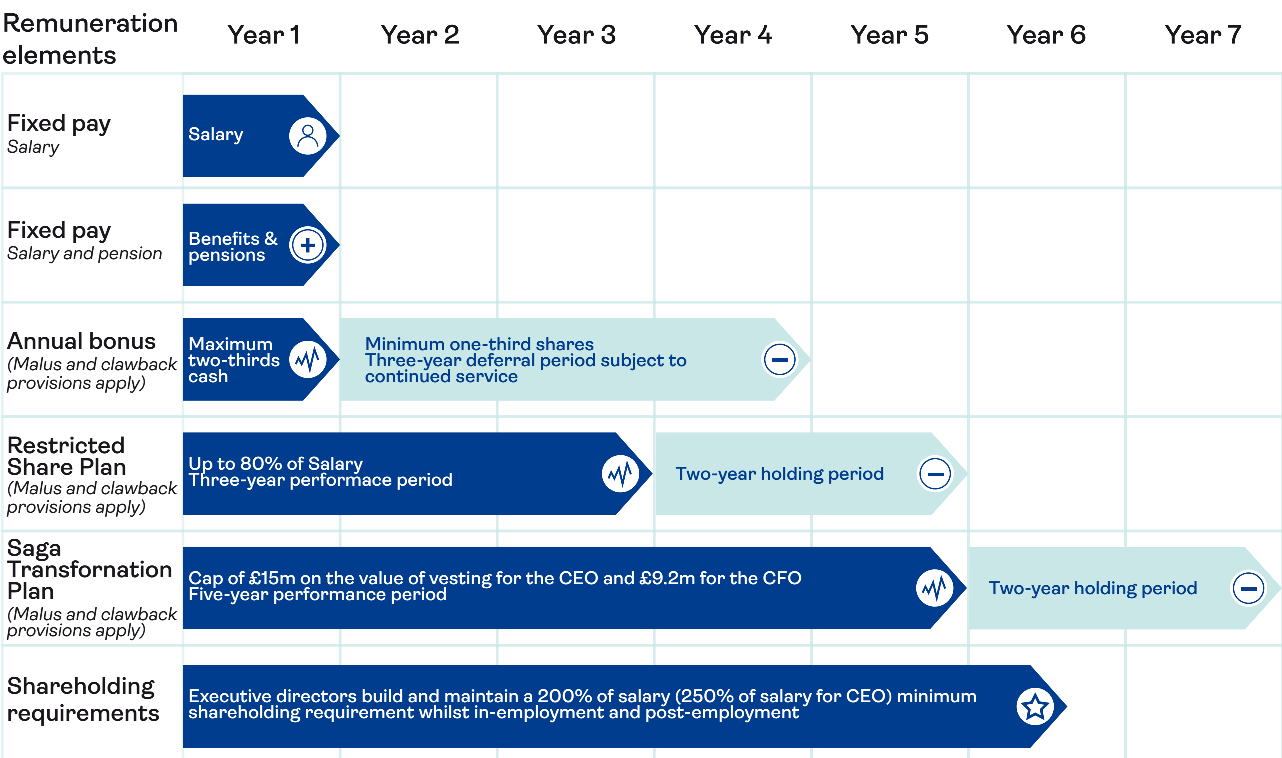
# DIRECTORS' REMUNERATION POLICY

This document sets out the Saga plc (the **Company**) Policy on remuneration for Executive and Non-Executive Directors (the **Policy**) which will be subject to approval by shareholders at the 2022 Annual General Meeting (**AGM**) and if approved, will take effect immediately afterwards. The Policy has been prepared in accordance with the requirements of the UK 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 Remuneration Committee (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 as its primary goal the ability 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.

The Board delegated its responsibility to the Committee to establish the Policy on the remuneration of the Executive Directors and the Chair. The Board has established the Policy on the remuneration of the other Non-Executive Directors.

