

# Corporate Governance



Dear shareholder

On behalf of the Board, I am pleased to introduce our Governance Report for the year ended 30 September 2021. This report sets out our approach to effective corporate governance and outlines key areas of focus of the Board and its activities undertaken during the year as we continue to drive long-term value creation for all our stakeholders.

## Board succession and diversity

There have been changes to the Board composition during the year as part of the Board's ongoing succession planning processes. After serving as Chair for nine years, Sage announced in March 2021 that Sir Donald Brydon would retire from the Board at the end of September 2021. Our Nomination Committee, led by our Senior Independent Director, Drummond Hall, with support from the whole Board and the Company Secretary, oversaw the succession and appointment process which led to my appointment as Non-executive Director and Chair designate in May 2021. Further information on the Chair selection process can be found on pages 104 and 105.

I was delighted to be appointed Chair designate of Sage and have worked closely with Sir Donald Brydon, Steve Hare and the rest of the Board over the last few months to ensure a smooth transition and effective handover. A comprehensive induction programme has provided me with an opportunity to meet members of the Executive Committee, senior management and a number of other Sage colleagues and to gain rapid insight and understanding of Sage, its business and culture. You can read more about my induction programme on pages 78 and 79.

In March 2021, following a formal and thorough recruitment process, the Board appointed Derek Harding as a Non-executive Director, with Derek also joining the Audit and Risk Committee upon appointment. We have been delighted to welcome Derek onto the Sage Board and his financial acumen, commercial expertise and experience of leading business transformation has enhanced the strength and depth of existing Board capabilities.

The Board and the Nomination Committee continue to drive the agenda of diversity, equity and inclusion across the Group. At Sage, it is our ambition for our workforce to reflect the diversity of our customers and partners in the communities where we operate. We strongly believe that a diverse and inclusive workforce brings a broader range of perspectives, accelerates growth and innovation, helps to understand the needs of our wide range of stakeholders and helps us to find and retain the best talent. During the year, a formal Diversity, Equity and Inclusion Policy was adopted by the Board which sets out the approach to diversity, equity and inclusion for the Board itself. We recognise and are fully supportive of the recommendations of the Hampton-Alexander and Parker Reviews and as a collective Board will continue to ensure that diversity in its broadest form is fully considered in the context of future Board composition.

## Company purpose and culture

The Board is cognisant that it has the ultimate responsibility for ensuring an appropriate company culture to act as a backdrop to the way in which Sage behaves towards all its stakeholders. Our culture provides the foundation to drive our purpose and delivery of our strategy. As a Board, we continue to spend time focused on ensuring that our culture enables us to build the organisational capability required to deliver on our promises to our stakeholders, customers, colleagues, society and shareholders.

With the launch of our Sustainability and Society strategy in June, Sage has set out its commitment to tackle societal and economic inequality and to play its part in tackling the climate change crisis. As a Board we believe Sage can play a pivotal role in supporting a new generation of diverse and sustainable businesses and we are excited by the opportunity to help the millions of small and medium businesses we serve worldwide as we execute against this strategy. We live our purpose of knocking down barriers every day by helping small and medium businesses with our technology and our support. However, our purpose extends beyond our customers. It speaks to a wider economic significance of a thriving small and medium business sector; shapes the wider role that we play in helping our communities and the planet, and underlines the importance we place on acting with the highest levels of integrity within a strong governance framework.

More information on our purpose and culture can be found on pages 3 and 38 to 41. Information on our Sustainability and Society strategy can be found on pages 29 to 31.

### Engagement with our stakeholders

The success of our strategy is reliant on the support and commitment of all our stakeholders. Balancing stakeholders' needs and views is a key part of Board decision making.

The Board recognises the importance of two-way communications with our colleagues. The role of our Board Associate has been in place since 2017 and continues to be a successful way of ensuring that the Board appropriately considers the interests of colleagues in its deliberations and, in doing so, makes better decisions. The creation of the Associates' Council last year has provided the Board with further insight from a colleague perspective on the consequences of strategic decisions in the long term as well as giving a clearer sense of the day-to-day colleague experience and how it can be enhanced.

Whilst for much of the year it has not been possible to meet physically with colleagues and other stakeholders, the Board has recently resumed face-to-face Board meetings and activities, and all Board members are looking forward to meeting and connecting more personally with stakeholders in a Covid-19 safe environment in the coming months.

**Further details on how we have engaged with our stakeholders can be found on pages 88 to 95.**

### Board effectiveness

It is extremely important that the Board, its Committees and individual Directors rigorously review their performance and embrace the opportunity to develop, where necessary. This year an internal effectiveness review was undertaken with support from the Company Secretary. Progress on last year's areas of focus as well as the outcome of this year's effectiveness review can be found on pages 80 to 82. We expect to carry out an external effectiveness review in 2022 in line with the Code.

### Directors' Remuneration Policy

Our proposed Directors' Remuneration Policy, which is intended to apply for the coming three years, will be put to our shareholders for their approval at the Annual General Meeting on 3 February 2022. The proposed policy has been designed to continue the close alignment between executive reward and the delivery of our business strategy, purpose and culture, with stakeholders' interests at the heart of the matter. Details of the proposed policy, the outcome of the shareholder consultation process and the implementation of the current policy during the year, can be found in the Directors' Remuneration Report on pages 120 to 157.

