and retention periods. The Committee noted that the Group's revised governance structure sought to identify continuous improvements to security controls, through both the Cyber Security and Data Governance Forums, each chaired by the Chief Information Officer. Processes are in place to deal with malware and ransomware threats; these are kept under constant review as threats evolve. The Committee concluded that this would continue to be a risk and that the controls in place needed to be monitored closely.

Data protection and ethics
Data protection continues to be an area of focus. The Committee discussed a review of resource and controls within the data protection and governance functions. This included discussion around the 'right to be forgotten' and the Group's approach to retention of data. The conclusion was that the business was taking the right approach but would benefit from clarifying the division of responsibilities and accountabilities at business levels. The Committee noted that there were initiatives in progress which should address these issues.

Relationship between the Committee and businesses
In January 2021, the Committee revisited its remit to ensure that there was an efficient flow of reporting and escalation of material matters from subsidiary risk committees and that the Committee focused on the most material risk issues for the Group. The Committee agreed changes to the standing agenda items as a result of the discussion.

JULIE HOPES
Chair, Risk Committee

Directors' Remuneration Report
Annual Statement

CONTENTS

GENERAL INFORMATION

The Committee's remit

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

– determining the Remuneration Policy for the Executive Directors;
– setting remuneration for the Chairman and Non-Executive Directors;
– recommending and monitoring the level and structure of remuneration for senior management;
– governing all share schemes; and
– reviewing any major changes in colleague compensation and benefit structures throughout the Company or Group.

The Remuneration Committee's terms of reference were approved by the Board on 4 September 2020 and are available on our website (www.corporate.saga.co.uk/about-us/governance). These are reviewed and updated as required, annually.

What we did during the year

Time spent on matters

Remuneration Policy	c.10%
Regulatory developments	c.15%
Senior management remuneration	c.25%
Share schemes	c.30%
Colleague compensation and benefits structure	c.20%

Committee composition and attendance

	Member since	Max. possible meetings	Attendance
Eva Eisenschimmel (Chair)	04/04/19	13	13
Julie Hopes	04/04/19	13	11
Ray King[1]	29/05/14	7	7
Orna NiChionna	29/05/14	13	12
Gareth Williams[2]	29/05/14	12	12

1 Ray King retired on 22 June 2020
2 Gareth Williams retired on 31 December 2020

EVA EISENSCHIMMEL
Chair, Remuneration Committee

DEAR SHAREHOLDER,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration report for the year ended 31 January 2021.

As described in our Strategic Report, this has been an extraordinary year for Saga and global society as a whole. The Company has embraced a huge amount of transformation with pace and precision, despite the pressures caused by the COVID-19 pandemic. Our Leadership Team have made significant strides in creating a more robust, innovative and lower-cost business that is focused tightly on the customer, leveraging digital technology far more broadly than before, and has moved into 2021 with confidence. During these challenging times, morale has improved, as we've enhanced colleague engagement through our purpose and step-changed communication and approach to wellbeing. Customer retention is growing. Our Insurance business has performed robustly and has prepared well for compliance with the requirements of the FCA market study; the team has also designed several new products, to be launched in the autumn. Our Personal Finance business has performed well, exceeding plans for the year with our new savings product.

COMMITTEE EVALUATION

An evaluation of the Committee's effectiveness took place during the year as part of the Board effectiveness review (for details, see page 61). The review indicated that the Committee was chaired well, was focused on the key issues and had covered an extensive amount of work during the year, with healthy discussion and an appropriate level of challenge. The evaluation concluded that the shareholder consultation was handled well. In future, there will be a focus on the actions being taken to address the gender pay gap and develop the alignment between Environmental, Social and Governance (ESG) and executive remuneration.

Directors' Remuneration Report
Annual Statement continued

We all recognise the disruption that the pandemic caused our business in 2020, particularly in Travel where, as a result of restrictions, our cruise ships were forced to remain docked for most of the year. However, our Cruise business is planning to sail as soon as government restrictions are lifted, having adapted to COVID-19 conditions, being the only company awarded the Shield+ accreditation from Lloyd's Register, and only accepting passengers who have been fully vaccinated. Our Tour Operations business has been redesigned to be truly distinctive for our target customers and is ready for relaunch.

s172 Against this backdrop, the Committee has carefully considered how it should operate executive remuneration arrangements for 2020/21 in the context of business performance, shareholders' experience and the experience of other stakeholders including the wider colleague population. In developing the proposed approach, the Committee has considered the following:

- Shareholder and proxy publications and communications regarding the approach to executive remuneration in the current environment. We are fully aware of the need to manage executive remuneration sensitively in the context of the global pandemic which has resulted in greater reputational and business risks associated with remuneration decisions.
- Saga's decision not to take government support in the form of the Coronavirus Job Retention Scheme (CJRS) or government loans. In our view, this is the primary consideration relating to the operation of executive remuneration, and we acknowledge that businesses which took this support would not be expected, for example, to award cash bonuses.
- The nature of the capital raising during the year, specifically that this was primarily via a firm placing from a single investor, and that this investor has also joined the Board as Non-Executive Chairman. In our view this makes the capital raising event substantially different from others, where some investors and proxies have indicated that the payment of bonuses, for example, may not be appropriate. Importantly in this consideration, the new Non-Executive Chairman has been consulted regarding the proposed approach to remuneration and is fully supportive.
- The largely new Leadership Team, under Euan Sutherland, who joined Saga at what was already an incredibly challenging time, have worked tirelessly to begin the process of rebuilding our business in order to realise the potential which we believe exists in the Saga brand and business model.

Company performance for the 2020/21 financial year

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

- Underlying Profit Before Tax (PBT) decreased by 84.4% to £17.1m.
- Underlying Earnings Per Share was 13.2p.
- Declared dividend per share (pence) was nil.
- As a result of the cash injections to the Travel business in the last 12 months, available operating cash flow reduced from £92.7m in the prior year to £3.4m in the current year.
- Excluding the impact of debt and earnings relating to the new ocean cruise ships, the Group's leverage ratio was 2.7x.
- Customer net promoter score of 44.
- Colleague engagement was 7.3 out of 10.

Changes to the Board

On 5 January 2021 we announced the departure, for personal reasons, of Cheryl Agius, our Chief Executive Officer (CEO) of Insurance. Given the relatively short period since her appointment to the position, we carefully considered the most appropriate approach to the treatment of her remuneration arrangements. Full details of the approach taken are set out in the section 430 (2B) announcement available on our corporate website (www.corporate.saga.co.uk/about-us/governance), and are repeated on page 87.

On 5 October 2020, Roger De Haan joined the Board as Non-Executive Chairman as part of the successful capital raising event. Roger De Haan has waived his annual Chairman's fee of £200,000. Patrick O'Sullivan stepped down as Chairman on 5 October 2020 having served in that role since February 2018 and the Board thanks Patrick for his commitment and service.

On 31 December 2020, Gareth Williams stepped down from the Saga Board. Gareth served as a Non-Executive Director since September 2014 and was my predecessor as Remuneration Committee Chair. I would personally like to thank Gareth for his invaluable service, both prior to my joining the Board and for the support he has given me as part of the Remuneration Committee Chair handover process. On 22 June 2020, Ray King stepped down as Non-Executive Director having been with Saga for six years. Again I would like to thank Ray for his contribution as part of the Remuneration Committee.

2020 Remuneration Policy review

Whilst, under the normal three-year Remuneration Policy cycle, shareholder approval for a binding policy would have been sought at the 2021 AGM, the Committee consulted with shareholders and presented a new policy at the AGM held in June 2020.

The key reasons for the change were:

- to support the implementation of the new strategy previously communicated;
- to align the interests of the new team of Executive Directors with shareholders as soon as possible;
- a drive to simplify our remuneration;
- a desire to incentivise the creation of long-term shareholder returns through sustainable long-term performance; and
- to address the historical challenge the Company had experienced in determining the right performance conditions and targets for its long-term incentive arrangements, as demonstrated by the number of consultations held with shareholders since the Company's listing and the wide range of shareholder views on the issue.

Director's Remuneration Policy, pages 95-110

The key elements can be summarised as follows:

Restricted Share Plan (RSP)
- Removal of the long-term incentive plan (LTIP), replaced with an RSP.
- 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 its view, that an adjustment is required.
- Reduction in the maximum award for the Group CEO from 200% of salary (other Executive Directors 150% of salary) under the LTIP to:
  - Initial 2020 RSP award of:
    - 70% of salary for the Group CEO;
    - 65% of salary for the Group Chief Financial Officer (CFO); and
    - 56% of salary for the CEO of Insurance.
  - Ongoing RSP award of a maximum of:
    - 100% of salary for the Group CEO; and
    - 85% of salary for the Group CFO.
- The Committee was conscious of the volatility and low share price of the Company, due to the impact of the COVID-19 pandemic on its Cruise and Tour Operations businesses, amongst other factors, and in order to protect all stakeholders reduced the 2020 RSP award levels as 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 retains discretion to adjust the number of RSP awards, and the factors it will consider in doing so are set out on page 99.
- The Committee will review the share price performance at the end of the vesting period to determine whether there are any inappropriate windfall gains.

Other changes to the Policy
Changes were made to bring the Remuneration Policy into line with the UK Corporate Governance Code 2018 (the 'Code') and best practice:

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

The Committee did not propose any changes to the structure of the annual bonus; however the following performance conditions and weightings were agreed after the start of the COVID-19 pandemic, as these best aligned with the strategy and current position of the Company:

- 25% balance sheet protection (covenant compliance).
- 15% cost efficiency (admin costs).
- 30% Insurance business delivery (EBITDA, cash, retention).
- 30% operational and strategic objectives (personal objectives).

Salary increases for 2020/21
Euan Sutherland's salary remained unchanged for the financial year 2020/21.

Having delayed the increase proposed last year, James Quin's salary was increased from £370,000 to £430,000. We previously indicated that his salary would rise over time to a more market competitive level. In the two years that he has been with us, he has delivered an extremely strong performance and is seen by all stakeholders as a sophisticated and highly skilled plc CFO. Whilst we faced a challenging environment in which to implement this change, the Committee agreed that we would honour this promise to James and award the salary increase.

2020/21 bonus
In April 2020, when targets were being set as illustrated above, it was already clear that this would not be a normal year. The Committee took this into account when setting the annual bonus measures, targets and weightings and this was done in order to incentivise our management team to focus on the few, critical activities required in the short term.

We set out the four criteria which would be used to measure the performance of our Executive Directors (as well as all managers and leaders) in the 2020 Notice of AGM.

The specific targets set are shown on pages 83-84, together with the degree of achievement of each. The team have delivered strongly on all of these, despite the huge difficulty posed by our Travel business being suspended for 10 months of the year. Noting that government support was not sought or used, and the successful completion of the capital raise, the whole team is rightly proud of its achievements. As a result, the Committee supports a bonus payout for this financial year.

Page 82 sets out the calculation for the 2020/21 bonus which paid out at between 71% and 86% of maximum for the Executive Directors. The bonus for Cheryl Agius reflects the portion of the year worked before she resigned from the Board on 5 January 2021: £326,260.

Euan Sutherland will receive a bonus of £872,830.

James Quin will receive a bonus of £459,318.

All bonus awards are paid one-third in deferred shares and two-thirds in cash.

Open Offer and share consolidation
s172 As described earlier in the Strategic Report, the Company completed a successful capital raising event and adjustments were made to existing share schemes to ensure that participants neither benefited, nor lost out, as a result. The adjustments to share schemes are set out on page 86.

Directors' Remuneration Report
Annual Statement continued

s172 What we achieved during the year – matters discussed, decisions made and actions taken

- Approved the business and personal objectives for 2020/21. The Committee considered the societal and business disruption caused by the COVID-19 pandemic when setting the performance expectations for 2020/21 against the medium-term business strategy. Details of the personal objectives for the Executive Directors are on pages 83-84.
- Made grants in June 2020 under the RSP for the Executive Committee and senior management of the Company. Grant levels were reduced for 2020 to reflect the volatility and low share price of the Company at the time of the award, due to the impact of COVID-19 on our Cruise and Tour Operations businesses, amongst other factors.
- Recommended that the Board approve the award of Free Shares to all eligible colleagues in November 2020.
- Approved adjustments to share incentives as a result of the Open Offer and share consolidation.
- Reviewed the governance and processes of the three Saga Share Plans in operation and confirmed that they met the necessary standards and were well communicated.
- Agreed that Non-Executive Director fees would remain at their current level.
- Reviewed a risk evaluation for the subsidiary regulated businesses (Saga Personal Finance Limited, SSL and AICL) and considered whether they highlighted any material adverse activities, decisions or outcomes that should impact subsidiary or Group bonus calculations. We concluded that these evaluations were robust and full consideration was given to individual bonus outcomes.
- Strengthened risk management ethos through the design and delivery of objectives and reviews.
- Reviewed and approved the bonus outcomes for Executive Directors for 2020/21 as detailed above.
- Discussed how the Committee would review wider workforce pay and ensure alignment of incentives throughout the Company with its culture and strategy and reviewed terms of reference for the People Committee.
- Approved remuneration for outgoing and new Directors.

Wider workforce considerations

In making decisions on executive pay, the Committee considers wider workforce remuneration and conditions as outlined on page 90. We continue to be as focused on our colleagues as we are on our customers and we are proud of the reward, benefits and overall career packages that we offer our colleagues. We continue to engage with colleagues through our People Committee on executive reward matters. Details of our People Committee can be found on pages 18-20.

As part of our commitment to fairness, this report contains details of the pay and conditions of our wider workforce, the cascade of incentives throughout our business and our Group CEO to colleague pay ratio. Details of Saga's gender pay report can be found on our corporate website (www.saga.co.uk/gender-pay-review).

Shareholder consultation and looking ahead

Following the extensive consultation last year, ahead of the adoption of our Policy, which I'm delighted to say received very strong (97.98%) support, we have largely been focused on implementing this policy as anticipated, whilst taking into account all of the extraordinary circumstances associated with the global pandemic on our business.

At the time of publication of this report, on behalf of the Committee I intend to engage in a consultation with our major shareholders with a view to providing additional context and insights regarding the remuneration implementation decisions which are set out in this letter and in the rest of the Remuneration Report.