**Summary of the Policy to be approved at the 2022 AGM**




**Changes made to the previous policy**

| Element | Changes to policy | Rationale |
|---|---|---|
| **Long-term incentives - Saga Transformation Plan (STP)** | Addition of an STP which provides participants with a portion of the value created above a stretching hurdle over a five-year period. | To drive and reward exceptional levels of growth. Only once significant shareholder value has been delivered will any rewards become payable under the STP. |
| **Long-term incentives - Restricted Share Plan (RSP)** | A 20% reduction to the RSP award level during the term of the STP. | To retain the current stability and retention provided by the RSP but rebalance the package and recognise the introduction of the STP. The RSP rewards and retains for moderate to strong performance and delivery of shareholder value. |

**Directors' Remuneration Policy table**

| Base salary | |
|---|---|
| **Element and link to strategy** | 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. |
| **Operation** | 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:<br>• pay increases to other colleagues;<br>• remuneration practices within the Group;<br>• any change in scope, role and responsibilities;<br>• the general performance of the Group and each individual;<br>• the experience of the relevant Director; and<br>• the economic environment.<br>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. |
| **Maximum potential value** | 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.<br>The Committee intends to review the comparators each year and will add or remove companies from the comparator group as it considers appropriate.<br>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).<br>The Company will set out the Executive Directors' salaries for the following financial year in each Directors' Remuneration Report, in the section headed 'Implementation of the Remuneration Policy. |
| **Performance conditions and recovery provisions** | A broad assessment of individual and business performance is used as part of the salary review. No recovery provisions apply. |
| **Changes to previous policy** | No changes. |

| Pension | |
|---|---|
| **Element and link to strategy** | Provides a fair level of pension provision for all colleagues. |
| **Operation** | The Company provides a pension contribution allowance that is fair, competitive and in line with governance best practice.<br>Pension contributions will be a non-consolidated allowance and will not impact any incentive calculations. |
| **Maximum potential value** | The maximum value of the pension contribution allowance for both current and newly appointed Executive Directors is aligned with that of the wider workforce, currently 6% of salary. |
| **Performance conditions and recovery provisions** | No performance or recovery provisions apply. |
| **Changes to previous policy** | No changes. |

| Benefits | |
|---|---|
| **Element and link to strategy** | Provides a market-standard level of benefits. |
| **Operation** | Benefits may include family private health cover, death in service life assurance, car allowance, subsistence expenses and discounts in line with other colleagues.<br>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, colleagues 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. |

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|---|---|
| **Maximum potential value** | The maximum is the cost of providing the relevant benefits. |
| **Performance conditions and recovery provisions** | No performance or recovery provisions apply. |
| **Changes to previous policy** | No changes. |

| **Annual bonus** | |
|---|---|
| **Element and link to strategy** | The Annual Bonus Plan provides a significant incentive to the Executive Directors, linked to achievement of goals that are closely aligned with the Company's strategy and the creation of value for shareholders.<br>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. |
| **Operation** | The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of salary.<br>The Company will set out in the section headed 'Implementation of Remuneration Policy' within the Directors' Remuneration Report, in the following financial year, the nature of the targets and their weighting for each year.<br>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.<br>The Committee can determine that part of the bonus earned under the Annual Bonus Plan is provided as an award of shares under the Deferred Bonus Plan (**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:<br>• minimum deferral period of three years; and<br>• the participant's continued employment at the end of the deferral period, unless they are a good leaver.<br>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 DBP shares. |
| **Maximum potential value** | The 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:<br>• Threshold: up to 20%<br>• Target: 50%<br>• Maximum: 100% |
| **Performance conditions and recovery provisions** | 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.<br>The 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.<br>Any adjustments or discretion applied by the Committee will be fully disclosed in the following year's Directors' 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 Plan.<br>Both the Annual Bonus Plan and the DBP contain malus and clawback provisions. |
| **Changes to previous policy** | No changes. |

| Restricted Share Plan (RSP) | |
|---|---|
| **Element and link to strategy** | Awards are designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy. |
| **Operation** | 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:<br>• the Executive Director's continued employment at the date of vesting; and<br>• the satisfaction of an underpin as determined by the Committee, whereby the Committee can adjust vesting for business, individual and wider Company performance.<br>A two-year holding period will apply following the three-year vesting period for all awards granted to the Executive Directors.<br>Upon vesting, sufficient shares may be sold to pay tax on the shares.<br>The Committee may award dividend equivalents on awards to the extent that these vest. |
| **Maximum potential value** | 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.<br>For Executives participating in the STP, this maximum will be reduced by 20% for the period of participation. |
| **Performance conditions and recovery provisions** | No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin in that the Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance.<br>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:<br>• 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.<br>• Whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually.<br>• Whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually.<br>• The potential for windfall gains.<br>• The level of colleague and customer engagement over the period.<br>The RSP is subject to clawback and malus provisions. |
| **Changes to previous policy** | 20% reduction to the maximum opportunity level to rebalance the package and recognise the introduction of the additional incentive provided by the STP. |