### Looking forward

We will continue as a Board to maintain the highest standards of corporate governance across the Group, focus on delivery of our strategy and continue to promote and enhance the inclusive culture that management and their teams have worked so hard to establish.

I encourage all our stakeholders to take every opportunity presented to engage with the Company and, subject to any Covid-19 restrictions in place at the time, I would welcome you to attend, and in any case vote at, the forthcoming Annual General Meeting.

In closing, I would like to take the opportunity to thank Sir Donald Brydon for his exemplary leadership as Sage progressed in its transition to becoming a great SaaS business. I look forward to building on his legacy and working with the Board and Sage leadership team to continue building a sustainable business delivering on the interests of all our stakeholders whilst contributing to the communities and the wider society in which we operate.



**Andrew Duff**  
Chair

## The UK Corporate Governance Code 2018 – Compliance Statement

Sage applied the principles of the UK Corporate Governance Code 2018 (the “Code”) and complied with all its provisions throughout FY21, with the exception of provision 38 (alignment of executive directors’ pension contributions with those of the wider workforce). We are pleased to confirm that, since 1 October 2021, when the CEO’s pension contribution was reduced from 15% to 10% of base salary, Sage has complied with all provisions of the Code. Further information on the Directors’ Remuneration Policy 2022 and pension contributions of Executive Directors are in the Directors’ Remuneration Report on pages 120 to 157.

In FY21 the Board has continued with its chosen approach to workforce engagement, through the Board Associate programme, and further enhanced by the Associates’ Council, to deliver success in enabling efficient and effective engagement with our colleagues. This arrangement has been chosen by the Board as an alternative to the workforce engagement methods referred to in the Code, as is permitted by the Code. Further details on the Board Associate’s role can be found on page 95.

We believe good corporate governance provides confidence in the delivery of our strategic performance to our stakeholders and is essential for the long-term sustainable success of our business. The table below shows the principles set out in the Code and where key content can be found in this report showing how we have applied those principles.

**The Code is publicly available on the website of the UK Financial Reporting Council at [www.frc.org.uk](http://www.frc.org.uk).**

### Board leadership and company purpose

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### Division of responsibilities

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## Board of Directors

The operation of the Board is supported by the collective leadership of the Directors and complemented by the diverse skills and experience they individually possess. The open and transparent Board dynamic contributes to honest conversations to ensure effective decision making in full consideration of the impact on all stakeholders and long-term value creation.



### Andrew Duff

Chair  
Chair of the Nomination Committee

#### Appointed

Independent Non-executive Director on 1 May 2021 and as Non-executive Chair on 1 October 2021

#### Skills

Wealth of experience as a non-executive director and chair, with a strong track record of transforming high-profile international businesses

Effective leader with strategic insights and international experience

Strong focus on purpose, culture and customer-centricity, and delivering value for all stakeholders

#### Key previous experience

Non-executive chair of Elementis plc  
Non-executive chair of Severn Trent plc  
Non-executive director of Wolsley plc  
Chief executive officer of npower

#### Key external commitments

Non-executive director of UK Government Investments Ltd (UKGI)



### Sangeeta Anand

Independent Non-executive Director  
Member of the Audit and Risk Committee

#### Appointed

1 May 2020

#### Skills

Silicon Valley-based senior technology leader with extensive experience in leading P&L and growth across a range of public, PE-owned and startup companies

Deep operating experience in transforming complex product portfolios and go-to-market to capture the cloud opportunity

Technology and business experience includes cybersecurity, cloud, enterprise software, SaaS and application services

#### Key previous experience

Chief marketing officer, Alkira Inc (disruptive SaaS networking startup)  
Senior Vice President, F5 Networks Inc (Listed on NASDAQ)

General Manager and Corporate Vice President, SafeNet (part of Thales Group)  
Vice President, Cisco Systems

#### Key external commitments

None



### Dr John Bates

Independent Non-executive Director  
Member of the Nomination Committee and the Remuneration Committee

#### Appointed

31 May 2019

#### Skills

Visionary technologist and highly accomplished business leader in the field of technology innovation including Artificial Intelligence and Machine Learning functionality to improve customer experience

Pioneer focusing on areas such as event-driven architectures, smart environments, business activity monitoring and evolution of platforms for digital business

#### Key previous experience

Co-founder, president and chief technology officer of Apama (now part of Software AG)

Head of industry solutions and chief marketing officer of Software AG

Chief executive officer of Terracotta, Inc. (a subsidiary of Software AG)

Executive vice president of corporate strategy and chief technology officer at Progress Software

Chief executive officer at Plat.One (now part of SAP)

Chief executive officer of the Eggplant Group, part of Keysight Technologies Inc

#### Key external commitments

Executive chairman of SER Group Holding GmbH



### Jonathan Bewes

Independent Non-executive Director  
Chair of the Audit and Risk Committee

#### Appointed

1 April 2019

#### Skills

Has prior experience of serving as chair on an audit committee

A wealth of accounting and financial experience

Strong investment banking experience gained over a 25-year career in the sector

Advisor to boards of UK and overseas companies on a wide range of financial and strategic issues, including financing, corporate strategy and governance

#### Key previous experience

Investment banking experience with Robert Fleming, UBS and Bank of America Merrill Lynch  
Chartered accountant with KPMG