The Committee is aware of the increasing importance attached to the use of ESG to inform executive remuneration. At present, the Committee considers this as part of its holistic assessment of performance and related remuneration decisions and expects to consider this in more detail going forwards ensuring alignment with our core strategy.

Conclusion

I hope you find the information contained in this report helpful, thoughtful and clear.

I welcome any feedback from the Company's shareholders, and you can contact me at any time at eva.eisenschimmel@saga.co.uk if you have any questions or comments on this report. I look forward to receiving your views.

EVA EISENSCHIMMEL
Chair, Remuneration Committee

Annual Report on Remuneration

ACTUAL PERFORMANCE AND REMUNERATION OUTCOMES FOR 2020/21

Single total figure of remuneration for Executive Directors for the 2020/21 financial year (audited)

The table below sets out the single total figure of remuneration and breakdown for each Director in respect of the 2020/21 financial year. Comparative figures for the 2019/20 financial year have also been provided. Figures provided have been calculated in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013.

	Period	Salary £	Taxable benefits £	Pension £	RSP[2] £	Other £	**Total fixed £**	Bonus £	LTIP[3] £	**Total variable £**	**Single figure £**
Euan Sutherland	2020/21	700,000	13,641	42,000	490,000	–	**1,245,641**	872,830	–	**872,830**	**2,118,471**
(Group CEO)	2019/20	53,846	1,002	3,231	–	–	58,079	58,456	–	58,456	116,535
James Quin	2020/21	374,583	13,035	31,108	240,500	–	**659,226**	459,318	–	**459,318**	**1,118,544**
(Group CFO)	2019/20	370,000	25,505	37,000	–	–	432,505	308,980	–	308,980	741,485
Cheryl Agius[1]	2020/21	338,795	11,092	20,328	204,400	112,250[4]	**686,865**	326,260	–	**326,260**	**1,013,125**
(CEO of Insurance)	2019/20	30,417	937	1,825	–	–	33,179	24,532	–	24,532	57,711
Roger De Haan	2020/21	0	–	–	–	–	**0**	–	–	**0**	**0**
(Non-Executive Chairman)	2019/20	–	–	–	–	–	–	–	–	–	–
Patrick O'Sullivan[5]	2020/21	220,417	–	–	–	–	**220,417**	–	–	**–**	**220,417**
(Chairman)	2019/20	325,000	–	–	–	–	325,000	–	–	–	325,000
Eva Eienschimmel[6]	2020/21	73,672	–	–	–	–	**73,672**	–	–	**–**	**73,672**
(Non-Executive Director, Remuneration Committee Chair)	2019/20	63,672	–	–	–	–	63,672	–	–	–	63,672
Julie Hopes[7]	2020/21	178,216	–	–	–	–	**178,216**	–	–	**–**	**178,216**
(Non-Executive Director, Risk Committee Chair)	2019/20	125,788	–	–	–	–	125,788	–	–	–	125,788
Gareth Hoskin[8]	2020/21	133,447	–	–	–	–	**133,447**	–	–	**–**	**133,447**
(Non-Executive Director, Audit Committee Chair)	2019/20	84,896	–	–	–	–	84,896	–	–	–	84,896
Ray King[9]	2020/21	29,091	–	–	–	–	**29,091**	–	–	**–**	**29,091**
(Non-Executive Director)	2019/20	73,672	–	–	–	–	73,672	–	–	–	73,672
Orna NiChionna[10]	2020/21	102,710	–	–	–	–	**102,710**	–	–	**–**	**102,710**
(Senior Independent Non-Executive Director, Nomination Committee Chair)	2019/20	93,672	–	–	–	–	93,672	–	–	–	93,672
Gareth Williams[11]	2020/21	58,366	–	–	–	–	**58,366**	–	–	**–**	**58,366**
(Non-Executive Director)	2019/20	73,672	–	–	–	–	73,672	–	–	–	73,672

Notes:
1 Cheryl Agius' single total figure for 2020/21 is for the period up to 5 January 2021 when she stepped down from the Board
2 The face value on grant of the RSP awards is shown in the table above as there are no performance conditions other than underpins tested on vesting
3 None of the Executive Directors had an LTIP award which was eligible to vest in the year
4 Payment in respect of buyout award as disclosed in last year's report
5 Patrick O'Sullivan resigned as Chairman on 5 October 2020 and was Nomination Committee Chair up to this date
6 Eva Eisenschimmel replaced Gareth Williams as Remuneration Committee Chair on 1 February 2020
7 Julie Hopes became Chair of the Saga Personal Finance Board on 1 February 2020 and is also Chair of SSL. She was appointed Risk Committee Chair on 31 December 2020
8 Gareth Hoskin was appointed on 11 March 2019 and is also Chair of AICL
9 Ray King retired on 22 June 2020 and was Chair of the Audit Committee until this date
10 Orna NiChionna's responsibilities as Senior Independent Director increased on 5 October 2020. She became Nomination Committee Chair with effect from the same date. Orna stood down as Risk Committee Chair on 31 December 2020 when Julie Hopes assumed this position
11 Gareth Williams retired on 31 December 2020

Directors' Remuneration Report

Annual Report on Remuneration continued

How we have performed in 2020/21

Bonus (audited in conjunction with details on page 161)

The details of the performance conditions and outcomes against the targets for the annual bonus in respect of the 2020/21 financial year are shown in the table below:

Performance condition	Weighting (based on 100% max)	Threshold performance required	50% Target performance required	Maximum performance required	Actual performance	Annual bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Actual annual bonus value achieved (% of salary)[3] Euan Sutherland	James Quin	Cheryl Agius[1]
Covenant compliance	25%	4.75x	4.56x	4.25x	4.15x	20% 100%	100%	37.5%	31.3%	29.1%
Admin costs	15%	£165.0m	£157.5m	£145.0m	£157.5m	20% 100%	50%	11.3%	9.4%	8.7%
Insurance/ other EBITDA[2]	10%	£108.0m	£115.5m	£128.0m	£144.0m	20% 100%	100%	15.0%	12.5%	11.6%
Insurance/ other cash	10%	£94.0m	£101.5m	£114.0m	£101.4m	20% 100%	50%	7.4%	6.2%	5.8%
SSL retention	10%	77.0%	78.5%	81.0%	80.5%	20% 100%	90%	13.5%	11.3%	10.5%
Personal objectives	30%					0% 100%		40%	37.5%	23.6%
Total	100%							124.7%	108.1%	89.4%
Total Calculated (£)								£872,830	£459,318	£326,260
Total Payable (£)								£872,830	£459,318	£326,260

Notes:
1 The bonus for Cheryl Agius was pro-rated for the period up to 5 January 2021 when she stepped down from the Board and ceased to be a Director
2 'Other' relates to Saga Personal Finance, MetroMail and Publishing
3 The annual bonus percentage achieved for each Executive Director is based on their maximum bonus potential and shown as a percentage of annual salary

Individual performance assessment

s172 The Remuneration Committee assessed Executive Directors on their individual performance in the year against three key areas: people, growth and customers (financial resilience and risk management has been used as an alternative to customers for the CFO) with a focus on risk for each element. This underpins the leadership responsibility to create a risk-aware and responsible culture, ensuring a robust risk framework was embedded across the Group.

Details of the individual's achievements are set out in the table below, which is supported in the Chairman's introduction to governance on pages 50-51.

Objectives overview	Committee assessment and basis of achievement for 2020/21
Euan Sutherland – Maximum: 30% of overall bonus. Achievement: 27% of overall bonus.	
People	
– Strategy, purpose and values. – Increase employee engagement. – Focus on wellbeing and mental health.	– Over 80% of colleagues tell us they are aware of the Saga strategy, purpose, brand and values and that they feel able to speak up and feel heard. – Strong colleague engagement across Saga: 92% participation in most recent colleague engagement survey, scoring 7.3 out of 10, +0.3 higher than in September 2020. – Continued focus on colleague wellbeing. Extensive mental wellbeing support for colleagues through our #Sagamindsmatter initiative.
Growth	
– Oversee completion of Cruise transformation programme. – Transform digital and data capability. – Insurance retention, new business and profitability.	– Delivery of Spirit of Adventure in September 2020, completing our Cruise transformation programme. – Strong Cruise bookings of £154m combined for 2021/22 and 2022/23, in comparison with £128m at the same point last year. – First cruise operator awarded Lloyd's Register Shield+ COVID-19 safety accreditation. – Reset Tour Operations, focusing on a smaller, higher quality, differentiated offering. – Launched a digital version of the Saga magazine, achieving an Apple App Store rating of 4.7 (out of 5.0). – Commenced the process of migrating customer data from many legacy platforms to a new, modern data architecture. – Implemented Radar Live which provides increased data capacity and faster, more efficient pricing capability. – Increased customer retention across motor and home by 5ppts to 80%. – Continued differentiation with 610,000 three-year fixed-price policies sold in Insurance and implementation of enhanced travel insurance to include COVID-19 cover. – 59% of new business acquired directly, 2ppts ahead of prior year. – Growth in motor and home policies of 1.1%. – Motor and home underlying gross margins of £74 per policy, in line with guidance.
Customers	
– Oversee expansion of consumer research programme and leverage insights to improve customer experience.	– Increased the volume and frequency of research to monitor customer needs, attitudes and insights during the COVID-19 period. – Launched our digital self-serve portal, enabling customers to make common policy amendments online. – Launched a series of improvements to the Saga customer app, including web chat functionality. – Increased customer net promoter score (NPS) at 44.

Directors' Remuneration Report

Annual Report on Remuneration continued

Individual performance assessment (continued)

Objectives overview	Committee assessment and basis of achievement for 2020/21
James Quin – Maximum: 30% of overall bonus. Achievement: 30% of overall bonus.	
People – Strategy, purpose and values. – Increase employee engagement. – Focus on wellbeing and mental health.	– Achievement assessed in line with Group CEO: – 80%+ colleagues are aware of the strategy, purpose, brand and values. – 92% participation in recent survey with 7.3 out of 10 scored. – Continued focus on wellbeing through our #Sagamindsmatter initiative.
Growth – Support completion of Cruise transformation programme. – Support development of Insurance strategy. – Identify and deliver cost reductions.	– Supported the delivery of Spirit of Adventure in September 2020, completing our Cruise transformation programme. – Supported and constructively challenged the Insurance Team to reset strategy in the first half of the year, with fixing phase largely completed in the second half. – Identified significant operational savings to mitigate COVID-19 impacts, without compromising good customer outcomes. On track to achieve £20m of run rate cost savings over time. Displayed disciplined cost control during the period of Travel suspension with burn costs at the lower end of the £6-8m per month guidance.
Financial resilience and risk management – Successfully deliver equity raise. – Ensure robust finances in response to the challenges of the pandemic.	– Successfully raised c.£140m equity capital, allowing repayment of the revolving credit facility (RCF) and part of the term loan. – Completed disposals of Healthcare, Destinology and Bennetts, generating c.£31m of proceeds. – Leverage ratio (excl. Cruise) of 2.7x, well within the covenant of 4.75x. – Worked closely with lenders in order to manage the existing bank covenants, allowing flexibility through the ongoing disruption arising from COVID-19. – Further cruise debt deferral and covenant waiver agreed until 31 March 2022 (in addition to existing deferral covering the period to 31 March 2021).
Cheryl Agius – Maximum: 30% of overall bonus. Achievement: 20.4% of overall bonus	
People – Strategy, purpose and values. – Increase employee engagement. – Focus on wellbeing and mental health.	– Achievement assessed in line with Group CEO: – 80%+ colleagues are aware of the strategy, purpose, brand and values. – 92% participation in recent survey with 7.3 out of 10 scored. – Continued focus on wellbeing through our #Sagamindsmatter initiative.
Growth – Insurance retention, new business and profitability. – Successfully implement digital migration.	– Continued differentiation with 610,000 three-year fixed-price policies sold and implementation of enhanced travel insurance to include COVID-19 cover. – 59% of new business acquired directly, 2ppts ahead of prior year. – Growth in motor and home policies of 1.1%. – Motor and home underlying gross margins of £74 per policy, in line with guidance. – Migrated our home product to the Guidewire platform.
Customers – Leverage customer insights to improve customer experience.	– Delivered a 'Customer First' service capability plan which has digital capabilities and multi-skilled agents aligning to single view and broader reach across products. – Launched our new motor price-comparison website proposition, providing customers with greater flexibility. – Built initial core foundations for pricing and data in AICL both in terms of capability, sources of data and technology. – Built investor confidence that met the external market changes; regulatory red, amber, green (RAG) rating lowered, reset the home proposition in the short-term and medium-term by delivering Guidewire implementation and end-to-end customer experience. – Increased Insurance NPS of 43.