| Saga Transformation Plan (STP) | |
|---|---|
| **Element and link to strategy** | Awards are designed to add an additional opportunity to drive, and reward, exceptional levels of growth over the longer term. |
| **Operation** | A one-off award that gives Executive Directors the opportunity to earn share awards over a five-year performance and vesting period.<br>The STP allows participants to share in up to 12.5% of the total value created for shareholders above a specified hurdle (defined below) measured on a date shortly after the end of the five-year performance period (the **Measurement Date**).<br>On the Measurement Date, 50% of the number of share awards earned will vest immediately. 25% of the award earned will be released one year after the Measurement Date with the final 25% earned being released two years after the Measurement Date.<br>No shares are capable of sale until the fifth anniversary of grant.<br>If the shareholder value of £6.00, including share price and dividends (the **Hurdle**) has not been achieved at the Measurement Date (inclusive), no share awards will vest. |
| **Maximum potential value** | The maximum number of share awards which may vest under the STP is 12.5% of the value created above the Hurdle (the **STP Pool**).<br>The allocation for the Chief Executive Officer (**CEO**) is 18% of the STP Pool and 11% of the STP Pool for the Chief Financial Officer (**CFO**).<br>Awards are subject to a cap on the value on vesting of £15m for the CEO and £9.2m for the CFO. |

| | |
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| **Performance conditions and recovery provisions** | The Committee may vary the level of vesting of a share award if it determines that the formulaic vesting level would not reflect business or personal performance, or such other factors as it may consider appropriate.<br>An annual review of continued participation will be undertaken by the Committee to ensure appropriate conduct and risk leadership conditions are satisfied.<br>Malus and clawback provisions will apply to STP awards.<br>Malus will operate throughout the performance period.<br>The clawback period will be two years (or longer, if the Committee determines) from the date of vesting.<br>Further details are set out on page 12. |
| **Changes to previous policy** | New element of the Policy. |