#### Key external commitments

Senior independent director and chair of the audit committee of Next plc

Vice chairman, corporate and institutional banking at Standard Chartered Bank plc



### Annette Court

Independent Non-executive Director  
Chair of the Remuneration Committee and member of the Audit and Risk Committee

#### Appointed

1 April 2019

#### Skills

Has prior experience of serving as chair of a remuneration committee

Experience in executive and non-executive director roles at the highest levels including as chair of a FTSE 100 company

Strong technology background with a record of using e-commerce to drive commercial success

Expertise in mentoring leaders to achieve greater clarity of purpose and provide a practical approach to problem-solving

#### Key previous experience

Senior independent director of Jardine Lloyd Thompson Group

Chief executive officer of Europe General Insurance for Zurich Financial Services

Chief executive officer of the Direct Line Group  
Director of the board of the Association of British Insurers and Foxtons Group plc

#### Key external commitments

Chair of Admiral Group plc



### Drummond Hall

Senior Independent Director  
Member of the Remuneration Committee, the Audit and Risk Committee and the Nomination Committee

#### Appointed

1 January 2014

#### Skills

Experienced non-executive director and board chair  
Wealth of experience gained across a number of customer-focused blue-chip businesses in the UK, Europe and the US

Strong knowledge of marketing and customer service and bringing deep insight to how Sage may expand markets and delight customers

#### Key previous experience

Senior independent director of WH Smith plc

Senior independent director of FirstGroup plc

Chair of Mitchells & Butlers plc

Chief executive officer of Dairy Crest Group plc

Majority of career was spent with Procter & Gamble, Mars and PepsiCo

#### Key external commitments

None





### Derek Harding

Independent Non-executive Director  
Member of the Audit and Risk Committee

**Appointed**  
2 March 2021

**Skills**  
Significant financial experience including leading business transformations and sharp financial acumen  
Broad experience across a range of commercially focused financial and operational roles including strategy, investor relations, mergers and acquisitions

**Key previous experience**  
Chief financial officer at Senior plc  
Group finance director at Shop Direct  
Finance director of Wolseley UK

**Key external commitments**  
Chief financial officer at Spectris plc



### Steve Hare

Chief Executive Officer

**Appointed**  
3 January 2014 as Chief Financial Officer ("CFO")  
31 August 2018 as Chief Operating Officer, and as Chief Executive Officer ("CEO") on 2 November 2018

**Skills**  
Significant financial, operational and transformation experience which includes driving change programmes in several of his previous roles  
Broad knowledge of Sage, having joined the Board in January 2014 as CFO

**Key previous experience**  
Extensive understanding of the drivers and priorities needed to complete Sage's evolution to a SaaS company and to create a high-performance culture  
Operating partner and co-head of the Portfolio Support Group at the private equity firm Apax Partners  
Chief financial officer for Invensys plc, Spectris plc and Marconi plc

**Key external commitments**  
None

## Changes to the Board during FY21 and the year to date:

- Derek Harding was appointed as an independent Non-executive Director on 2 March 2021
- Andrew Duff was appointed as an independent Non-executive Director on 1 May 2021 and as Non-executive Chair on 1 October 2021
- Sir Donald Brydon stepped down from the Board on 30 September 2021

**Further information on the appointments and Board succession planning activities can be found on pages 104 and 105.**

**Further information on the composition of the Board can be found on page 75.**



### Jonathan Howell

Chief Financial Officer

**Appointed**  
15 May 2013 as a Non-executive Director and as CFO on 10 December 2018

**Skills**  
Highly experienced group finance director as well as experience as a chairman and non-executive director  
Significant financial and accounting experience gained across several sectors which allow him to provide substantial insight into the Group's financial reporting and risk management processes

Excellent working knowledge of Sage, having joined as an independent Non-executive Director and acting as the Chair of the Audit and Risk Committee for six years

**Key previous experience**  
Group finance director of Close Brothers Group plc  
Group finance director of London Stock Exchange Group plc

Non-executive director of EMAP plc  
Chair of FTSE International

**Key external commitments**  
Independent non-executive director of Experian plc



### Irana Wasti

Independent Non-executive Director

**Date appointed to the Board**  
1 May 2020

**Key strengths and experience**  
Experienced leader driving international growth by enabling everyday entrepreneurs to start, grow and run their businesses online  
Experience in product development, creating brand identity, go-to-market strategy, customers' experiences, sales and support across diverse cultural regions

**Key previous experience**  
President of GoDaddy EMEA and previously held the role of SVP and general manager for GoDaddy's Productivity business  
Worked for Intuit and oversaw launch of QuickBooks POS with Mobile Payments integration  
Product and development roles at Google and IBM

**Key external commitments**  
Chief product officer of Typeform

#### Key

- Audit and Risk Committee  
See pages 110 to 119
- Nomination Committee  
See pages 102 to 109
- Remuneration Committee  
See page 120 to 157
- New appointment

**Full biographies can be found on our website at [sage.com](https://www.sage.com).**

# Executive Committee

Steve Hare chairs the Executive Committee of which Jonathan Howell is also a member.