Long-term incentives (audited)

Name	Award type	Basis on which award made	Face value of award (% of salary)	Shares awarded	Percentage of award vesting at threshold performance	Maximum percentage of face value that could vest (%)	Performance conditions
Euan Sutherland	2019 LTIP	Annual	100%[1]	99,113[2]	25%	100%	– Organisational and strategic measures: 50% – Comparative total shareholder return (TSR): 25% – Return on Capital Employed (ROCE): 25%
	2020 RSP	Annual	70%	198,831[2]			No performance conditions
James Quin	2019 LTIP	Annual	200%[3]	121,566[2]	25%	100%	– Organisational and strategic measures: 50% Comparative TSR: 25% – ROCE: 25%
	2020 RSP	Annual	65%	97,589[2]			No performance conditions

Notes:
1 100% LTIP agreed on recruitment on the same terms as the 2019 LTIP scheme; the award was officially made on 6 January 2020
2 Post consolidation number of shares
3 As part of James Quin's recruitment it was agreed he would be awarded a 200% one-off award. Following this, his LTIP returned to 150% in line with the Remuneration Policy

Directors' share interests (audited)

The following table and chart set out the equity interests held by the Executive and Non-Executive Directors:

					Unvested nil-cost options held						
Director	Share-holding require-ment (% salary)[1]	Current share-holding (% salary)	Shares counting towards share-holder require-ments[4]	Beneficially owned	LTIP nil-cost options subject to perform-ance conditions	RSP nil-cost options not subject to perform-ance conditions	Deferred bonus nil-cost options subject to perform-ance conditions	Other awards	Vested but un-exercised nil-cost options held	Unvested SIP shares not subject to perform-ance conditions	Share-holding require-ment met?
Executive Directors											
Euan Sutherland	250%	48%	135,223	26,339	99,113	198,831	6,407	–	–	108	No
James Quin	200%	49%	84,906	14,825	121,566	97,589	34,436	–	–	108	No
Cheryl Agius[2]	200%	37%	55,386	9,894	–	82,941	2,689	34,171	–	108	No
Non-Executive Directors[3]											
Roger De Haan	–	–	–	36,855,555	–	–	–	–	–	–	n/a
Eva Eisenschimmel	–	–	–	4,288	–	–	–	–	–	–	n/a
Julie Hopes	–	–	–	4,419	–	–	–	–	–	–	n/a
Gareth Hoskin	–	–	–	14,018	–	–	–	–	–	–	n/a
Orna NiChionna	–	–	–	3,027	–	–	–	–	–	–	n/a

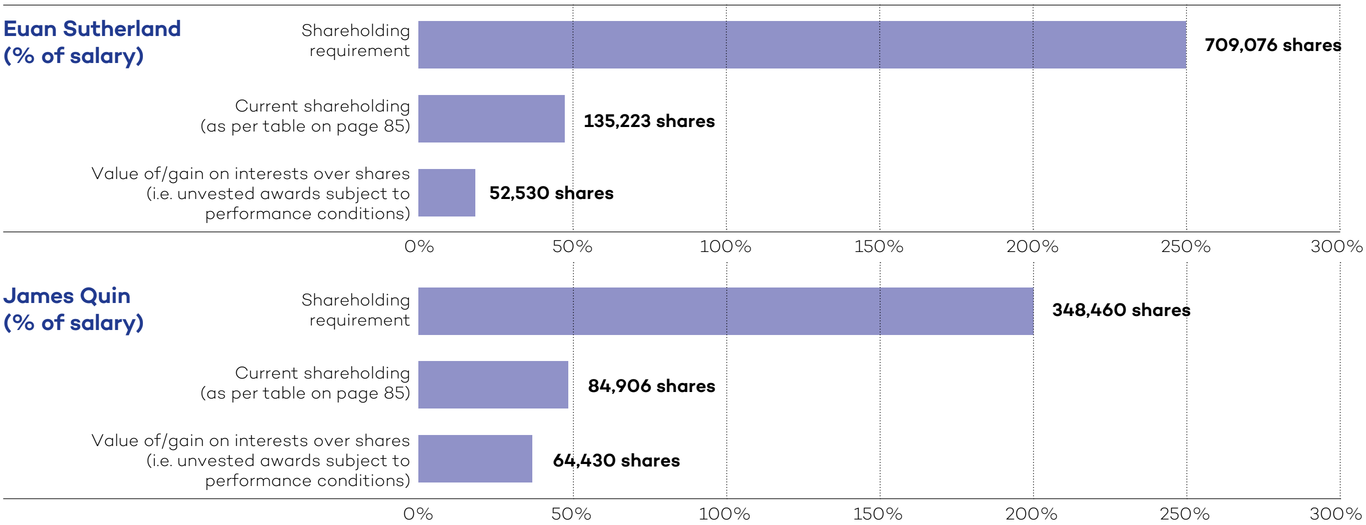
Notes:
1 Shareholding requirements are those that were in existence throughout the course of the year and as at 31 January 2021
2 Cheryl Agius resigned on 5 January 2021
3 Values not calculated for Non-Executive Directors as they are not subject to shareholding requirements
4 The number of shares counting towards the shareholding requirement is calculated by summing beneficially owned shares with unvested nil-cost options which are not subject to performance conditions on a net of tax basis as well as any vested but unexercised options on a net of tax basis

Directors' Remuneration Report

Annual Report on Remuneration continued

Directors' share interests (audited) (continued)

Executive Directors are required to build up their shareholdings over a reasonable amount of time, which would normally be five years, and then subsequently hold a shareholding equivalent to a percentage of base salary. The number of shares in which current Directors had a beneficial interest, and details of long-term incentive interests as at 31 January 2021 are set out below:



Notes:
The mid-market quoted share price of 246.8p as at 31 January 2021 has been used for the purpose of calculating the current shareholding (i.e. value of beneficially owned shares and value of/gain on interests over shares) as a percentage of salary
Unvested LTIP shares and options do not count towards satisfaction of the shareholding guidelines

Open Offer and share consolidation

The Committee adjusted the number of nil-cost options under in-flight share schemes to take account of the Placing and Open Offer and share consolidation which completed in October 2020.

The adjustments were made uniformly for all colleagues who were recipients of nil-cost options and were made so that participants would neither benefit, nor lose out, as a result of these events.

The calculation for the adjustment is set out below and uses the following parameters:

- Closing price on day prior to the ex-entitlement date: £0.16
- Offer price: £0.12
- Open Offer entitlement: five new shares for nine existing shares

Theoretical ex-entitlement price (T) = ((ex-entitlement price x existing shares) + (offer price x new shares)) / (new shares + old shares)

T = ((£0.16 x 9) + (£0.12 x 5)) / 14
T = £0.1457

The number of nil-cost options was adjusted by the ratio between the ex-entitlement price and the theoretical price:

Adjustment factor for number of options = £0.16 / £0.1457 = 1.0980 (i.e. multiply current number of options by 1.0980).

The adjustment factor for the share consolidation is determined simply by reducing the number of nil-cost options (after the Open Offer) by a factor of 15.

Pension entitlements

Pension contributions for all Executive Directors are aligned with that of the majority of colleagues (6%). In September 2020 the pension contribution for James Quin reduced from 10% to 6% to align with colleagues.

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

On 5 January 2021, we announced that Cheryl Agius would be stepping down from the Board of Directors as the CEO of Insurance due to personal reasons. The Committee determined that she will be treated as a good leaver under the Remuneration Policy approved by shareholders at the AGM on 22 June 2020. The full details of the remuneration arrangements are outlined below:

- Cheryl stepped down on 5 January 2021 and will remain a colleague and be on garden leave, receiving salary, benefits and her pension allowance until cessation of employment on 5 January 2022 (the 'Termination Date').
- Her annual bonus in respect of 2020/21 will be pro-rated to reflect the time worked during the year. The bonus will be paid in the form of cash and deferred in shares as set out on page 82.
- Awards made to Cheryl under the Deferred Bonus Plan (DBP) on 28 May 2020 will vest at the normal vesting date and remain subject to the plan rules, including malus and clawback provisions. Awards will be exercisable for six months after vesting.
- Awards made to Cheryl under the Saga plc 2020 RSP granted on 24 June 2020 will be pro-rated to reflect the period from award date to the Termination Date and vest at the normal vesting date subject to the plan rules, including malus and clawback provisions. Awards will be exercisable for six months after vesting.
- Cheryl received buyout awards in respect of long-term incentives forfeited from her previous employer. These awards which were granted on 1 June 2020 will be pro-rated to reflect the period from the award date to the Termination Date and vest at their normal vesting dates subject to the terms of the buyout agreement, including malus and clawback provisions. Awards will be exercisable until the later of six months after vesting or six months after cessation. Full details of these awards can be found in the 2020 Annual Remuneration Report.
- Cheryl will not be eligible to receive an annual bonus in respect of 2021/22.
- No further RSP awards will be granted to Cheryl.
- Cheryl is required to retain 200% of her salary or (if lower) her final shareholding in shares for a period of two years from the Termination Date i.e. until 5 January 2024.

Patrick O'Sullivan ceased to be Chairman on 5 October 2020 and received no payments for loss of office.

Fees retained for external non-executive directorships

Executive Directors may hold positions in other companies as Non-Executive Directors and retain the fees. Euan Sutherland is a Non-Executive Director of Britvic plc for which he receives a fee of £58,365 per annum. Neither James Quin nor Cheryl Agius hold any external directorships.

IMPLEMENTATION OF THE POLICY IN 2021/22

The current Remuneration Policy was approved by shareholders at the Company's AGM on 22 June 2020. The Remuneration Policy is set out later in this report and can also be found on our website (www.corporate.saga.co.uk/about-us/governance) or from the Group Company Secretary at Saga's registered office.

Remuneration Policy

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

Key elements of the Policy and time horizon

Financial year	2021/22	2022/23	2023/24	2024/25	2025/26
Base salary	●				
Benefits and pension	●				
Annual bonus – cash	●				
Annual bonus – deferred shares	●	●	●	●	
RSP	●	●	●	●	●
Shareholding requirement	●	●	●	●	● (Ongoing)
All colleague share plan	●	●	●		
Chairman and Non-Executive Director fees	●				

Key	
Performance period:	●
Vesting period:	●
Holding period:	●

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

- A summary of the key elements of the Remuneration Policy.
- The operation of the Policy in 2020/21 and its proposed operation in 2021/22.

Directors' Remuneration Report

Annual Report on Remuneration continued

IMPLEMENTATION OF THE POLICY IN 2021/22 (CONTINUED)

Remuneration Policy element	Operation in 2020/21	Proposed operation in 2021/22
Base salary When determining an appropriate level of salary, the Committee considers: – pay increases to other colleagues; – 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.	Executive Directors did not receive any increase in base salary on 1 February 2020 (the increase awarded to the broader all colleague group was 1.5%). The salaries for the Executive Directors were: – Euan Sutherland: £700,000 – James Quin: £370,000 – Cheryl Agius: £365,000	Euan Sutherland received a salary increase of 1.5%, consistent with other Saga colleagues. Having delayed the increase last year, James Quin's salary increased from £370,000 to £430,000. We previously indicated that his salary would rise over time to a more market competitive level. In the two years that he has been with us, he has demonstrated an extremely strong performance and is seen by all stakeholders as a sophisticated and highly skilled plc CFO. Whilst we faced a challenging environment to implement this change, the Committee agreed that we would honour this promise to James and award the salary increase. As a result, the salaries for the Executive Directors are: – Euan Sutherland: £710,500 – James Quin: £430,000
Benefits The Executive Directors receive family private health cover, death in service life assurance, a car allowance, subsistence expenses and discounts in line with other colleagues.	Standard benefits.	No change.
Pension Maximum pension contributions for Executive Directors are aligned with those of the wider workforce (6% of salary).	Executive Directors received the following: – Euan Sutherland: 6% of salary – James Quin: Reduced from 10% to 6% of salary – Cheryl Agius: 6% of salary	No change.
Bonus The Remuneration Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary. At least one third of the bonus will be deferred into shares vesting after three years.	Maximum bonus opportunity: – Euan Sutherland: 150% of salary – James Quin: 125% of salary – Cheryl Agius: 125% of salary Two-thirds of the total bonus to be paid immediately in cash and one-third deferred into shares for three years. Performance measures were: – Covenant compliance: 25% – Administrative costs: 15% – Insurance/other EBITDA: 10% – Insurance/other cash: 10% – SSL retention: 10% – Personal objectives: 30% (See page 82 for full details on the 2020/21 targets.)	The maximum opportunities for Executive Directors are unchanged and are as follows: – Euan Sutherland: 150% of salary – James Quin: 125% of salary The current intention is to set performance measures and weightings for the 2021/22 bonus as follows: – Insurance PBT: 21% – SSL retention: 14% – 2021 Cruise load factor and per diem: 14% – Net debt at January 2022: 21% – Personal objectives: 30% In relation to the Travel metrics, the Committee will review the appropriateness of these metrics in light of government announcements and restrictions regarding the travel industry. If it is not possible to operate these metrics due to external factors, the annual bonus performance measures will be adjusted accordingly. The Committee is of the view that targets for the 2021/22 annual bonus are currently commercially sensitive and these targets will be disclosed retrospectively in the 2022 Annual Report on Remuneration.

Remuneration Policy element	Operation in 2020/21	Proposed operation in 2021/22
RSP Awards of nil-cost options are granted annually up to a maximum of 100% of salary. RSP awards do not have any performance conditions but are subject to an underpin on vesting. Awards vest after three years and are subject to a further two-year holding period, during which shares may not be sold other than for tax.	RSP awards were made in June 2020 shortly after approval of the Policy. The Committee decided to reduce award levels to reflect the impact of the COVID-19 pandemic on the share price: – Euan Sutherland: 70% of salary – James Quin: 65% of salary – Cheryl Agius: 56% of salary The Committee will review share price performance on vesting to determine whether any windfall gains were made.	The Committee assessed share price performance since the 2020 RSP awards and has determined that awards will be made at the normal levels: – Euan Sutherland: 100% of salary – James Quin: 85% of salary
Shareholding requirement The Remuneration Committee sets formal shareholding guidelines that will encourage the Executive Directors to build up over a five-year period, and then subsequently hold, a shareholding equivalent to a percentage of salary.	– Euan Sutherland: 250% of salary – James Quin: 200% of salary	No change.
All colleague share plan The Company operates a HM Revenue and Customs (HMRC) SIP.	Saga continued to operate the SIP for all colleagues in 2020, with a Free Share award of £300 made in November 2020 to all eligible full-time colleagues.	Saga will continue to provide all colleagues the opportunity to participate in colleague equity arrangements.
Chairman and Non-Executive Director fees The fees for Non-Executive Directors are set at broadly the median of the comparator group. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.	Increases in Board fees were waived this year, with the exception of our Senior Independent Director fee which was increased to £40,000. – Patrick O'Sullivan: £325,000 – Roger De Haan: £nil – Board member fee: £63,672 – Committee Chair fee: £10,000 – Senior Independent Director fee: £40,000	No change to Non-Executive Directors or Senior Independent Director fee. Roger De Haan has waived his fee for 2021.