**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.

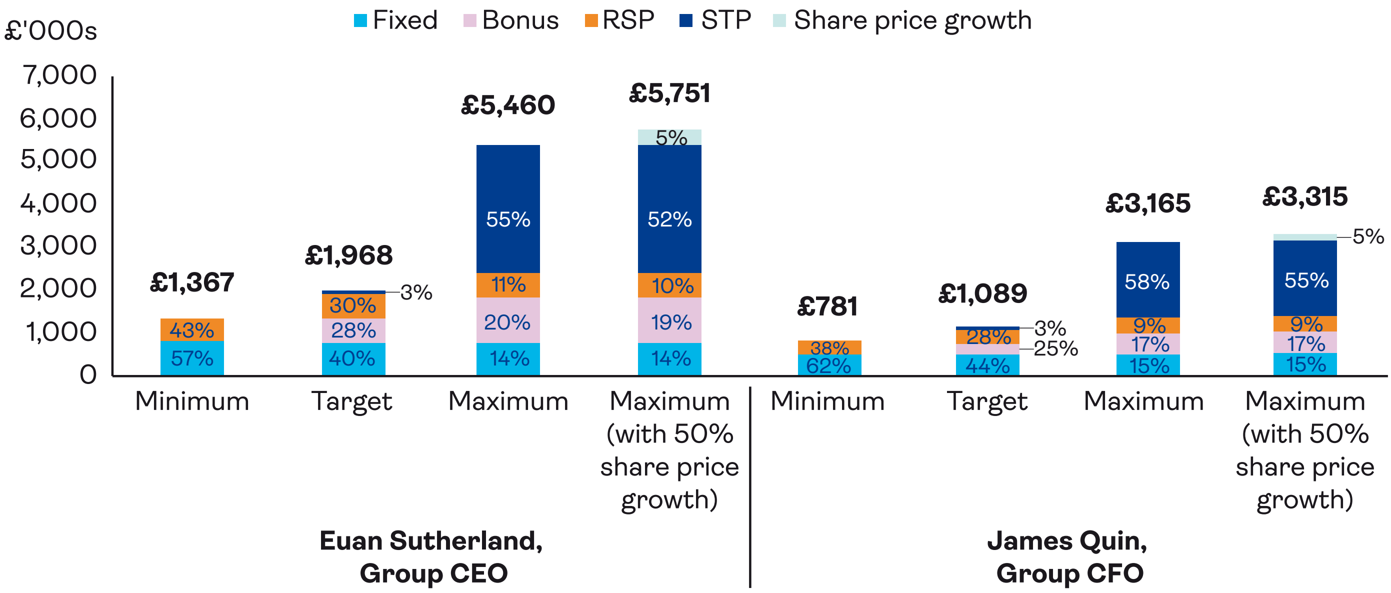
| Chair and Non-Executive Director fees | |
|---|---|
| **Purpose** | Provides a level of fees to support recruitment, and retention, of a Non-Executive Chairman and Non-Executive Directors with the necessary experience to advise and assist with establishing and monitoring the Group's strategic objectives. |
| **Operation** | The Board is responsible for setting the remuneration of the Non-Executive Directors. The Committee is responsible for setting the Non-Executive Chairman's fees.<br>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. Non-Executive Directors will be entitled to an additional fee if they are required to perform any specific and additional services. Chair and membership fees may be introduced for any new committees.<br>The Non-Executive Chairman does not receive any additional fees for membership of Committees.<br>Fees are reviewed annually based on taking into account time commitment, responsibilities and 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. |
| **Maximum potential value** | The fees for Non-Executive Directors are broadly set at a competitive level against the comparator group.<br>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 Non-Executive Chairman will not exceed £2.0m.<br>The Company will pay reasonable expenses incurred by the Non-Executive Directors and Non-Executive Chairman and may settle any tax incurred. |
| **Performance metrics** | No performance or recovery provisions apply. |
| **Changes to previous policy** | Additional flexibility to award further fees where specific incremental services are required to be performed. |

Elements of previous policy that will continue

| Element and link to strategy | Operation | Performance metrics |
|---|---|---|
| Legacy Long Term Incentive Plan (LTIP) was designed to incentivise the Executive Directors over the longer-term to successfully implement the Company's strategy. | Awards granted in 2019 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.<br>Further details of the terms were included in the relevant Annual Report on Remuneration at the time of grant. | Vesting of the 2019 LTIP award is subject to relative total shareholder return and return on capital employed performance, as well as a strategic and operational element. |

**Illustration of application of the Policy**

The chart below shows an estimate of the remuneration that could be received by Executive Directors under the first year of the operation of the Policy set out in this report.




| Element | Minimum | Target | Maximum | Maximum with 50% share price growth |
|---|---|---|---|---|
| **Fixed elements** | Base salary for 2022/23.<br>Benefits paid for 2021/22 annualised for full year equivalent figures.<br>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.<br>Award levels are 80% of salary for the CEO, 68% of salary for the CFO. | 100% vesting of Restricted Shares.<br>Award levels are 80% of salary for the CEO, 68% of salary for the CFO. | 100% vesting of Restricted Shares.<br>Award levels are 80% of salary for the CEO, 68% of salary for the CFO. | 100% vesting of Restricted Shares plus 50% share price appreciation.<br>Award levels are 80% of salary for the CEO, 68% of salary for the CFO. |
| **Saga Transformation Plan (shown in the chart on an annualised basis)** | Nil. | Estimate of accounting fair value. | £15m for the CEO and £9.2m for the CFO. | £15m for the CEO and £9.2m 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 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 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 RSP and STP) because of the occurrence of one or more of the 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 RSP and STP) as a result of the occurrence of one or more of the circumstances listed below. Clawback may apply to all, or part, of a participant's payment under the Annual Bonus Plan, RSP or STP 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 | STP |
|---|---|---|---|---|
| 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 five-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 and undertakes an annual review to assess if there are reasonable grounds for the malus and clawback provisions to be enforced.