### Derk Bleeker

Chief Strategy and Development Officer

#### Appointed

1 October 2019

#### Skills and Experience

Leads on overall strategic direction of the Group, M&A and business planning including portfolio simplification and driving the accelerated transformation of Sage's product portfolio to create a focused and high-growth SaaS company  
Past responsibility for Commercial Finance and in-depth experience as a leader of corporate development gained from working for a global industrial and medical technology company  
Additional experience in private equity and as an M&A specialist in investment banking



### Vicki Bradin

General Counsel and Company Secretary

#### Appointed

1 October 2016

#### Skills and Experience

Leads the Legal, Company Secretariat, Cyber Security and Risk, Business Integrity and Assurance teams  
Extensive corporate legal experience built over 20 years in global and magic circle law firms and in-house at large multi-nationals and UK-listed companies  
In-depth software and technology sector knowledge and experience across a breadth of legal areas including M&A, litigation, risk and intellectual property



### Amanda Cusdin

Chief People Officer

#### Appointed

1 October 2017

#### Skills and Experience

Leads the People function and strategy to find and retain talent and drive inclusivity and diversity at Sage. Drives the Sustainability and Society strategy through leadership of the Sage Foundation team and Sustainability and Social Purpose team.  
Extensive HR experience built over a period of 20 years across several global FTSE organisations in a variety of sectors  
Experience in supporting executive leaders to drive change and transformation as well as HR aspects of M&A, growth in new geographies and working across cultures and matrix organisations  
Passionate about developing talent and leadership and creating truly inclusive organisations which promote diversity



### Sue Goble

Chief Customer Success Officer

#### Appointed

1 October 2019

#### Skills and Experience

Accountable for setting the strategy and governance for customer services and customer success on a global basis with a pinpoint focus on customer-centricity throughout the business  
Broad experience including responsibility for business operations and executing major programmes successfully across the organisation  
A distinguished career bringing valuable experience into Sage from a range of cloud companies and senior roles in customer relationship management



### Aaron Harris

Chief Technology Officer

#### Appointed

1 April 2019

#### Skills and Experience

Responsible for Sage's technology strategy and architecture  
More than 20 years of high-tech engineering experience in business applications and software development strategies  
Founding team member and the CTO of Sage Intacct, establishing it as the innovation leader in cloud financial management solutions



**Cath Keers**

Chief Marketing Officer

**Appointed**

8 September 2020

**Skills and Experience**

Responsible for the global strategy and governance across all of Sage’s marketing, including brand, communications, events, digital channels, and marketing operations

Valuable knowledge of digital and customer experience insights with a deep understanding of leveraging sales and marketing activity to build successful brands

Breadth of sector experience including retail, marketing and business development, with commercial roles at large and global businesses

Cath was previously a Non-executive Director of Sage, who was appointed on 1 July 2017 and stepped down from the Board on 30 June 2020



**Lee Perkins**

Chief Operating Officer

**Appointed**

25 January 2019

**Skills and Experience**

Leads Sage’s regional businesses and Global Product Organisation comprising product marketing, product management and product engineering and go-to-market operations

Wealth of commercial and general management experience spanning 20 years in public and private equity-backed companies

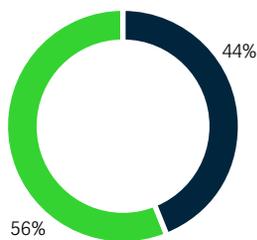
Deep understanding and relationships across the business to ensure progress in the product and sales functions

**Changes to the Executive Committee during FY21 and the year to date:**

- Robert Reid stepped down from the Executive Committee on 31 March 2021
- Keith Robinson stepped down from the Executive Committee on 2 July 2021

**Executive Committee composition<sup>1</sup>**

**Gender**



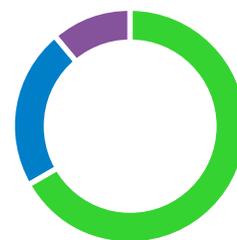
- Female: 4
- Male: 5

**Experience**



- Technology & Innovation: 11%
- Financial: 22.5%
- Sales & Marketing: 11%
- Customer Success: 22.5%
- Corporate Development & Strategy: 11%
- Culture, Diversity & Inclusion: 11%
- Legal & Governance: 11%

**Tenure**



- Less than 1 year: 0
- 1-3 years: 6
- 3-6 years: 2
- Over 6 years: 1

1. The Executive Committee composition data reflects the information as at the date of this report and includes our Executive Directors who are also members of the Executive Committee.

# Our Governance framework

The Board provides entrepreneurial leadership and sets the Company's purpose, strategy and Values, ensuring these are aligned with our culture. It is responsible for monitoring progress against the strategic objectives and approving proposed actions. The Board is supported by its Committees, the CEO and the Executive Committee, while retaining exclusive control and oversight over the key decisions set out in the Matters Reserved for the Board. Further details on our governance framework are set out below:

## Board of Directors

The Board is collectively responsible for the long-term sustainable success of the Company and the Group for the benefit of all Sage stakeholders and the wider society. The Board provides support and constructive challenge to senior management while ensuring the Group maintains an effective risk management and internal control system

## Board Committees

The Board discharges some of its responsibilities directly and others through its Committees and senior management. Each Committee assists the Board by fulfilling its roles and responsibilities, and by reporting to the Board on decisions and actions taken within its own Terms of Reference, which are annually reviewed and approved by each Committee and the Board

### Audit and Risk Committee

Oversees and assesses the integrity of the Group's financial reporting; risk management and internal control procedures; and the work of Sage Assurance (internal audit) and the external auditor