Directors' Remuneration Report

Annual Report on Remuneration continued

GOVERNANCE OF REMUNERATION

Wider workforce

s172 In order for the Committee to review the wider workforce pay, policies and incentives, reports are regularly considered at Remuneration Committee meetings, setting out key details of remuneration throughout the Company. Alongside its review of the wider workforce remuneration, the Committee considers the approach applied to the Executive Directors and senior management. In particular, the Committee is focused on ensuring the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

The table summarises some of the key workforce reward elements that are regularly discussed by the Committee:

Bonus	Bonus schemes contain both financial and personal triggers. A universal financial scorecard is used for all colleagues at Saga, including Executive Directors. Malus and clawback are in place for the colleagues in our Senior Leadership Team (SLT).
Other incentive schemes	Incentive arrangements that are paid more frequently are also operated in our contact centres. These incentive schemes are reviewed regularly to ensure best practice and market alignment. The method of calculation and frequency of payment varies depending on business area and product.
Pay	All colleagues received a performance-related increase ranging from 0.5% to 2.7% of base pay.
National living wage	Saga continues to be committed to paying 20p above national living wage for Saga colleagues and 5p above for MetroMail colleagues with a view of aligning all colleagues in 2021.
RSP	RSP awards are granted across senior leadership at Saga. Eligible colleagues received an RSP grant in 2020, ranging from 20% to 50%.
Winter payment	All front line colleagues received a one-off winter payment of £120 in November 2020 after tax and National Insurance.
Free Shares and SIP	We want all colleagues at Saga to feel invested in the Company's success, hence we gave each full-time colleague £300 of Free Shares. We also continue to promote our SIP, which enables colleagues to purchase shares through payroll.
Pension	Saga operates a Defined Benefit (DB) scheme and Defined Contribution (DC) scheme. There were 1,264 colleagues in the DB scheme and 856 colleagues in the DC scheme as at 31 January 2021.

The Committee engages regularly with the People Committee, gaining regular feedback and also sharing executive remuneration. Further details of the People Committee can be found on pages 18-20 of the annual report.

Competitive pay and cascades of incentives

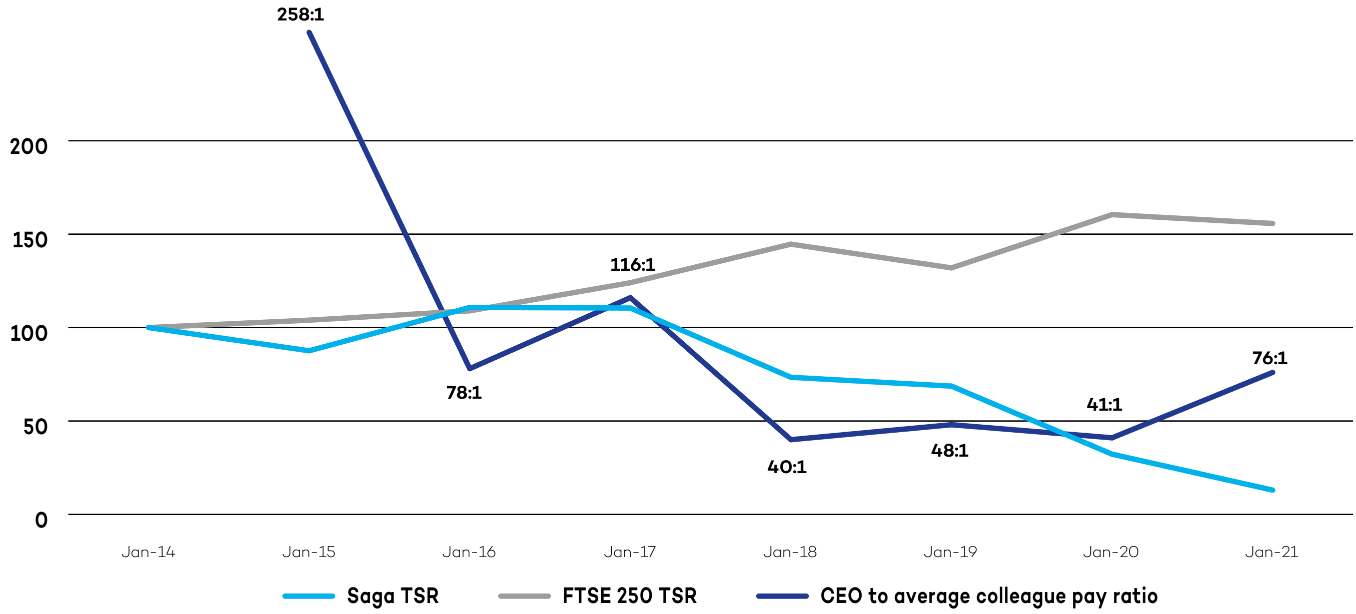
Organisational level	Number of colleagues[1]	Range bonus percentage of salary	Maximum proportion of bonus payable in cash	Minimum proportion of bonus deferrable in shares	Range of RSP award	SIP
Group CEO	1	150%	67%	33%	100%	Yes
Group CFO	1	125%	67%	33%	85%	Yes
Executive Leadership Team	5	100%	67%	33%	50%	Yes
Senior Leadership Team	31	40-80%	100%	0%[2]	20-40%	Yes
Senior Management Team	149	10-40%	100%	0%	n/a	Yes
Other bonused colleagues	1,547	2.5-7.5%	100%	0%	n/a	Yes
Other non-bonused colleagues	772	n/a	n/a	n/a	n/a	Yes

Notes:
1 Colleagues as at 31 January 2021
2 Colleagues in the SLT within Insurance also receive one-third of their bonus in deferrable shares

Pay comparisons

CEO ratio

Our CEO to average colleague pay ratio for 2020/21 is 76:1. To give context to this ratio, we have set out below a chart tracking the CEO to average colleague pay ratio since 2014/15 alongside Saga's TSR performance since the Company was listed. We also show this against the performance of the FTSE 250 during the same time span.



The Remuneration Committee considers that the FTSE 250 is the appropriate index because the Company was a long-standing member of this index since the Initial Public Offering (IPO) and has strong aspirations to re-join in the future. This graph has been calculated in accordance with the Listing Regulations.

It should be noted that the Company listed on 23 May 2014 and therefore only has a listed share price for the period of 23 May 2014 to 31 January 2021.

In summary, there has been significant volatility in Group CEO pay, and we believe that this is caused by the factors set out below. Please note that pay for Lance Batchelor (former Group CEO) has been used for this calculation.

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

Where the structure of remuneration is similar, as for the Executive Leadership Team (ELT) and the Group CEO, the ratio is much more stable over time.

Directors' Remuneration Report

Annual Report on Remuneration continued

GOVERNANCE OF REMUNERATION (CONTINUED)

Colleague and Executive Committee ratios

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

Group Chief Executive Officer		2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Total single figure		£1,600,287	£2,490,617	£1,025,146[1]	£1,191,743	£1,062,887	£2,118,471
Annual bonus payment level achieved (percentage of maximum opportunity)		78.6%	67.5%	0%	35.1%	33.6%	83.1%
LTIP vesting level achieved (percentage of maximum opportunity)		n/a[2]	65.6%	26.0%	0%	0%	n/a[2]
Ratio of CEO single total remuneration figure to all colleagues[3,4]	25th percentile	n/a	n/a	8:1	59:1	46:1	97:1
	Median	78:1	116:1	40:1[5]	48.1[6]	41:1[7]	76:1[8]
	75th percentile	n/a	n/a	33:1	36.1	29:1	55:1
Ratio of single total remuneration figure shown to executive members		2:1	4:1	3:1	3:1	2:1	4:1

Notes:

1 For 2017/18 the final value of the 2015 LTIP award as at vesting date is shown and has been restated from the 2017/18 annual report. The share price at vesting date of 30 June 2018 was 125.6p

2 No LTIP awards eligible to vest for the Group CEO in post in 2015/16 and 2020/21

3 For the colleague ratio Saga has chosen to use Option B, identifying colleagues using our gender pay gap data. This was the preferred option due to the availability of data for our many UK-based, overseas and part-time colleagues for whom single total figure data is difficult to calculate. Figures have been completed for 2017/18, 2018/19, 2019/20 and 2020/21 using the April gender pay gap data for that year. In order to mitigate any anomalies, 11 individuals have been identified at each percentile point from the gender pay gap data, and the median of pay in the year up to 31 January 2018, 2019, 2020 and 2021 for these colleagues calculated in line with the single total figure methodology. For colleagues who participate in a DB scheme, the value of the pension for the purposes of total pay has been estimated based on the individual's accrual rate and length of service

4 The median ratios shown for 2015/16 and 2016/17 have been recalculated to allow a comparison to the 2017/18, 2018/19, 2019/20 and 2020/21 figures which have been calculated in line with the methodology prescribed by the regulations

5 The fall in the ratio in 2017/18 is due to the forfeiture of bonus by the Group CEO and the relatively low payout on the LTIP. This reflects the fact that shareholders want Executives to have a higher proportion of pay at risk and this is reflected in the volatility in the chart. The percentage change in Group CEO remuneration set out in the table on page 93 shows that year-on-year when the volatility of payouts from equity-based awards is excluded, the changes in remuneration for the Group CEO and average colleague are broadly in line. This demonstrates that the underlying compensation ratio is not increasing year-on-year

6 The increase in ratio for 2018/19 is due to the Group CEO receiving a bonus in 2018/19. This increase has remained low due to a relatively low bonus and LTIP payout

7 The fall in ratio for 2019/20 is due to the rebalancing of base pay and commission in our call centres

8 The increase in ratio in 2020/21 is due to the relatively high bonus payout in 2020/21 and RSP award granted to the Group CEO in 2020/21 which was fully vested on grant

The colleague pay figures used to calculate the ratio are as follows:

		25th percentile	Median	75th percentile
2020/21	Salary	£19,339	£23,465	£33,495
	Total pay	£21,840	£27,837	£38,312

Annual percentage change in remuneration of Directors and other colleagues

The following table sets out the change in the remuneration paid to each Director from 2019/20 to 2020/21 compared with the average percentage change for other colleagues.

The percentage change for each Directors' remuneration in the table below is based on the figures in the single total figure table on page 81.

Average colleague pay has been calculated using the following elements:
- Annual salary: base salary and standard monthly allowances.
- Taxable benefits: car allowance and private medical insurance premiums.
- Annual bonus: company bonus, management bonus, commission and incentive payments.

	Salary/fees (2020/21)	Taxable benefits (2020/21)	Annual bonus (2020/21)
Euan Sutherland	0%	9.3%	25.2%
James Quin	1.2%	-48.9%[1]	48.7%
Cheryl Agius	0%	5.9%	19.0%
Roger De Haan	n/a	n/a	n/a
Patrick O'Sullivan	0%	n/a	n/a
Eva Eisenschimmel	15.7%[2]	n/a	n/a
Julie Hopes	41.7%[3]	n/a	n/a
Gareth Hoskin	9.3%[4]	n/a	n/a
Ray King	0%	n/a	n/a
Orna NiChionna	9.6%[5]	n/a	n/a
Gareth Williams	-13.6%[6]	n/a	n/a
Average per colleague	3.2%[7]	2.7%	67.8%

Notes:
1 The decrease in benefits for James Quin is due to his move to a reduced cost electric vehicle
2 Increase in salary for Eva Eisenschimmel is due to becoming Chair of the Remuneration Committee on 1 February 2020
3 Increase in salary for Julie Hopes is due to becoming Chair of the Saga Personal Finance Board on 1 February 2020 and assuming the position of Risk Committee Chair on 31 December 2020
4 Increase in salary for Gareth Hoskin is due to becoming Chair of the Audit Committee with effect from 22 June 2020
5 The increase in salary for Orna NiChionna is due to increasing responsibilities as Senior Independent Director from 5 October 2020
6 Reduction in salary for Gareth Williams is due to step down as Chair of the Remuneration Committee on 1 February 2020
7 Average salary per colleague increased due to a combination of annual salary increase, Company restructuring which altered our colleague base and the impacts of the COVID-19 pandemic

Relative importance of the spend on pay

The table below sets out the relative importance of spend on pay in the 2020/21 financial year and 2019/20 financial year compared with other disbursements. All figures provided are taken from the relevant Company accounts.

	Disbursements from profit in 2020/21 financial year £m	Disbursements from profit in 2019/20 financial year £m	Percentage change
Profit distributed by way of dividend	0.1	25.8	(99.6%)
Total tax contributions[1]	44.2	50.1	(11.8%)
Overall spend on pay including Executive Directors	125.3	125.6	(0.2%)

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

Directors' Remuneration Report

Annual Report on Remuneration continued

Advisers to the Remuneration Committee

During the financial year, PwC advised the Remuneration Committee on all aspects of the Remuneration Policy for Executive Directors and members of the ELT.

PwC also provided the Company with tax and assurance work during the year. The Remuneration Committee reviewed the nature of the services provided and was satisfied that no conflict of interest exists, or existed in the provision of these services.

Following a selection process carried out prior to, and then following, the IPO of the Company, PwC was formally appointed by the Remuneration Committee. PwC is a member of the Remuneration Consultants Group and the voluntary code of conduct of that body is designed to ensure objective and independent advice is given to remuneration committees. Other PwC teams provide certain non-audit services to the Company in areas of tax and consulting. The Committee is satisfied that no conflict of interests exist in the provision of these services and that the advice provided is independent and objective. Fees of £109,000 (2020: £97,250) were provided to PwC during the year in respect of remuneration advice received. The increase from the prior year is due to additional support in relation to the renewal of the Remuneration Policy.

The Committee receives support from Jane Storm (Chief People Officer (CPO)) and Vicki Haynes (Group Company Secretary).

Shareholder voting

The Directors' Remuneration Policy was approved by shareholders at the AGM held on 22 June 2020.

Outlined below are the voting outcomes in respect of approving the Directors' Remuneration Report, the Directors' Remuneration Policy and the RSP.