**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:<br>• 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.<br>• 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 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:<br>• 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.<br>• To vest deferred shares at the end of the original deferral 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.<br>• 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 Committee's normal policy is that it will not pro-rate awards for time. The Committee will determine whether or not to pro-rate based on the circumstances of the Executive Director's departure. |
| **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:<br>• 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.<br>• To determine whether to pro-rate the Company award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.<br>• 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. |

| | | | |
|---|---|---|---|
| **RSP** | 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:<br>• 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.<br>• To determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Director's departure.<br>• 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.<br>• 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. |
| **STP** | Awards which have vested remain exercisable at the normal dates, subject to the relevant holding periods/ release dates.<br>The Committee retains discretion to allow awards which have not yet vested to continue to vest subject to achievement of the Hurdle and pro-rated to time. | Awards which have vested remain exercisable at the normal dates, subject to the relevant holding periods/ release dates.<br>Awards which have not yet vested lapse. | In respect of the STP, good leaver treatment will be solely at the discretion of the Committee, taking into account the circumstances and factors which it considers to be relevant. |
| **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 of the above incentive plans, except the STP. 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). The Committee retains the authority to exercise its discretion to determine good leaver treatment separately in respect of each element of remuneration.

In respect of the STP, good leaver treatment will be solely at the discretion of the Committee, taking into account the circumstances and factors which it considers to be relevant.

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. |
| **Bonus 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. |
| **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. |
| **STP** | There will be a Measurement Date on the change of control and the value of the STP Pool and share awards will be calculated accordingly.<br>The share price used to calculate the total shareholder return will be the offer price for the Company.<br>Accrued share awards will immediately vest (and be released from any holding periods) on the date of the change of control. | The Committee has discretion regarding whether to pro-rate the STP for time. The Committee's normal policy is that it will not pro-rate the STP for time. |

**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 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 | 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 80% of salary. |
| **STP** | Eligible to participate with award size to reflect expected contribution and timing of joining the plan. |
| **Maximum variable remuneration** | The maximum variable remuneration which may be granted is the sum of the annual bonus, RSP and STP (excluding the value of any buyouts). |

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| **Buyout of incentives forfeited on cessation of employment** | Forfeited on cessation of employment.<br><br>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:<br><br>• The proportion of the performance period completed on the date of the Executive Director's cessation of employment.<br>• The performance conditions attached to the vesting of these incentives and the likelihood of them being satisfied.<br>• 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 Directors' 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 appointment**

The Committee's policy for setting notice periods is that normally they will be a maximum of 12 months. The 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 UK Corporate Governance Code 2018 recommendation that all Directors be subject to annual re-appointment by shareholders.

**Executive Director**

| | | | 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 Director**

| 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/11 months |
| Julie Hopes | 1 October 2018 | 1 October 2021 | Letter of appointment | 3 months/28 months |
| Eva Eisenschimmel | 1 January 2019 | 1 January 2022 | Letter of appointment | 3 months/30 months |
| Gareth Hoskin | 11 March 2019 | 11 March 2022 | Letter of appointment | 3 months/32 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.

### Choice of performance measures and targets

***Annual bonus***

Performance for the Annual Bonus Plan will be measured against financial and non-financial measures with respective targets for each measure set by the Committee each financial year. The Policy provides the Committee with the flexibility to choose measures that are strongly linked to the specific strategic and financial priorities in any given financial year.

For financial measures, the targets are set with reference to internal forecasts, external forecasts and other circumstances, as appropriate, to ensure that targets are suitably stretching and motivational to Executives.

Non-financial targets are set each financial year with reference to the key strategic objectives of the Company and are linked to the long-term success of the business.

***RSP***

No specific performance conditions are required for the vesting of Restricted Shares but there will be an underpin in that the Committee will have the discretion to adjust vesting taking into account business, individual and wider Company performance.

***STP***

The STP will be based on the Hurdle of £6.00 per share including dividends paid during the performance period. If this minimum Hurdle is not met, no payout will be awarded. The measure has been set for alignment with longer-term shareholder value, with the Hurdle being set at a level that is considered stretching in the context of the business strategy and market conditions.