**Please read Jonathan Bewes' Audit and Risk Committee Report on pages 110 to 119.**

### Remuneration Committee

Sets the Remuneration Policy for the Executive Directors and determines the remuneration framework, including bonus and incentive plans and levels of remuneration for the Executive Directors, the Chair, the Company Secretary and senior management in line with the long-term interests of the Company

**Please read Annette Court's Directors' Remuneration Report on pages 120 to 157.**

### Nomination Committee

Reviews the structure, size and composition of the Board and its Committees and plans for progressive refreshing of their membership

Considers succession plans for the Board and senior management, to ensure they have the correct balance of diversity, skills, knowledge and experience

**Please read Andrew Duff's Nomination Committee Report on pages 102 to 109.**

The Chairs of the Audit and Risk Committee and the Remuneration Committee provide a formal update on their activities at each Board meeting. The Chair of the Nomination Committee provides an update on its activities as and when required

## Chief Executive Officer (CEO)

Responsible for the day-to-day management of the Group's business and performance, and for the development and implementation of the business strategy approved by the Board

**Please see pages 77 for further details on the responsibilities of the CEO.**

## Executive Committee

Assists the CEO in implementing strategy, driving improved operating and financial performance and commercial objectives while remaining focused on long-term value creation

**Please see pages 72 and 73 for further information on our Executive Committee.**

In addition to the Board Committees, Sage also has a Disclosure Committee, which assesses when Sage may have inside information and advises the Board to ensure that Sage complies with all obligations under the UK Market Abuse Regulation, including the obligation to make accurate and timely disclosure of inside information. The Disclosure Committee members include the Chair, the CEO, the CFO, Chair of the Audit and Risk Committee and the Company Secretary.

Below the Board and its Committees, there is a clearly defined management governance structure reporting into one of the Committees referenced above. Key decisions involving financial spend or associated risk are governed by the Group's Delegation of Authority matrix (the "DOA"). The DOA is structured to ensure that day-to-day operational decisions can be taken efficiently, whilst driving higher-risk and high-value commitments for approval through the appropriate channels.

To ensure that all decision making is well-informed, transparent and balanced, careful consideration is given to information provision and flows within the Governance framework.

**The Matters Reserved for the Board and the Terms of Reference of Board Committees are available on our website at [sage.com](http://sage.com).**

### Board composition<sup>1</sup>

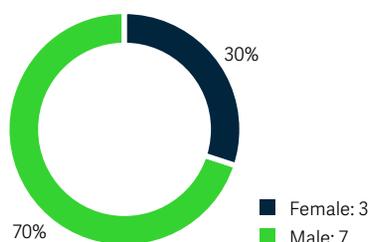
The composition of the Board is subject to ongoing review with the overriding objective of ensuring that the Board is diverse and maintains the correct balance of skills, experience, knowledge and tenure. All appointments result from a combination of comprehensive succession planning and formal and rigorous search, a responsibility delegated to the Nomination Committee.

It is recognised that a diverse Board, with a range of views, insights, perspectives, and opinions enhances Board decision making and effectiveness. The Board is satisfied that its current composition exhibits a diverse mix of skills, professional and industry backgrounds, geographical experience and expertise, gender, age, tenure and ethnicity. Please see page 76 for the skills and experience of the Board and pages 104 to 109 for more information on the Board Diversity, Equity and Inclusion Policy and on the succession planning activities of the Nomination Committee.

#### Directors by role



#### Gender

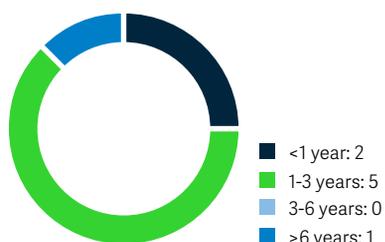


#### Ethnicity

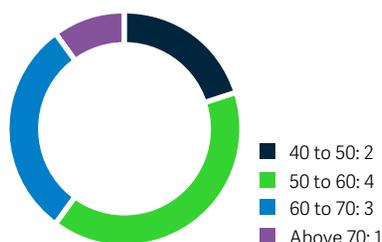


#### Tenure

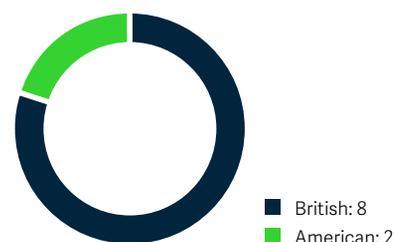
(Chair and Non-executive Directors)



#### Age



#### Nationality



1. The Board Composition data reflects the information as at the date of this report. On 30 September 2021 (prior to Sir Donald Brydon stepping down from the Board), there were 11 Directors on the Board and the gender balance was 27% female representation.

### Directors' key skills and experience

The Board recognises the relationship between the delivery of the Company strategy and objectives and the skills needed on the Board now and in the future. The mix of key skills, experience and knowledge on the Board set out below provides insight for the Board and the Nomination Committee to ensure the Board and its Committees are optimally composed to maximise their effectiveness.