Results of shareholder voting at the 2020 Annual General Meeting

Resolution	Votes for	% of votes cast	Votes against	% of votes cast	Votes cast	% of issued share capital voted	Votes withheld
To approve the Directors' Remuneration Report	536,042,769	82.92	110,416,414	17.08	647,040,963	57.67%	581,780
To approve the Directors' Remuneration Policy	609,404,573	97.98	12,534,190	2.02	647,040,963	57.67%	25,102,200
To approve the Saga plc 2020 Restricted Share Plan	604,360,644	97.16	17,653,018	2.84	647,040,963	57.67%	25,026,393

Directors' Remuneration Policy

s172 This section of the report sets out the Company's Policy on remuneration for Executive and Non-Executive Directors, as approved by shareholders at the AGM on 22 June 2020. The Policy has been prepared in accordance with the requirements of the UK's Companies Act 2006 (the 'Act'), Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'Regulations') and the Listing Rules. 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 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 MADE TO THE PREVIOUS POLICY

Element	Changes to Policy	Rationale
Pension	Pension contributions for incumbent and new Executive Directors to be aligned to that of majority of colleagues (6%).	Provision in line with corporate governance best practice.
Long-term incentives	Introduction of RSP to replace LTIP.	Simplified long-term incentive arrangements and addresses challenges of setting performance targets given the Company's new strategy.
Post-cessation shareholding requirements	Formal post-cessation employment for full employment requirement for two years following cessation.	Ensures Executives' focus on long-term sustainable performance and extended the length of alignment between management and shareholders.
Malus and clawback	Provisions expanded to refer specifically to risk management failure and corporate failure.	Provision brought in line with best practice.

Directors' Remuneration Report
Directors' Remuneration Policy continued

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 colleagues; – 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. 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 colleagues until the target positioning is achieved.	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 comparator group as it considers appropriate. In general, salary increases for Executive Directors will be in line with the increase for colleagues. 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 the Remuneration Policy', in the following financial year, the salaries for that year for each of the Executive Directors.	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
Pension Provides a fair level of pension provision for all colleagues.	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 is aligned with that of the wider workforce. 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, car allowance, subsistence expenses and discounts in line with other colleagues. 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 colleagues 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.

Directors' Remuneration Report

Directors' Remuneration Policy continued

DIRECTORS' REMUNERATION POLICY TABLE (CONTINUED)

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 business' 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 DBP element. 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; and – the participant's continued employment at the end of the deferral period unless they are a good leaver. The Committee may award dividend equivalents on those shares to plan participants to the extent that they vest. The 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 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 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 period so shareholders can fully assess the basis for any payouts under the annual bonus. Both the Annual Bonus Plan and the DBP contain malus and 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; and – 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 per annum 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 be 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 colleague and customer engagement over the period. The RSP is subject to clawback and malus provisions.

Directors' Remuneration Report

Directors' Remuneration Policy continued

DIRECTORS' REMUNERATION POLICY TABLE (CONTINUED)

Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Legacy LTIP Awards were 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; and – satisfaction of the performance conditions. A two-year holding period applies 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.	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 per annum 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 were set out in the relevant Annual Report on Remuneration. The LTIP contains clawback and malus provisions.

Shareholding requirement

The Committee already had in place strong shareholding requirements (as a percentage of base salary) that encourage 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:

Role	Shareholding requirement (percentage of salary)
Group Chief Executive Officer	250%
Other Executive Directors	200%

The Committee retains the discretion to increase the shareholding requirements.

The Committee has introduced 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.

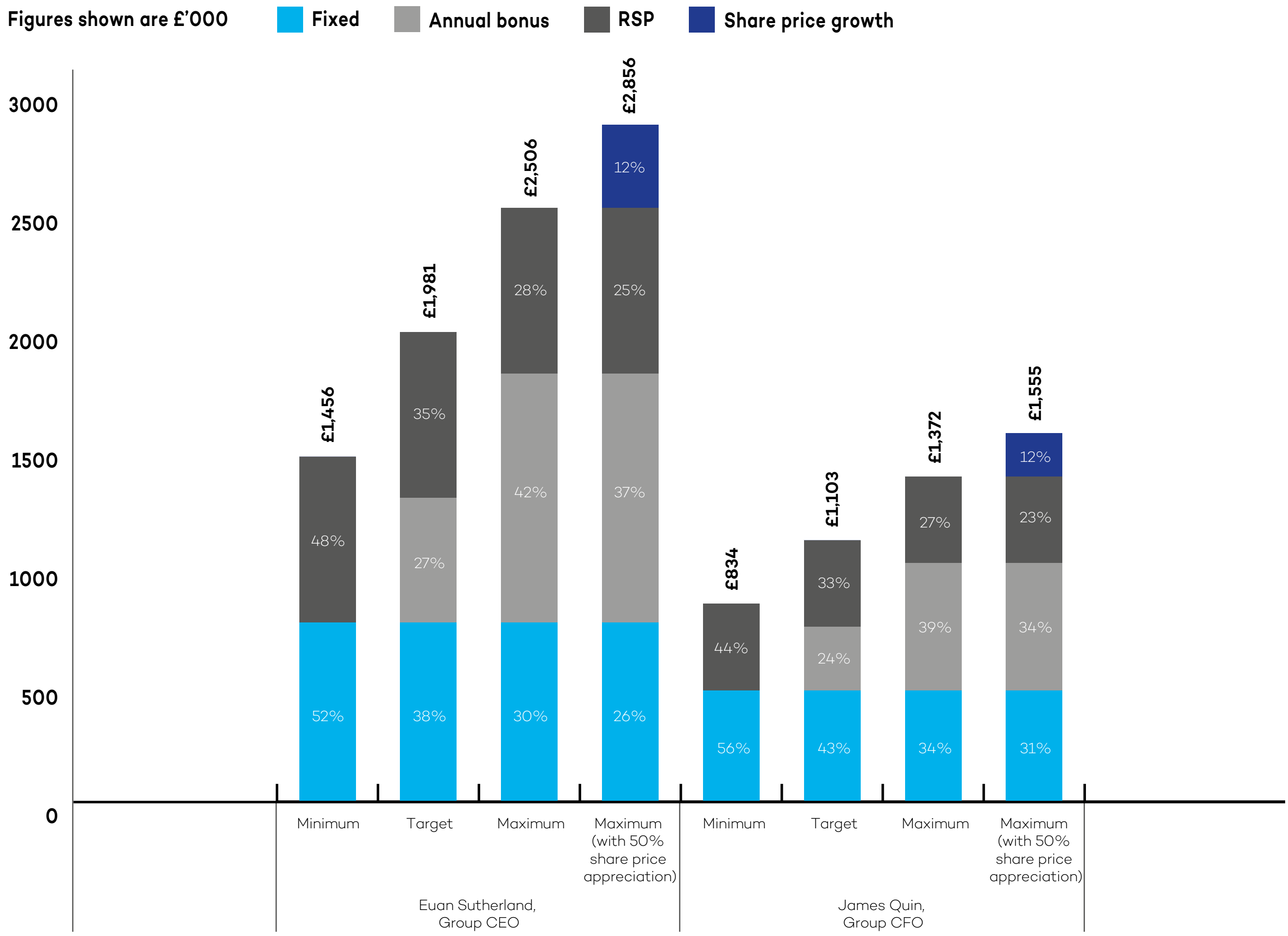
Element and link to strategy	Operation	Maximum	Performance conditions and recovery provisions
Non-Executive Chairman and Non-Executive Director fees			
Provides a level of fees to support recruitment and retention of a Non-Executive Chairman and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives.	The Board is responsible for setting the remuneration of the Non-Executive Directors. The Remuneration Committee is responsible for setting the Non-Executive Chairman'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 Non-Executive Chairman 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 Non-Executive Chairman do not participate in any variable remuneration or benefits arrangements.	The fees for Non-Executive Directors 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 Non-Executive Chairman 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 Non-Executive Chairman and may settle any tax incurred in relation to these.	No performance or recovery provisions applicable.

Directors' Remuneration Report

Directors' Remuneration Policy continued

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the Remuneration Policy set out in this report and is based on the normal RSP award level, rather than the lower initial award.



Assumptions used in determining the level of payout under given scenarios are as follows:

Element	Minimum	Target	Maximum	Maximum with 50% share price growth
Fixed elements	Base salary for 2020/21. Benefits paid for 2020/21 annualised for full year equivalent figures. Pension in line with policy at 6% of salary.			
Annual bonus	Nil.	50% of the 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.	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	100% vesting of Restricted Shares. Award levels are 100% of salary for the CEO, 85% of salary for the CFO.	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.

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 DBP shares or RSP shares.

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 the 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 RSPs) 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 Plan or vested long-term incentive awards (including RSPs) 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, RSP 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, which 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.
- 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 three-year vesting period.	To the end of the three-year vesting period.	To the end of the three-year vesting period.
Clawback	Two years post the date of any cash payment.	n/a	Two years post vesting.	Two years post vesting.

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

Directors' Remuneration Report

Directors' Remuneration Policy continued

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:

Remuneration element	Treatment on cessation of employment		
General	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 other colleagues, 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.		
Salary, benefits and pension	These will be paid over the notice period. The Company has discretion to make a lump sum payment in lieu.		
	Good leaver reason	**Other reason**	**Discretion**
Bonus cash	Performance conditions will be measured at the bonus measurement date. Bonus will normally be pro-rated for the period worked during the financial year.	No bonus payable 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 bonus to time. The 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.
Bonus deferred share awards	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. – 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.

Remuneration element	Treatment on cessation of employment		
	Good leaver reason	**Other reason**	**Discretion**
LTIP	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. – 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.
RSP for the year of cessation	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.

Directors' Remuneration Report

Directors' Remuneration Policy continued

LOSS OF OFFICE POLICY (CONTINUED)

Remuneration element	Treatment on cessation of employment		
	Good leaver reason	**Other reason**	**Discretion**
Subsisting awards	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.
- 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 bonus	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.
RSP	The number of shares subject to subsisting RSPs 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 RSPs for time. The Committee's normal policy is that it will pro-rate the RSPs 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 with that of the majority of colleagues.
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.
RSP	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 RSPs.
Maximum variable remuneration	The maximum variable remuneration which may be granted is the sum of the annual bonus and RSP (excluding the value of any buyouts). The maximum variable remuneration will be 250% of salary.

Directors' Remuneration Report
Directors' Remuneration Policy continued

RECRUITMENT AND PROMOTION POLICY (CONTINUED)

Remuneration element	Recruitment policy
Buyout of incentives forfeited on cessation of employment	Forfeited on cessation of employment. Where the Committee determines that the individual circumstances of recruitment justify 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. – Any other terms and conditions 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 colleague 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 colleague 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 Chairman or Non-Executive Director 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 and 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 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	12 months	12 months	None

Non-Executive Directors

Name	Original appointment	Appointment of current term	Arrangement	Notice period/unexpired term at AGM
Orna NiChionna	29 May 2014	29 May 2020	Letter of appointment	3 months/23 months
Julie Hopes	1 October 2018	1 October 2018	Letter of appointment	3 months/3 months
Eva Eisenschimmel	1 January 2019	1 January 2019	Letter of appointment	3 months/6 months
Gareth Hoskin	11 March 2019	11 March 2019	Letter of appointment	3 months/8 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 ELT, the Remuneration Committee considers a report prepared by the CPO detailing base pay and share schemes practice across the Company. The report provides an overview of how colleague 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 colleagues 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 colleague 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 colleagues that is market competitive and operates the same core structure as for the Executive Directors. The Group operates colleague share and variable pay plans, with pension provisions provided for all Executive Directors and colleagues. In addition, any salary increases for Executive Directors are expected to be generally in line with those for UK-based colleagues. 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 prior to proposing this 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 this Policy.

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE

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

Key remuneration element of the 2018 UK Corporate Governance Code	Alignment with Remuneration Policy
Five-year period between the date of grant and realisation for equity incentives	The RSP meets this requirement through the implementation of the two-year post-vesting holding period.
Phased release of equity awards	The RSP meets this requirement as awards are made in an annual cycle.
Discretion to override formulaic outcomes	Included in the terms and conditions of the Annual Bonus Plan and the RSP.
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 colleagues at 6%.
Extended malus and clawback	The malus and clawback provisions align with the Financial Reporting Council's (FRC) Board Effectiveness Guidance.

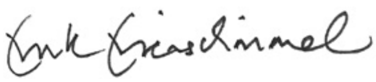
Provision 40 element	How the Remuneration Policy aligns
Clarity – remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Annual Bonus Plan performance conditions are based on the core strategic objectives and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. The RSP 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 Annual Bonus Plan are based on the Company's strategic objectives. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. RSPs are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make the remuneration more complex.

Directors' Remuneration Report

Directors' Remuneration Policy continued

COMPLIANCE WITH UK CORPORATE GOVERNANCE CODE (CONTINUED)

Provision 40 element	How the Remuneration Policy aligns
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 RSP; and – 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 an RSP which supports a focus on the sustainability of the performance over the longer term; – reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and – 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 an RSP 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 an RSP 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 RSP 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.



EVA EISENSCHIMMEL
Chair, Remuneration Committee
6 April 2021

This report has been prepared in accordance with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, 2018 and 2019, the Provisions of the current Code and the Listing Rules.

Directors' Report

MANAGEMENT REPORT

The Directors' Report, together with the Strategic Report set out on pages 1 to 49, form the Management Report for the purposes of Disclosure Guidance and Transparency Rule (DTR) 4.1.5R (the 'Management Report').