### Consideration of employment conditions elsewhere in the Group

Each year, prior to reviewing the remuneration of the Executive Directors and the members of the Executive Leadership Team, the Committee considers a report prepared by the Chief People Officer detailing base pay and share scheme practices 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 Policy, the Company engages with colleagues via its People Committee, where the approach to Executive remuneration is also discussed. The Chair of the Remuneration Committee is the Non-Executive Director nominated as 'People Champion'. In addition, the Committee receives 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, a proportion of the STP Pool is also reserved for all colleagues. 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 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 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 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 the Code

The following table sets out how the Policy aligns with the 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 Code | Alignment with the Policy |
|---|---|
| Five-year period between the date of grant and realisation for equity incentives | The RSP and STP meet this requirement through the implementation of the two-year post-vesting holding period for the RSP and five-year vesting period for the STP. |
| Phased release of equity awards | The RSP meets this requirement as awards are made in an annual cycle. The STP has a phased release in years five, six and seven. |
| Discretion to override formulaic outcomes | Included in the terms and conditions of the Annual Bonus Plan, the RSP and the STP. |
| 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 is aligned with the majority of colleagues at 6%. |
| Extended malus and clawback | The malus and clawback provisions align with the Financial Reporting Council's Board Effectiveness Guidance. |

| Provision 40 element | How the Policy aligns |
|---|---|
| **Clarity**<br>*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.<br>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.<br>Payout of the STP is directly linked to shareholder value through the Hurdle. |
| **Simplicity**<br>*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.<br>RSPs are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.<br>The STP is based on growth in total shareholder returns and therefore is a simple to understand incentive. |
| **Risk**<br>*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 Policy includes:<br>• setting defined limits on the maximum awards which can be earned, including an earnings cap on the STP;<br>• requiring the deferral of a substantial proportion of the incentives in shares for a material period of time;<br>• aligning the performance conditions with the strategy of the Company;<br>• ensuring a focus on long-term sustainable performance through the RSP and STP; and<br>• ensuring there is sufficient flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes.<br>These elements mitigate against the risk of target-based incentives by:<br>• limiting the maximum value that can be earned;<br>• deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discourages short-term behaviours;<br>• aligning any reward to the agreed strategy of the Company; the use of an RSP and STP which support a focus on the sustainability of the performance over the longer term;<br>• reducing the awards, or cancelling them, if the behaviours giving rise to the awards are inappropriate; and<br>• 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**<br>*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 Policy sets out clearly the range of values, limits and discretions in respect of the remuneration of management.<br>The RSP, in particular, ensures the predictability of the rewards received by management. |

| | |
|---|---|
| **Proportionality**<br>*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 Policy sets out clearly the range of values and discretions in respect of the remuneration of management.<br>The RSP, in particular, ensures 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 Committee to more effectively ensure desirable remuneration outcomes.<br>The STP is measured against stretching targets and therefore does not reward poor performance. In addition, the Committee's overriding discretion to depart from formulaic outcomes ensures there is no reward for poor performance. |
| **Alignment to culture**<br>*Incentive schemes should drive behaviours consistent with the Company's purpose, values and strategy* | The bonus plan drives behaviours consistent with the Company's strategy.<br>The RSP and STP drive 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
30 May 2022

# SUMMARY OF THE PRINCIPAL TERMS OF THE SAGA PLC 2022 SAGA TRANSFORMATION PLAN

In conjunction with, but not contingent upon, the proposed changes to the Directors' Remuneration Policy which are subject to a shareholder vote under Resolution 3, Saga plc (the **Company**) intends to implement a new share plan, the Saga Transformation Plan (the **STP**). The principal features of the STP are summarised below.

**Introduction**
The STP is a discretionary share plan. Under the STP, the Board of the Company (the **Board**) may grant awards over ordinary shares in the Company (**Shares** and **Awards**) to eligible colleagues. No payment is required for the grant of an Award (unless the Board determines otherwise).

Awards may take the form of options or conditional share awards (**Options** and **Conditional Share Awards**). It is intended that Awards will be granted in the form of Options.

It is intended that Awards will vest subject to stretching growth targets over a five-year performance period, based on a total shareholder return hurdle (the **Hurdle**) of £6, including dividends paid during the five-year performance period. Awards will vest over a number of Shares, representing a share in the growth of the Company to the extent that the Hurdle is achieved.

**Eligibility**
All colleagues of the Company's group (the **Group**) are eligible for selection to participate in the STP at the discretion of the Board, provided that (unless the Board determines otherwise) they have not given or received notice of termination.