	Executive and strategic leadership	Financial acumen	Technology and innovation	Remuneration and people	Audit and risk	Sustainability and environment	Strategy and M&A	Customer centricity	International experience
<b>Andrew Duff</b>	●	●	●	●		●	●	●	●
<b>Sangeeta Anand</b>	●	●	●		●			●	●
<b>Dr John Bates</b>	●	●	●	●			●	●	●
<b>Jonathan Bewes</b>	●	●		●	●		●	●	●
<b>Annette Court</b>	●	●	●	●	●			●	●
<b>Drummond Hall</b>	●	●		●	●	●	●	●	●
<b>Derek Harding</b>	●	●	●		●		●	●	●
<b>Steve Hare</b>	●	●	●	●	●	●	●	●	●
<b>Jonathan Howell</b>	●	●	●	●	●	●	●	●	●
<b>Irana Wasti</b>	●		●				●	●	●



## Roles and division of responsibilities

There is a clear and well-defined division of responsibilities between the Chair and the CEO, established and agreed by the Board. While both the Non-executive and Executive Directors have the same legal duties, they have different roles on the Board which ensure accountability and oversight.

Director	Responsibility
<p><b>Chair</b></p> <p>Andrew Duff Andrew Duff was appointed as Independent Non-executive Director on 1 May 2021 and as Non-executive Chair with effect from 1 October 2021</p> <p>Sir Donald Brydon retired from the Board on 30 September 2021</p>	<ul style="list-style-type: none"> <li>Responsible for the leadership and effective operation of the Board in all aspects of its role</li> <li>Sets the agenda for Board meetings to support sound decision making in consultation with the CEO, CFO and the Company Secretary</li> <li>Ensures that the views of all stakeholders are understood and considered appropriately in Board discussions and decision making (please see pages 88 to 97 for more information)</li> <li>Promotes a culture of openness in the Boardroom and encourages active and effective contribution, debate and engagement by all Directors</li> <li>Responsible for the promotion of the highest standard of corporate governance, assisted by the Company Secretary</li> </ul>
<p><b>Senior Independent Director (SID)</b></p> <p>Drummond Hall</p>	<ul style="list-style-type: none"> <li>Provides support and acts as a sounding board for the Chair</li> <li>Serves as an intermediary for the Non-executive Directors</li> <li>Acts as an alternative contact for our shareholders</li> <li>Leads the Non-executive Directors in the evaluation of the performance of the Chair</li> </ul>
<p><b>Independent Non-executive Directors</b></p> <p>Sangeeta Anand, Dr John Bates, Jonathan Bewes, Annette Court, Derek Harding*, Irana Wasti</p> <p>*Derek Harding was appointed as an independent Non-executive Director with effect from 2 March 2021</p>	<ul style="list-style-type: none"> <li>Constructively assist, challenge and monitor the delivery of strategic objectives and Group performance</li> <li>Oversight of internal controls and Risk Management Framework to ensure they are robust</li> <li>Bring external perspectives, independent insight and support based on relevant experience</li> <li>Engage with internal and external stakeholders and take their views into account in their decision making</li> <li>Have a key role in succession planning together with the Board Committees, Chair and SID</li> <li>Serving on various Committees and contributing to the effectiveness of those Committees</li> </ul>
<p><b>Chief Executive Officer (CEO)</b></p> <p>Steve Hare</p>	<ul style="list-style-type: none"> <li>Develop and propose corporate strategy for Board consideration and implementation of the strategy, as approved by the Board</li> <li>Responsible for delivery of Sage's strategic priorities and leads the Executive Committee in overseeing the operational and financial performance of Sage</li> <li>Ensures that risks are rigorously managed and that Sage maintains a disciplined and robust internal control environment</li> <li>Identifies potential acquisitions and disposals and monitors the competitive environment</li> <li>Ensures that Sage operates in line with its Values and Behaviours by fostering a culture of collaboration and empowerment</li> </ul>
<p><b>Chief Financial Officer (CFO)</b></p> <p>Jonathan Howell</p>	<ul style="list-style-type: none"> <li>Manages the Group's financial affairs</li> <li>Supports the CEO in the delivery of corporate strategy and operational performance</li> <li>Engages with Sage's stakeholders including managing relationships in the investment community</li> <li>Provides insights into the Group's commercial and financial position from within the business</li> </ul>
<p><b>Company Secretary</b></p> <p>Vicki Bradin</p>	<ul style="list-style-type: none"> <li>Provides appropriate and timely information to the Board and its Committees in order for them to function effectively and efficiently</li> <li>Ensures good information flow between the Board and its Committees and between senior management and Non-executive Directors</li> <li>Advises the Board on legal, compliance and corporate governance matters</li> <li>Supports the Chair with Board procedures by facilitating <ul style="list-style-type: none"> <li>The provision of inductions</li> <li>Non-executive Directors' training and professional development</li> <li>Effectiveness reviews and evaluation</li> <li>Non-executive Directors' engagement plans with the business</li> </ul> </li> </ul>

The Directors' terms of appointment are available for inspection at Sage's Registered Office.

### Induction and development

We develop a comprehensive and tailored induction programme for each newly appointed Non-executive Director, based on their experience, background and the requirements of the role. The programme consists of meetings and main operating site visits as appropriate, designed to help the new Non-executive Director to get to grips with responsibilities as swiftly as possible and to help them to make a valuable contribution to the Board.

The programme is organised around three themes: business familiarisation, their role and corporate governance including director's duties and development. As part of business familiarisation, the Directors spend time with the Executive Committee members and senior management to gain deeper understanding and insight into the operation of relevant function lines and significant elements of the business.