STATUTORY INFORMATION CONTAINED ELSEWHERE IN THE ANNUAL REPORT

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

Information	Location in annual report
Likely future developments in the business of the Company or its subsidiaries	Pages 1-49
Environmental, Social and Governance	Pages 18-27
Greenhouse gas emissions	Pages 24-25
Suppliers, customers and others in a business relationship engagement	Pages 26-27
Colleagues (employment of disabled persons, workforce engagement and policies)	Pages 18-22 and 26
Corporate Governance Statement	Pages 50-76
Directors' details (including changes made during the year)	Pages 50, 61-63 and 65
Related-party transactions	Not applicable
Diversity	Pages 21, 61 and 65
Share capital	Note 33 on page 197
Employee share schemes (including long-term incentive schemes)	Note 36 on pages 199-200
Financial instruments: information on the Group's financial instruments and risk management objectives and policies, including our policy for hedging	Notes 2, 3, 7, 8, 19 and 20 on pages 136-159, 161 and 174-184
Statements of responsibilities	Page 116
Additional information	Pages 212-216

DISCLOSURE TABLE PURSUANT TO LISTING RULE (LR) 9.8.4C

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

Listing Rule	Listing Rule requirement	Disclosure
9.8.4(1)	Interest capitalised by the Group and any related tax relief	Note 17 on pages 171-173
9.8.4(2)	Unaudited financial information (LR 9.2.18R)	Operating and Financial Review, pages 30-45
9.8.4(4)	Long-term incentive schemes (LR 9.4.3R)	Directors' Remuneration Report, pages 77-110
9.8.4(5)	Directors' waivers of emoluments	Directors' Remuneration Report, pages 77-110
9.8.4(6)	Directors' waivers of future emoluments	Directors' Remuneration Report, pages 77-110
9.8.4(7)	Non pre-emptive issues of equity for cash	Directors' Report on page 114
9.8.4(8)	Non pre-emptive issues of equity for cash by any unlisted major subsidiary undertaking	Not applicable
9.8.4(9)	Parent company participation in a placing by a listed subsidiary	Not applicable
9.8.4(10)	Contract of significance in which a Director is or was materially interested	Not applicable
9.8.4(11)	Contract of significance between the Company (or one of its subsidiaries) and a controlling shareholder	Not applicable
9.8.4(12)	Waiver of dividends by a shareholder	Directors' Report on page 115 (under paragraph 'Rights attaching to shares')
9.8.4(13)	Waiver of future dividends by a shareholder	Directors' Report on page 115 (under paragraph 'Rights attaching to shares')
9.8.4(14)	Board statement in respect of relationship agreement with a controlling shareholder	Not applicable. See Directors' Report on page 112 (under 'Relationship agreement with Director shareholder')

Directors' Report continued

RESULTS AND DIVIDENDS

The Group made a loss after taxation of £67.8m for the financial year ended 31 January 2021. The Board did not pay an interim dividend. The Board of Directors is not in a position to recommend the payment of a final dividend for the 2020/21 financial year, for the reasons stated below.

The Directors have adopted a Dividend Policy (which is reviewed by the Board on an annual basis). While the Directors intend to resume dividend payments in the future, the Group will assess its Dividend Policy for current and future years as the COVID-19 situation becomes more certain. No dividends can be paid while leverage is greater than 3.0x, nor while the principal amounts deferred under the two ship facilities remain outstanding. Any decision to declare and pay dividends is made at the discretion of the Directors and depends on, among other things, applicable law, regulation, restrictions, the Group's financial position, regulatory capital requirements, working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

POLITICAL DONATIONS

No political donations were made during the year.

DIRECTORS' INTERESTS

A list of the Directors, their interests in the long-term performance share plan, contracts and ordinary share capital of the Company are given in the Directors' Remuneration Report on pages 77-110.

RELATIONSHIP AGREEMENT WITH DIRECTOR SHAREHOLDER

Any person who exercises or controls, on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast at general meetings of a company are known as a 'controlling shareholder' under the Listing Rules. The Listing Rules require companies with controlling shareholders to enter into an agreement which is intended to ensure that the controlling shareholders comply with certain independence provisions stated in the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, there are no controlling shareholders in the Company. However, the Company entered into a relationship agreement with Roger De Haan on 10 September 2020 (the 'Relationship Agreement'). Roger De Haan holds 36,855,555 shares of 15p each (constituting 26.4% of issued share capital immediately after the capital raise and 26.31% of total issued capital as at 31 January 2021). The Relationship Agreement regulates the relationship between the Company and Roger De Haan and contains undertakings that transactions and arrangements with the shareholder will be conducted on an arm's length basis and on normal commercial terms. It also provides that dilutions caused by new issuances of shares shall be disregarded when determining investor rights under its terms.

RULES ON APPOINTMENT AND REPLACEMENT OF DIRECTORS

A Director may be appointed by ordinary resolution of the shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such a meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next Annual General Meeting (AGM). A Director may be removed by the Company in certain circumstances set out in the Company's Articles of Association or by an ordinary resolution of the Company. The Relationship Agreement between the Company and Roger De Haan provides for the nomination for appointment (and removal or re-nomination) to the Board of one Non-Executive Director for as long as he or she holds at least the higher of (i) 10% or more of the issued ordinary share capital of the Company and (ii) the percentage of the issued ordinary share capital of the Company represented by 60% of the investor's holding of ordinary shares immediately following the capital raise.

All Directors will seek re-election, or election in the case of Roger De Haan, at the AGM in accordance with the Company's Articles of Association and the recommendations of the UK Corporate Governance Code.

DIRECTORS' INDEMNITIES

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

CHANGE OF CONTROL – SIGNIFICANT AGREEMENTS

There are some arrangements which give rights to third parties to terminate agreements upon a change of control of the Company, including following a takeover bid, for example insurance, commercial contracts and distribution agreements. There are a number of contracts and arrangements throughout the Group for which the legal risk arising out of a change of control is managed as part of the contractual governance process.

The Group's corporate debt is unsecured and in place for general purposes. It consists of a £250m seven-year public listed bond at 3.375%, due to expire in May 2024, which has 101% put at change of control leading to a 1 notch credit rating downgrade, a five-year £200m term loan expiring in May 2023 (£70m outstanding at 31 January 2021) and a £100m five-year revolving credit facility (RCF), expiring in May 2023.

Twelve-year Export Credit Agency (ECA) backed funding is in place to finance 80% of the cost of the Group's two new ocean Cruise ships. The first of these facilities was drawn on completion of the build of Spirit of Discovery and is secured by way of a charge over the asset. The second facility was drawn on completion of the build of Spirit of Adventure and is also secured by way of a charge over the asset. The Company has provided a guarantee for the ship debt. The Group has secured a debt holiday and covenant waiver for the ship debt up to 31 March 2022.

In the event of a change of control, the facilities would either require repayment or renegotiation. If the ship financing is terminated, significant break fees may be incurred. Further details on banking facilities are shown in note 30 to the consolidated financial statements on pages 194-195.

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

The Company does not have any agreements with colleagues (including Directors) which would pay compensation in the event of a change of control.

CONFLICT OF INTEREST

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

SHARE CAPITAL AND INTERESTS IN VOTING RIGHTS

The Company's share capital (including movements during the year) is set out on page 197. At the date of this report, the Company's issued share capital comprised a single class of share capital which is divided into ordinary shares of 15p each. As at 31 January 2021, 140,102,227 ordinary shares of 15p each had been issued, are fully paid up and quoted on the London Stock Exchange (LSE).

During the year, the Company undertook a capital raise, which resulted in the new issue of 971,918,208 shares of 1p each on 5 October 2020. Roger De Haan subscribed for 348,583,026 shares of 1p each in the firm placing and 204,250,307 shares of 1p each in the placing and Open Offer representing 26.4% of the share capital at the time. The Company undertook a share consolidation on 13 October 2020, consolidating every 15 ordinary shares of 1p each into a single ordinary share of 15p each. 507,458 shares of 15p each were issued on 18 November 2020 and transferred into an Employee Benefit Trust to satisfy employee incentive arrangements. As a result Roger De Haan holds 26.31% of the Company's issued share capital.

In accordance with DTR 5.1, the Company needs to disclose where it has been notified of the interests in the Company's total voting rights. The obligation to notify sits with the shareholder, and the Company must report on the notifications received, as at 31 January 2021 and also the date of signing of this annual report and accounts. Details of such notifications are included on the following page.

Since the date of disclosure to the Company, the interest of any person may have increased or decreased. There is no requirement to notify the Company of any increase or decrease unless the holding passes a notifiable threshold in accordance with DTR 5.1.

As the Company is aware that the disclosures set out on page 114 do not reflect current shareholders an exercise was undertaken (under section 793 of the Companies Act 2006) to identify those shareholders who hold over 3% of the Company's issued share capital, as summarised in the table on page 114.

Information regarding other interests in voting rights provided to the Company pursuant to the FCA DTRs is published on the Company's website and a Regulatory Information Service.

Directors' Report continued

SHARE CAPITAL AND INTERESTS IN VOTING RIGHTS (CONTINUED)

The following table summarises shareholders who hold over 3% of the Company's issued share capital (based on section 793 requests):

Name	Ordinary shares of 15p each (post-consolidation)	Percentage of capital held	Nature of holding
Aggregate of Standard Life Aberdeen plc	7,348,655	5.25%	Indirect
Setanta Asset Management Limited	5,500,845	3.93%	Indirect
Roger De Haan	36,855,555	26.31%	Indirect

In accordance with DTR 5.1, the Company had been notified of the following interests in the Company's total voting rights as at 31 January 2021:

Name	Ordinary shares of 1p each (pre-consolidation)	Ordinary shares of 15p each (post-consolidation)	Percentage of capital as disclosed to the Company	Nature of holding
Majedie Asset Management Limited	56,074,666	3,738,311	4.99%	Indirect
Artemis Investment Management LLP	111,601,253	7,440,083	9.98%	Indirect
Royal London Asset Management Limited	55,282,337	3,685,489	4.93%	Direct
Pelham Capital Ltd	49,867,633	3,324,508	4.44%	Contract for Difference
BlackRock, Inc.	56,034,496	3,735,633	4.99%	Indirect
Aggregate of Standard Life Aberdeen plc	62,905,217	4,193,681	5.61%	Indirect
Setanta Asset Management Limited	–	9,738,336	6.95%	Indirect
Pictet Asset Management Ltd	56,064,854	3,737,656	4.99%	Direct
Roger De Haan	552,833,333	36,855,555	26.31%	Indirect
Mário Nuno dos Santos Ferreira	33,660,000	2,244,000	3.00%	Direct (0.2%), Indirect (2.8%)

Note:
The Company is aware that some shareholdings referenced above may have been diluted as a result of the capital raise, and the number of shares quoted are disclosed either pre or post the consolidation which took place on 13 October 2020

As at 6 April 2021, the Company had been notified of the following interests in the Company's total voting rights:

Name	Ordinary shares of 15p each	Percentage of capital as disclosed to the Company	Nature of holding
Setanta Asset Management Limited	5,500,845	3.93%	Indirect

AUTHORITY TO ALLOT/PURCHASE OWN SHARES

A shareholders' resolution was passed at the AGM on 22 June 2020 which authorised the Company to make market purchases within the meaning of section 693(4) of the Companies Act 2006 (the 'Act') (up to £1,122,003.32 representing 10% of the aggregate nominal share capital of the Company following admission). This is subject to a minimum price of 1p and a maximum price of the higher of 105% of the average mid-market quotations for five business days prior to purchase or the price of the last individual trade and highest current individual bid as derived from the LSE trading system.

The Company did not exercise this authority during the year, and it will expire at the forthcoming AGM. A special resolution to authorise the Company to make market purchases representing 10% of current nominal share capital will be proposed. The authority to repurchase the Company's ordinary shares in the market will be limited to £2,101,533.41 and will set out the minimum and maximum price which would be paid.

The Directors of the Company were also granted authority at the 2020 AGM to allot relevant securities up to a nominal amount of £3,736,271. This authority will apply until the conclusion of the 2021 AGM, at which shareholders will be asked to grant the Directors authority (for the purposes of section 551 of the Act) to allot relevant securities (i) up to an aggregate nominal amount of £6,935,060; and (ii) comprising equity securities (as defined in the Act) up to an aggregate nominal amount of £13,870,120 (after deducting from such limit any relevant securities issued under (i) in connection with a rights issue). These amounts will apply until the conclusion of the AGM to be held in 2022, or, if earlier, 31 July 2022.

Special resolutions will also be proposed to give the Directors authority to make non pre-emptive issues wholly for cash in connection with rights issues and otherwise up to an aggregate nominal amount of £1,050,766.70 and to make non pre-emptive issues wholly for cash in connection with acquisitions or specified capital investments up to an aggregate amount of £1,050,766.70.

RIGHTS ATTACHING TO SHARES

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

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

The Saga Employee Benefit Trust (the 'Trust') is an Employee Benefit Trust which holds property (the 'Trust Fund') including *inter-alia* money, and ordinary shares in the Company, in trust in favour or for the benefit of colleagues of the Saga Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the Trust Fund in such manner as the Trustee in its absolute discretion thinks fit. The Trustee has waived its rights to dividends on ordinary shares held by the Trust. Details of employee share schemes are set out in note 36 to the consolidated financial statements.

RESTRICTIONS ON THE TRANSFER OF SHARES

Pursuant to the relationship agreement dated 10 September 2020, Roger De Haan is limited in the transfer of his shares prior to 5 October 2021 (12 months from the date of admission) without the written consent of the Company. Other than this arrangement, or where imposed by law or regulation, or where the Listing Rules require certain persons to obtain clearance before dealing, there are no restrictions regarding the transfer of shares in the Company. The Company is not aware of any further agreement which would result in a restriction on the transfer of shares or voting rights.

ARTICLES OF ASSOCIATION

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

RESEARCH AND DEVELOPMENT

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

BRANCHES OUTSIDE THE UK

The Company does not have any branches outside the UK.

POST-BALANCE SHEET EVENTS

There were no post-balance sheet events.

AUDITOR

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

ANNUAL GENERAL MEETING

The AGM will be held on 14 June 2021 at 11am at Enbrook Park, Sandgate, Folkestone, Kent CT20 3SE. The Notice of AGM will contain an explanation of special business to be considered at the meeting and will be available on our website, www.corporate.saga.co.uk, in due course.

By order of the Board

V. HAYNES
Group Company Secretary
6 April 2021
Saga plc (Company no. 08804263)

Statements of responsibilities

DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union (EU), and in conformity with the requirements of the Companies Act 2006, and have elected to prepare the parent company financial statements in accordance with UK accounting standards, including FRS 101 'Reduced Disclosure Framework'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period (see Key statements on page 53). In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

MAINTENANCE OF WEBSITE

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

DIRECTORS' RESPONSIBILITY STATEMENT

Each of the Directors, who were in office at the date of this report, whose names and responsibilities are listed on pages 60 and 62-63, confirm that, to the best of their knowledge:

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

By order of the Board

V. HAYNES
Group Company Secretary
6 April 2021
Saga plc (Company no. 08804263)

Independent Auditor's Report to the Members of Saga plc

KPMG

1. OUR OPINION IS UNMODIFIED

We have audited the financial statements of Saga plc ('the Company') for the year ended 31 January 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity and consolidated statement of cash flows, Company balance sheet, Company statement of changes in equity, and the related notes, including the accounting policies in note 2 to the Group financial statements and note 1 to the Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 January 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 22 June 2017. The period of total uninterrupted engagement is for the four financial years ended 31 January 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above together with our key audit procedures to address those matters and our findings from those procedures in order that the Company's members as a body may better understand the process by which we arrived at our audit opinion. These matters were addressed, and our findings are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the Members of Saga plc continued

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

	The risk	Our response

Going concern and disclosures
The risk compared to the prior year is unchanged.
 	