**Limits**
The STP may operate over new issue Shares, treasury Shares or Shares purchased in the market. An Award may not be granted under the STP if it would cause the aggregate number of Shares issued or issuable under any colleague share scheme operated by the Company in the preceding 10 years to exceed 10% of the Company's issued share capital at that time.

In addition, an Award may not be granted under the STP if it would cause the number of Shares issued or issuable under the STP and any other discretionary colleague share scheme operated by the Company in the preceding 10 years to exceed 5% of the Company's issued share capital at that time.

Shares transferred out of treasury under the STP will count towards these limits for so long as this is required under institutional investor guidelines. In addition, Awards which are renounced or lapse, or any Shares which the trustees of an employee benefit trust have purchased in order to satisfy an award, shall be disregarded for the purposes of these limits.

**Grant of Awards**
Awards may be granted during the 42 days beginning on: (i) the date of shareholder approval of the STP; (ii) the day after the announcement of the Company's results for any period; (iii) any day on which the Board determines that circumstances are sufficiently exceptional to justify the making of an Award at that time; or (iv) if any dealing restrictions applied during any such period, the day after the lifting of such dealing restrictions. However, no Awards may be granted more than 10 years from the date of shareholder approval of the STP.

No payment is required for the making of an Award and Awards are not transferable (except on death). Awards are not pensionable.

**Performance and other conditions**
The Board will impose performance conditions on the vesting of Awards.

The performance condition applying to an Award may be varied or substituted if the Board considers it appropriate, provided the Board considers that the new performance condition is reasonable and is not materially less difficult to satisfy than the original condition (except in the case of waiver). The Board may also impose other conditions on the vesting of Awards.

The maximum value that any Award holder may receive under their Award will be subject to an individual cap, which will be set by the Board. For the Chief Executive Officer, the cap has been set at £15m; for the Chief Financial Officer, the cap has been set at £9.2m.

**Vesting**
Awards will normally vest to the extent that the applicable performance conditions have been satisfied and to the extent permitted following any operation of malus. Options will normally remain exercisable for a period determined by the Board at grant, which shall not exceed 10 years from grant.

The Board retains discretion to adjust the level of vesting upwards or downwards if, in its opinion, the level of vesting resulting from the application of the relevant performance conditions is not a fair and accurate reflection of business performance, the participant's personal performance and such other factors as the Board may consider appropriate.

**Holding period**
At the discretion of the Board, Awards may be subject to holding periods. Awards made to the Executive Directors will be subject to holding periods. For Awards which are subject to holding periods, holding periods will apply to Shares acquired under the STP as follows:

- No holding period will apply to 50% of the Shares acquired pursuant to an Award.
- A holding period of one year from vesting will apply to 25% of the Shares acquired pursuant to an Award.
- A holding period of two years from vesting will apply to 25% of the Shares acquired pursuant to an Award.

During any holding period, Award holders will be required to retain the Shares subject to the holding period and shall not be permitted to transfer, assign or otherwise dispose of such Shares for the duration of the holding period, subject to being permitted to sell such number of Shares as may be necessary to meet any tax liability arising on exercise and subject to certain other limited exceptions or if the Board, in its discretion, determines otherwise.

**Malus**
The Board may decide, at any time prior to the vesting of an Award, that the value or number of Shares subject to the Award shall be reduced (including to nil) and/or that additional conditions shall be imposed on such basis that the Board, in its discretion, considers to be fair and reasonable in the following circumstances:

A. Discovery of a financial misstatement resulting in an adjustment in the historical audited accounts of the Company or any Group company.
B. The discovery that the assessment of any performance target, or other condition, in respect of an Award was based on error, inaccurate or misleading information.
C. The discovery that any information used to determine the number of Shares subject to an Award was based on error, inaccurate or misleading information.
D. There has been an action or conduct of an Award holder which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct.
E. A material failure of risk management of the Company, a Group member or business unit of the Group.
F. The Company, or any Group member or business of the Group, becomes insolvent or otherwise suffers a corporate failure so that the value of Shares is materially reduced, provided that the Board determines, following an appropriate review of accountability that the Award holder should be held responsible (in whole or in part) for, that insolvency or corporate failure.