Structured pre-reading materials are also made available in a personal reading room via Sage's Board portal, covering:

- The Group's strategy and performance
- Governance documents including information on Directors' legal duties and responsibilities
- Specific information relating to Committee membership
- Sage policies and procedures
- Other useful information such as meeting schedules, Sage's financial calendar and useful contacts

During the induction period, the new Non-executive Director is asked for regular feedback, so that the programme can be adapted if needed.

To assist the Board with their continuing knowledge, development and familiarity with the business, training and engagement activities are provided for all our Directors. The programme includes frequent and in-depth updates from the Executive Committee and senior management, professional advisers and subject matter experts, site visits and other informal briefings. In addition, the Company Secretary also provides regular updates to the Board and its Committees, on regulatory and corporate governance matters.

## Induction Programme for Andrew Duff



Andrew Duff was appointed to the Board as a Non-executive Director on 1 May 2021 and assumed the role of Chair on 1 October 2021. Andrew Duff embarked on an induction programme which spanned across three months prior to him becoming Chair and included meeting many of our colleagues and key stakeholders and a visit to our office in Newcastle, which coincided with our September Board meeting.

The detailed induction programme for Andrew Duff is set out below:

People to meet	Key topics covered
Board Chair (Sir Donald Brydon)	Overview of the Board  Overview of the Nomination Committee including role and remit, plan of work for the year and current issues
Senior Independent Director	One-to-one meeting
Chairs of the Audit and Risk Committee and the Remuneration Committee	Overview of the Committees including role and remit, plan of work for the year and current matters
Chief Executive Officer	One-to-one meetings to provide overview of the Group
Chief Financial Officer	Financial overview including financial reporting, tax, treasury and commercial finance
Executive Committee and senior management	Overview of their areas of responsibility: <ul style="list-style-type: none"> <li>• Strategy overview and planning including People strategy and Reward strategy</li> <li>• Deep dive on corporate strategy</li> <li>• Sage marketing and brand</li> <li>• Cyber security</li> <li>• Risk and Assurance overview</li> <li>• Technology and products overview</li> <li>• Our approach to sustainability</li> <li>• Investor relations</li> <li>• Corporate affairs and external communications</li> </ul>
Company Secretary	<ul style="list-style-type: none"> <li>• Overview of the Disclosure Committee</li> <li>• Company secretariat and corporate governance framework</li> </ul>
Board Associate	Introduction to our workforce engagement programme
Remuneration advisers	One-to-one introductory meetings to provide overview of their roles and key issues
Corporate brokers	
Corporate solicitors	
External auditors	
Independent Board Evaluation (External evaluator)	One-to-one meeting to discuss outcome of external Board evaluation held in FY19. Output from the internally facilitated FY20 Board evaluation was discussed separately
Operational site visits	Time spent at our new office location in Newcastle, including an informal lunch with UKI leadership team and participation in engagement sessions on execution of UKI strategic plans and meeting with our customer services team

## Board effectiveness and evaluation

An effective board is key to the establishment and delivery of a company’s strategy to promote long-term sustainable success. The evaluation process provides the Board with an opportunity to reflect on the quality and effectiveness of its decision making, the range and level of discussion and consider individual contributions and the collective contribution of the Board as a whole.

Below is a summary of the key findings identified from the internal review of the Board’s effectiveness and that of its Committees and Directors in FY20 and progress made against them in FY21.

### Key areas of focus identified in FY20

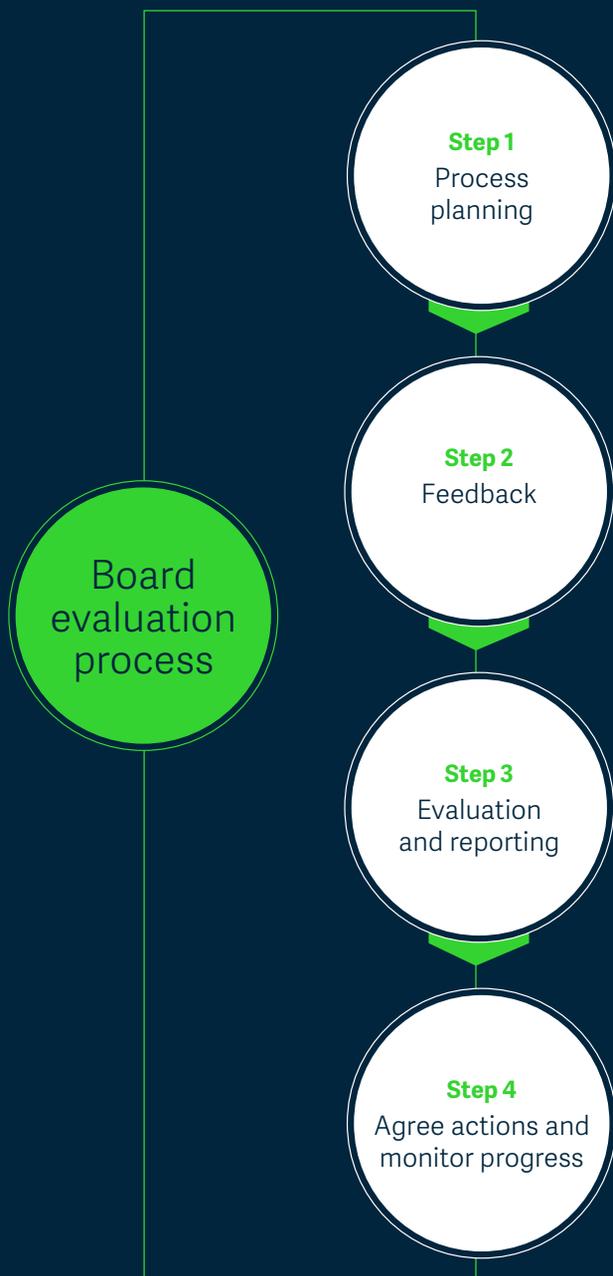
- Finding more opportunities for Non-executive Directors to spend time with senior management to gain greater understanding of the business and to share their experience
- Finding more opportunities for the Board itself to spend time together (physically or virtually), particularly given the number of relatively new members and the period of enforced distancing as a result of Covid-19
- Continuing the Board’s focus on customer-centric culture, ways of working, processes and systems needed for Sage to become a great SaaS company
- Enabling Directors to widen their understanding of the technology industry
- Continuing to focus on Sage’s competitive points of differentiation, and how these are being factored into strategic thinking across the short and longer term
- Within the Board annual agenda, creating space to accommodate deep dives on specific business areas and on Sage’s corporate responsibility
- Continuing the focus on senior management and Board succession planning, including Chair succession