Refer to pages 28-29 (principal risks and uncertainties), pages 44-45 (Strategic Report – Operating and Financial Review), page 46 (Viability Statement), page 53 (going concern statement), pages 70-73 (Audit Committee Report) and note 2.1 on pages 136-138 (basis of preparation), note 30 on page 194-195 and note 41 on page 203 (financial disclosures).
	Unprecedented levels of uncertainty
	The financial statements explain how the Directors have formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and the Company. The judgement is based on an evaluation of the inherent risks to the Group and Company's business model and how those risks might affect the Group and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.
	
	The prolonged impact of COVID-19 may cast significant doubt on the entity's ability to continue as a going concern and may indicate the existence of a material uncertainty.
	
	The risks most likely to adversely affect the Group and Company's available financial resources and metrics relevant to debt covenants over the period to April 2022 are:
	
	– the length of time that the impact of COVID-19 will continue to significantly disrupt the Group's Travel operations and constrain its ability to operate, given that the Group's customer demographic is most at risk from this pandemic and the restrictions imposed worldwide in respect of the freedom of movement and travel;
	– the financial and operational resilience of the Group's Insurance business and its ability to deliver the business plan in light of heightened levels of regulatory change and increased uncertainty brought on by this pandemic; and
	– the impact on the Group's ability to meet the terms of its ship debt and Group bank debt covenants.
		Our procedures included:
		
		– **Funding assessment:** We considered the Directors' assessment of COVID-19 related sources of risk to the Group's financial and operational resilience compared with our own understanding of these risks and knowledge of the business. Our procedures included:
		  – We agreed the Group's committed level of financing, the availability of facilities and related covenant requirements to signed agreements;
		  – We critically evaluated management's assessment of compliance with debt covenants. We assessed the ability of the Group to meet the terms and financial covenants within recently amended facility agreements in reasonably foreseeable downside scenarios brought about by the COVID-19 pandemic. These included challenge and assessment of the ability of the Group to withstand an extended and prolonged period of no Cruise or Tour Operations and, once business returns to normal, to respond to new ways of operation;
		  – We critically evaluated management's risk assessment process to identify and assess business risks relating to events and conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern and whether the method used by management is appropriate;
		  – We evaluated the models used by management in its assessment and evaluated how the information system captures events and conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern; and
		  – Through inquiry and inspection of correspondence, we considered the likelihood of the Group's financial services and travel regulators (Financial Conduct Authority ('FCA'), the Gibraltar Financial Services Commission ('GFSC') and the Civil Aviation Authority ('CAA')), imposing additional financial or operational constraints on the Group and how such risks had been factored into the stress testing performed.

The risk	Our response

Disclosure quality
Clear and full disclosure of the assessment undertaken by the Directors and the rationale for the use of the going concern assumption represents a key financial statement disclosure requirement.
 	
There is a risk that insufficient details are disclosed to allow a full understanding of the going concern assessment.
	– **Key dependency assessment:** The continued operation of the Group's Insurance business is an important factor in assessing the risk of failure; as is the continued availability of the Group's revolving credit facility (refer above) throughout the assessment period. Our procedures included:
	  – We gained an understanding of and assessed the Group's plans and progress to ensure the continued operation of the Insurance business in the face of the disruption caused by COVID-19, and the assessment of the likely impact of regulatory change in the insurance industry on its business plan; and
	  – Using our insurance industry experience, we challenged and evaluated the degree to which reasonably foreseeable downside scenarios that would impact the Group's Insurance business were factored into the financial resilience modelling that the Group has performed.
	– **Historical comparisons:** We evaluated the appropriateness of management's cashflow forecast process by comparing historic forecasts and the related underlying assumptions considered in the prior period with the actual and forecasted cashflows.
	– **Benchmarking assumptions and our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our knowledge of the business and our travel and insurance sector experience and assessing the potential risk of management bias.
	– **Sensitivity analysis:** We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively. This included an assessment of the Group's ability to continue to meet its amended debt covenants in this scenario.
	– **Evaluating Directors' intent:** We evaluated the achievability of the actions the Directors may consider they would take to improve the position as risks materialise. This included inspecting the temporary working capital facility agreement the Group has entered into, to enable additional funding to be provided to the Cruise business, should this be necessary.

Independent Auditor's Report to the Members of Saga plc continued

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

The risk	Our response
	– **Assessing transparency:** In order to assess the completeness and accuracy of the disclosures we performed the following procedures: – We critically assessed the matters covered in the going concern disclosure by agreeing to supporting evidence and performing inquiries of the Directors, which included challenging the transparency of assumptions in the severe but plausible downside stress scenarios performed in making this assessment; – We assessed whether the disclosures in the annual report describe the principal risks by comparing with our understanding of the business and evaluated how these are mitigated by considering the specific management actions; and – We challenged the basis of preparation and determined whether any change from the method used in the prior period is appropriate. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found the going concern disclosure without any material uncertainty to be proportionate (2020 result: proportionate). However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

	The risk	Our response
Valuation of claims outstanding – large BI case reserves and IBNR (gross and net) *The risk compared to the prior year has increased.* *(Gross £329.5 million, 2020: £338.3 million; Net £117.2 million, 2020: £149.1 million)* *Refer to pages 70-73 (Audit Committee Report), note 2.3r and 2.3s on page 148 (accounting policies); note 2.5 on pages 151-154 (significant accounting judgements, estimates and assumptions), note 20 on page 178-184 and note 28 on pages 189-193 (financial disclosures).*	**Subjective valuation:** Valuation of claims outstanding –large bodily injury ('BI') case reserves and incurred but not reported ('IBNR') estimates is highly judgemental and requires a number of assumptions to be made that have high estimation uncertainty and can have material impacts on the valuation. Further, valuation of these liabilities involves selection of appropriate methods, which are highly subjective, and involves complex calculations. Key assumptions include development patterns and estimates of the frequency and severity of claims used to value the liabilities, particularly those relating to the amount and timing of IBNR claims. The inherent risks of material misstatement relating to valuation of claims outstanding has been impacted by the COVID-19 pandemic and current economic conditions. We expect that recent data used to determine the assumptions used in setting reserve estimates will be affected by COVID-19 and therefore management will need to consider the extent to which this influences the choice of the assumptions. Certain areas of the claims outstanding balance contain greater uncertainty, for example third-party bodily injury ('TPBI') claims exhibit greater variability and are more long-tailed than the damage classes. In particular the allowances made for the likelihood of a claim to settle as a Periodic Payment Order ('PPO') rather than a lump sum is uncertain and has a high reserving risk, following the change in the Ogden rate. Similar estimates are required in establishing the reinsurers' share of claims outstanding, in particular the share of IBNR claims. A margin is added to the actuarial best estimate (ABE) of claims outstanding to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and estimate taken by the Directors, based on the perceived uncertainty and potential for volatility in the underlying claims, which has increased given the impacts of COVID-19.	Our procedures included: – **Control design and implementation:** Tested, with the support of our IT specialists, the design and implementation of key controls over the completeness and accuracy of claims and premiums data used in the calculation of IBNR claims (including both current and prior year case reserve data). The controls included reconciliations between data in the actuarial reserving systems and data in the policy administration systems; and – tested the design and implementation of controls over setting and monitoring of case reserves over large bodily inquiry claims. We involved our actuarial specialists to perform the following procedures: – **Evaluate the work of internal actuaries:** We analysed and evaluated the results of reserving reports issued by the internal actuaries and assessed their competence and the appropriateness of their methodology and their conclusions; – **Benchmarking assumptions and methodology:** Through critical assessment of the actuarial reports and supporting documentation, including the use of benchmarking against market data and through discussion with the actuaries, we analysed and challenged the reserving methodology as well as the key assumptions used – including claims frequency, claims severity, claims inflation, development patterns, PPO propensities, allowances for subrogation and the impact of legislative and process developments and considered the need for additional allowances as a result of COVID-19; and – **Independent re-performance in respect of the actuarial best estimate:** We used our own modelling tools to re-project ultimate losses for substantially all perils and compared this to the Group's estimates. Our other procedures included: – **Margin evaluation:** We evaluated the appropriateness of the Group recommended margin held at year end. In order to do this, we assessed the Directors' approach, and supporting analysis for margin to be held, having regard to additional allowances made this year for what is considered heightened uncertainty in the notification and development of claims brought about as a result of COVID-19 that may not yet be reflected in the data and assumptions used in developing the ABE. We then considered the relative strength of the margin held against peers and versus the prior period in order to be satisfied that before allowing for the increase in uncertainty arising from COVID-19, no additional prudence had been recognised in the level of overall reserves held including margin.

Independent Auditor's Report to the Members of Saga plc continued

2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

The risk	Our response
Data capture The valuation of these reserves depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of claims outstanding may arise. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of claims outstanding has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	– **Data comparisons:** We agreed the relevant financial and non-financial claims and premiums data recorded in the claims and premiums administration systems to the data used in the actuarial reserving calculations, to assess the integrity of the data used by the internal actuaries in the actuarial reserving process and assessed that the output of the actuarial re-projections reconciled. – **Tests of detail:** We corroborated a targeted sample of large BI case reserves, for example, large third party bodily injury claims, to appropriate documentation such as reports from loss adjusters or third party experts, to identify and test the application of significant assumptions applied in determining the level of case reserves and to evaluate the valuation against prescribed reserving methodology. We assessed the risk transfer elements of the reinsurance contracts and the accuracy of a sample of reinsurance recoveries recorded, including reinsurance recoveries related to IBNR, against the terms of relevant reinsurance agreements. – **Assessing transparency:** We assessed whether the Group's disclosures about the degree of estimation uncertainty and the sensitivity of the balance to changes in key assumptions reflected the risks inherent in the valuation of claims outstanding. We performed the tests above rather than seeking to rely on any of the group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found the estimate of claims outstanding to be cautious where we exercised judgement to determine the acceptability of the amount recognised. We took into account the relative strength of the estimates versus the prior period in order to be satisfied that, before allowing for the increase in uncertainty arising from COVID-19, no additional prudence had been recognised. In concluding on the overall estimate of the valuation of claims outstanding, we took into account heightened uncertainty in a portfolio that is monoline in nature and in the development and notification of claims as a result of the impact of COVID-19. We also considered the clarity of the associated disclosure of the direction of estimation uncertainty and of the sensitivity of key assumptions. As noted above, overall we found that the assumptions and estimate were cautious (2020: mildly cautious) with proportionate (2020: proportionate) disclosure of the sensitivities to changes in key assumptions and estimate as inputs to the valuation.

	The risk	Our response
Recoverability of Group goodwill and the Parent Company's investment in subsidiaries *The risk compared to the prior year is unchanged* *(Group goodwill: £718.6 million, 2020: £778.4 million; Company's investment in subsidiaries: £552.3 million, 2020: £552.3 million)* *Refer to pages 70-73 (Audit Committee Report), note 2.3g and 2.3h on pages 142-143 and note 1.1b on page 206 (accounting policies), note 2.5 on pages 151-154 and note 1.2 on page 209 (significant accounting judgements, estimates and assumptions), note 5 on page 160, note 14 on page 168 and note 16 on pages 169-171 and note 2 on pages 209-210 (financial disclosures).*	**Forecast-based valuation:** Goodwill in the Group and the carrying amount of the Company's investment in subsidiaries are significant and at risk of irrecoverability if forecast business performance for the Group's Insurance, Cruise and Tour Operations businesses, in particular, were to fall significantly short of business plans. The estimated recoverable amount of goodwill and the Company's investment in subsidiaries are subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows and auditor judgement is required to assess whether the Directors' overall estimate, taking into account the below assumptions, falls within an acceptable range. Current economic conditions including the prolonged closure of the Group's Travel businesses that has arisen as a result of COVID-19 also have a significant impact on estimation uncertainty. The assessment of the recoverability of the goodwill balance involves a high degree of subjectivity due to the supporting calculation of Value in Use ('VIU') being reliant on expectations of future performance. Multiple inputs into the goodwill calculation, such as weighted average cost of capital ('WACC') and terminal growth rates are at risk of manipulation in order to demonstrate that the value of an underlying intangible asset is not impaired. The risk premium in relation to these assets has been impacted by increased uncertainty in the economic outlook as a result of a COVID-19 and therefore there is risk of impairments to goodwill and investments in subsidiaries at the Company level if the share price does not recover; and particularly if the Group is not able to deliver at or ahead of plan in 2021/22 and years to come. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of Group goodwill and the Company's investment in subsidiaries has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: – **Control design and implementation:** We evaluated the design and implementation of the Group's impairment assessment procedures, including those controls over the approvals of business plans, including as applied to the Company. – **Historical comparisons:** We assessed the reasonableness of cash flow projections against historical performance; – **Our sector experience:** We evaluated and challenged the assumptions used in cash flow forecasts using our sector knowledge and experience. – **Benchmarking assumptions:** We compared the Group's and the Company's assumptions to externally derived data in relation to key inputs such as WACC and terminal growth rates with the support of our valuation specialists. – **Comparing valuations:** We compared the recoverable amount of each significant cash generating unit ('CGU') by reference to VIU relative to the carrying value and evaluated the outcome against comparator industry multiples; and, for the Company's investment in subsidiaries, we compared the sum of the VIUs for all of the Group's CGUs to the carrying value, market capitalisation and implied multiples of the Group; and corroborated reasons for any significant differences. – **Sensitivity analysis:** We used our analytical tools to assess the sensitivity of the goodwill headroom and concluded on the appropriateness of any impairment recognised. We considered the impact of COVID-19 on key assumptions and changes therein. – **Assessing transparency:** We assessed whether the Group disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill and in the carrying value of the Company's investment in subsidiaries. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** We found that the resulting estimates over the recoverable amount of Group goodwill and the related impairment charge in the period and of the Company's investment in subsidiaries to be balanced (2020 finding: mildly cautious). We found the disclosures of the drivers of impairment and the sensitivities of goodwill headroom and the carrying value of the Company's investment in subsidiaries to changes in key assumptions, to be proportionate (2020: proportionate).