**Clawback**
The Board may apply clawback to all, or part, of a participant's Award in substantially the same circumstances as apply to malus (as described above) during the period of two years following the vesting of an Award. Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards.

**Cessation of employment**
Except in certain circumstances set out below, an Award will lapse immediately upon an Award holder ceasing to be employed by, or holding office with, the Group to the extent it has not vested.

However, the Board may determine that their Award will not lapse and will ordinarily vest on the date when it would have vested if they had not so ceased to be a Group colleague or director, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between the grant of the Award and the participant's cessation of employment as a proportion of the normal vesting period. The Board can alternatively decide that their Award will vest early when they leave. The extent to which an Award will vest in these situations will be determined by the Board at its absolute discretion, taking into account, among other factors, the period of time the Award has been held and the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, unless the Board decides otherwise, vesting will be pro-rated to reflect the reduced period of time between the grant of the Award and the participant's cessation of employment as a proportion of the normal vesting period.

To the extent that Options vest in these circumstances, they may be exercised for a period of six months following vesting (or such longer period as the Board determines). To the extent that Options vest following the death of a participant, they may normally be exercised for a period of 12 months following death (or such longer period as the Board determines).

**Corporate events**
In the event of a takeover, scheme of arrangement, compulsory acquisition of Shares, or winding-up of the Company, Awards will vest early. The proportion of the Awards which vest shall be determined by the Board, taking into account, among other factors, the period of time the Award has been held by the participant and the extent to which the applicable performance conditions have been satisfied at that time.

To the extent that Options vest in the event of a takeover, winding-up or scheme of arrangement of the Company, they may be exercised for a period of six months measured from the relevant event (or, in the case of takeover, such longer period as the Board determines) and will otherwise lapse at the end of that period (or, in the case of a winding-up, upon the completion of the winding up if earlier). To the extent that Options vest in the event of a compulsory acquisition of Shares, they may be exercised during the period beginning with the date on which a notice is served under Section 979 of the Companies Act 2006 and ending seven clear days before entitlement to serve such notice ceases.

In the event of a demerger, distribution or any other corporate event not within those above, the Board may determine that Awards shall vest to the extent determined by the Board, taking into account the same factors as set out above. Options that vest in these circumstances may be exercised during such period as the Board determines.

The Board may, in its discretion, allow Options to vest prior to, and conditional upon, the occurrence of any of the events set out above and an Option will then lapse on the occurrence of the event if not exercised prior to the event.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company and the participant) alternatively decide that Awards will not vest or lapse, but will be replaced by equivalent new options over shares in the new acquiring company.

**Variation of capital**
If there is a variation of share capital of the Company, or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to Awards, including the number of Shares subject to Awards (or how this number will be calculated) and the award price (if any) as it considers to be fair and reasonable.

**Alternative settlement**
At its discretion, the Board may decide to satisfy the exercise of an Option or vesting of a Conditional Share Award with a payment in cash, or Shares equal to any gain that a participant would have made had the relevant Option or Conditional Share Award been satisfied with Shares.

**Rights attaching to Shares**
Shares issued and/or transferred under the STP will not confer any rights on any Award holder until the relevant Award has vested (or, in the case of an Option, the Option has been exercised) and the Award holder in question has received the underlying Shares. Any Shares allotted when an Option is exercised, or a Conditional Share Award vests, will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

**Amendments**
The Board may, at any time, amend the provisions of the STP in any respect. Amendments are subject to any legal or regulatory requirement to obtain shareholder approval and amendments may not be made to the material disadvantage of participants, except with the approval of the majority of the participants affected by the amendment. The prior approval of shareholders at a general meeting of the Company must be obtained in the case of any amendment to the advantage of Award holders which is made to the provisions relating to eligibility, individual or overall limits, the persons to whom an Award can be granted under the STP, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to such prior approval, save that there are exceptions for any minor amendment to benefit the administration of the STP, to take account of the provisions of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Award holders, the Company and/or its other Group companies.

Amendments may not adversely affect the rights of Award holders, except where the Award holder is notified of, and has approved, such amendment, where the amendment is made to take account of any matter or circumstance which the Board reasonably considers is a relevant legal or regulatory requirement, or any other matter or circumstance which the Board reasonably considers is relevant and requires an amendment to be made.