Independent Auditor's Report to the Members of Saga plc continued

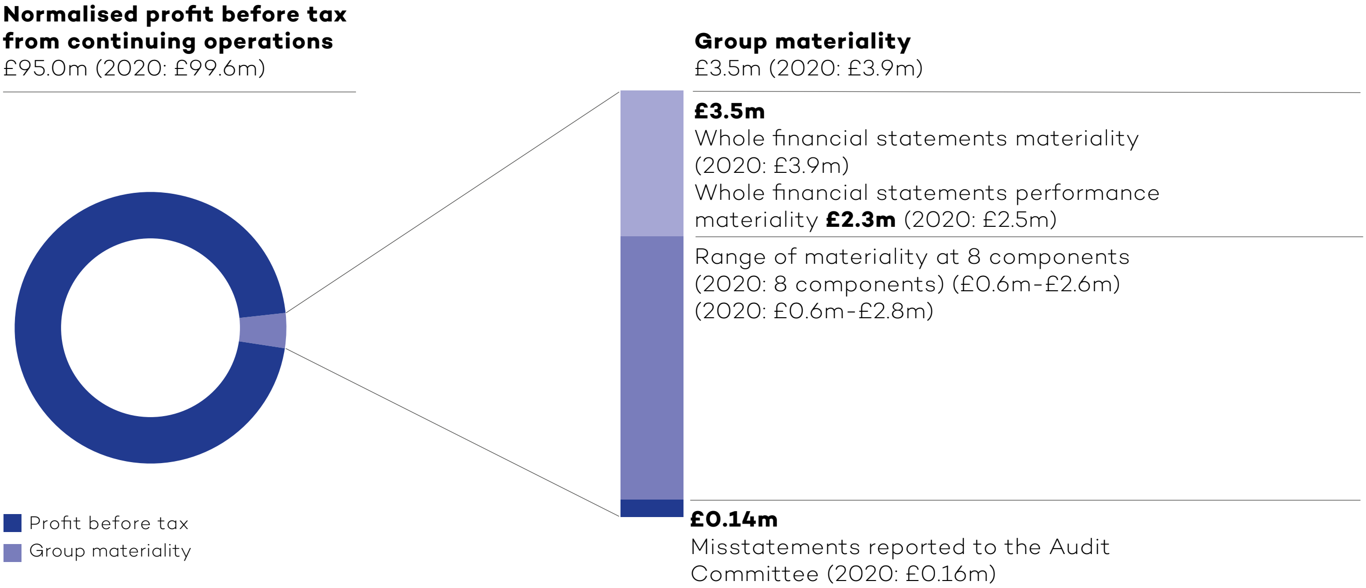
2. KEY AUDIT MATTERS: OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT (CONTINUED)

	The risk	Our response
Recoverability of the carrying value of cruise ships *This is a new key audit matter* *(Cruise ships: £635.0 million, 2020: £303.9 million)* *Refer to pages 70-73 (Audit Committee Report), note 2.3h and 2.3i on page 143 (accounting policies), note 2.5 on pages 151-154 (significant accounting judgements, estimates and assumptions) and note 17 on pages 171-173 (financial disclosures).*	**Forecast-based valuation:** The estimated recoverable amount of the Group's cruise ships is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The carrying amount of the cruise ships is at risk of irrecoverability if the resumption of trading in Cruise was to be delayed beyond that assumed in the latest business plan forecasts approved or if the speed at which the business is expected to recover, fell short of expectations. There is a higher level of subjectivity and therefore more risk in estimating VIU for these assets this year, caused by the impact of COVID-19 on the prolonged closure of the Cruise business and in ongoing uncertainty as to the economic outlook. Further, there are multiple inputs into the estimate of VIU, such as the per ship cash flows, estimated useful life and residual value of the cruise ships, WACC and the annual growth rate, that are at risk of manipulation in order to demonstrate that the value of cruise ships assets is not impaired. The effect of these matters is that, as part of the reassessment of the risks in our audit, we determined that the recoverability of the carrying value of cruise ships has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.	Our procedures included: – **Control design and implementation:** We evaluated the design and implementation of the Group's controls over the impairment assessment procedures, including those over the cash flow forecasts applied to the cruise ships. – **Benchmarking assumptions:** We challenged the forecast cash flow and growth assumptions for the cruise ship assets, including comparison of the estimated useful life, residual values and annual growth rates to external sources. – We worked with our valuation specialists to independently develop a discount rate range considered appropriate using market data for comparable assets, adjusted by risk factors specific to the asset. – We considered the appropriateness of, and assessed the integrity of the VIU models applied by the Group for impairment testing. – We compared the forecast cash flows and capital expenditure contained in the VIU models to the Board approved five-year plan. – **Sensitivity analysis:** We used our analytical tools to assess the sensitivity of the recoverability of the carrying value of cruise ships and concluded on the appropriateness of no impairment being recognised. We considered the impact of COVID-19 on key assumptions including annual assumed load factors, restart dates, discount rates, and the speed at which cruising is assumed to return to pre-COVID-19 levels. – **Assessing transparency:** We assessed whether the Group disclosures around the valuation of cruise ships and the sensitivity to changes in key assumptions reflects the risks inherent in the valuation of cruise ship assets. We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. **Our findings:** Having found the Group's estimate of the recoverable amount of the cruise ships to be at the high end of the range, we consider it to be acceptable. We exercised judgement, based on our assessment of reasonably possible assumptions, as to whether it is acceptable not to record an impairment, and we exercised judgement to determine the appropriateness of disclosures of the risk that a reasonable change in assumptions could lead to an impairment, taking into account the fact that these cruise ships are recently acquired assets and the fact that a faster return to pre-COVID-19 levels of trading in Cruise would support the recoverability of the carrying values of these assets. As noted above, overall we found that the resulting estimate of the recoverable amount of the carrying value of the cruise ships to be optimistic (2020 finding: balanced). We found the disclosures of management judgments and the sensitivities of the carrying value of cruise ships to changes in key assumptions to be proportionate (2020: proportionate).

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union ('EU'). Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments of key audit matters such as going concern, the valuation of claims outstanding – large BI case reserves and IBNR, the recoverability of Group goodwill and the Company's investment in subsidiaries and the recoverability of the carrying value of cruise ships, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Materiality for the Group financial statements as a whole was set at £3.5m (2020: £3.9m), determined with reference to a benchmark of Group profit before tax, normalised by averaging a three year period to exclude goodwill and other impairment charges as disclosed in note 5, of £65.0m (2020: £400.5m), which represents 3.7% (2020: 3.9%).



Materiality for the Company financial statements as a whole was set at £2.2m (2020: £2.5m), which represents 0.3% of net assets of £713.4m (2020: 0.4% of net assets of £587.3m). The increase in net assets of the Company is attributable to the issuance of share capital during the year by the Company.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for both the Group and Company was set at 65% (2020: 65%) of materiality for the financial statements as a whole, which equates to £2.3m (2020: £2.5m) and £1.4m (2020: £1.5m). We applied this percentage in our determination of performance materiality based on the level of control deficiencies and changes in key senior management during the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.14m (2020: £0.16m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 8 (2020: 8) reporting components, we subjected 4 (2020: 4) to full scope audits for Group purposes and 4 (2020: 4) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes but did present specific individual risks that needed to be addressed. For the residual components, we conducted reviews of financial information (including enquiry) at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materiality, which ranged from £0.6m to £2.6m (2020: £0.6m to £2.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 2 of the 8 components (2020: 2 of the 8 components) was performed by component auditors and the rest, including the audit of the Company, was performed by the Group team. The Group audit team performed specific procedures on the impairments of £65.0m (2020: £400.5m) which was excluded in arriving at the normalised Group profit before tax for the year as identified above.

Independent Auditor's Report to the Members of Saga plc continued

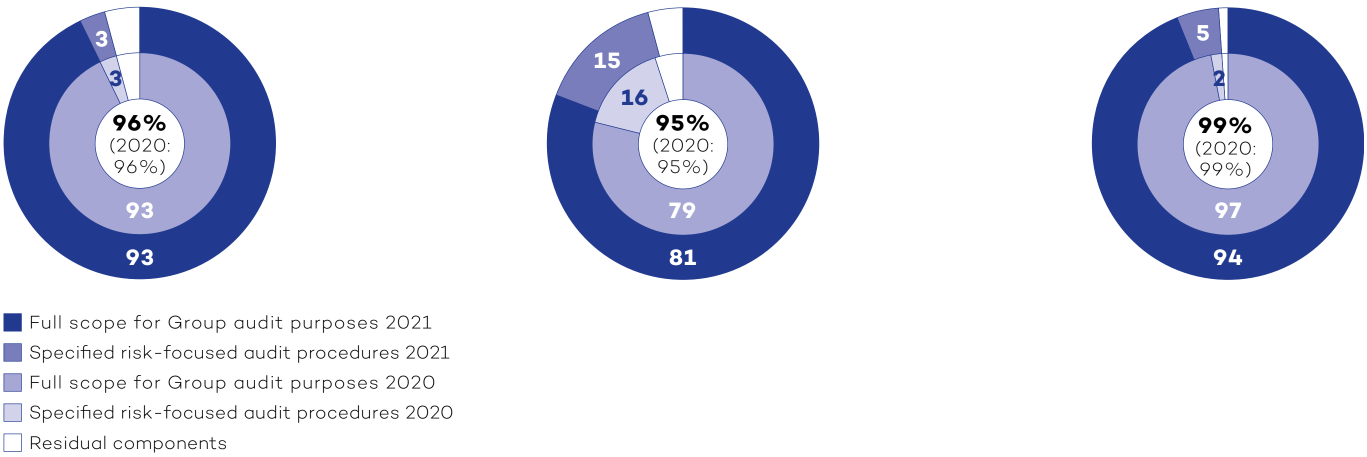
3. OUR APPLICATION OF MATERIALITY AND AN OVERVIEW OF THE SCOPE OF OUR AUDIT (CONTINUED)

The Group team also routinely reviews the audit documentation of all component audits. This year for one component that is reported by KPMG Gibraltar, who were also the component auditors during 2019 and 2020, the work arrangement was re-organised, and the underlying work was managed and delivered by the KPMG Group senior staff with oversight and review by KPMG Gibraltar.

Whilst it would be conventional practice to visit the component team, the impact of the COVID-19 restrictions on travel required an alternative approach this year, which required more extensive use of video and telephone conference meetings with all component auditors. During these video and telephone conference meetings, an assessment was made of audit risk and strategy, the findings reported to the Group audit team were discussed in more detail, key working papers were inspected and any further work required by the Group audit team was then performed by the component auditor.

These components within the scope of our work accounted for the following percentages of the Group's results:

Group revenue | **Total profits and losses that made up the Group loss before tax** | **Group total assets**



4. GOING CONCERN

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ('the going concern period').

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

An explanation of how we evaluated management's assessment of going concern is set out in the related key audit matter in section 2 of this report.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period;
- we have nothing material to add or draw attention to in relation to the Directors' statement in note 2.1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note 2.1 to be acceptable; and
- the related statement under the Listing Rules set out on page 53 is materially consistent with the financial statements and our audit knowledge.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- enquiring of Directors, the Audit Committee, the Internal Audit Director, the Chief Risk Officer and inspection of key policies and papers provided to those charged with governance as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and the process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud;
- reading Board, Audit and Risk Committee minutes and in the case of Audit and Risk Committee meetings for the Group, attendance of the external audit partner at these meetings;
- considering remuneration incentive schemes and performance targets for Directors and senior management.
- using analytical procedures to identify any unusual or unexpected relationships;
- consulting with professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company; and
- reading broker reports and other public information to identify third-party expectations and concerns.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that broking and travel revenue is recorded in the wrong period and the risk that Group and component management may be in a position to make inappropriate accounting entries.

We also identified fraud risks related to inappropriate assessment of the recoverability of Group goodwill, the recoverability of the carrying value of cruise ships and the valuation of claims outstanding – large BI case reserves and IBNR, in response to possible pressures to meet profit targets.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls. Further detail in respect of the procedures performed over the recoverability of Group goodwill, the recoverability of the carrying value of cruise ships and the valuation of claims outstanding – large BI case reserves and IBNR, including how we have used specialists to assist in our challenge of management is set out in the key audit matter disclosures in section 2 of this report. We challenged management in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the business, trends in experience, customer behaviour and economic conditions including the impact of COVID-19 and also by reference to market practice.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- identifying journal entries to test for all in scope components, based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, those including specific words based on our risk criteria, those journals which were unbalanced, those posted to unusual accounts, those posted at the end of the period and/or post-closing entries with little or no description and unusual journal entries posted to either cash or borrowings; and
- assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Independent Auditor's Report to the Members of Saga plc continued

5. FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT (CONTINUED)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to full-scope component audit teams of relevant laws and regulations identified at the Group level, and a request for full scope component auditors to report to the group team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, regulatory compliance and liquidity, and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form, with the Insurance business regulated primarily by the FCA and the GFSC, with the Travel business regulated by the CAA. The Travel businesses are members of the Association of British Travel Agents (ABTA), the International Air Transport Association (IATA) and the Federation of Tour Operators (FTO). These are well-recognised UK trade bodies with codes of conduct which members are required to adhere to. All parts of Saga operate procedures to comply with other key regulations and legislation including but not limited to the Data Protection Act 2018, the Bribery Act 2010, the Equality Act 2010 and Health and Safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. WE HAVE NOTHING TO REPORT ON THE OTHER INFORMATION IN THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for the other information presented in the annual report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability
We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the Viability Statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 46 that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures on pages 28 to 29 describing these risks and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability Statement, set out on page 46 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures
We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

7. WE HAVE NOTHING TO REPORT ON THE OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION
Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Saga plc continued

8. RESPECTIVE RESPONSIBILITIES

Directors' responsibilities

As explained more fully in their statement set out on page 116, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9. THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

STUART CRISP
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London
E14 5GL
6 April 2021