### Progress in FY21

- Non-executive Directors held several one-to-one engagement sessions with colleagues from around the business. More formal engagement activities were arranged with senior management in our Product and Customer Success teams and the UKI leadership team. For further information see Stakeholder engagement pages 88 to 95
- Physical interaction has continued to be a challenge with Covid-19 restrictions, however the Board resumed meetings and engagement activities in person in a Covid-19 safe environment in the second half of the year
- Customer-centric culture, competitive differentiation and competitor analysis were a focus of Board meetings
- Teach-in sessions demonstrating Sage’s products and presentations on Sage’s product portfolio were held
- Listening to customer calls were held as part of Board engagement activities
- Deep dives on key business areas were held during the year
- The Board approved Sage’s Sustainability and Society strategy
- Succession planning continued with appointment of Andrew Duff as successor to Sir Donald Brydon and the addition of Derek Harding to the Board
- Talent deep dive on succession planning of Executive Committee and senior management was held

Similar to last year, in FY21 the Board carried out an internal review of its own effectiveness and that of its Committees and Directors. The internal evaluation process was conducted by the Company Secretary using the same online evaluation tool provided by Independent Audit Limited, previously used for FY20. Independent Audit Limited does not have any additional connection with the Group or any individual Director.

Our most recent externally facilitated Board evaluation was carried out by Independent Board Evaluation in FY19. In line with the recommendations of the Code, an independent formal external evaluation will be conducted in FY22.



### Step 1

The outgoing Chair (Sir Donald Brydon) and the Company Secretary agreed on the scope, approach and the broad nature of the review. The broad topics were retained from the previous year to provide a benchmark against the responses received and to monitor progress.

The evaluation comprised six sets of online questionnaires tailored for Sage covering the Board, each of its Committees, the Chair and an individual performance review for each Director. All the Directors, the Company Secretary, and a selection of regular meeting participants were invited to respond. The Board also considered its performance against its FY21 objectives and provided feedback on its engagement activities. With Covid-19 restrictions, and the Board moving to virtual meeting and engagement sessions, the Board was also asked to reflect on their ways of working to help determine the most effective future arrangements for Board and engagement activities. The questionnaires were designed to be objective and specific to Sage and asked respondents to rate each question element on a sliding scale, with free text boxes encouraging respondents to expand on their thoughts candidly.

### Step 2

The Company Secretary compiled the individual responses, including analysis of themes. A detailed report, setting out the findings was discussed with the Chair and with respective Committee Chairs.

### Step 3

The final summarised report was discussed at the September Board meeting. Feedback on each Committee was provided to the Committee Chair and discussed at each Committee meeting. The Chair also met with each Director individually to discuss their performance.

The outgoing Chair's performance evaluation was led by the Senior Independent Director without the presence of the outgoing Chair.

### Step 4

The Board identified and agreed on actions for its focus areas as highlighted on the following page which will be built into the Board's objectives for FY22. Progress against these will be reported in the FY22 Annual Report.

## Board evaluation topics:

### Strategy and risk

Strategic decision making, understanding of risk (including cyber security risk)

### Line of sight

Culture, talent management and succession planning (Board and senior management), monitoring execution, the quality of information flows, Board composition and the dynamics of Board discussions

### Board support

Meeting logistics including timing, preparation and content of Board packs

### Effectiveness

Effectiveness of the Chair and each of the Committee Chairs

### Performance

Individual Director performance and development opportunities. The Board also considered its performance against its FY21 objectives and provided feedback on the engagement activities that had taken place during FY21

### Board evaluation outcomes

The Board considered the results of the evaluation and has separately assessed the independence and time commitment of each Director. It concluded that each Director's performance continues to be effective and that they demonstrate commitment to their roles. These findings are fully considered when making recommendations in respect of their election or re-election to the Board

The overall conclusion from this year's evaluation was that the Board, its Committees, individual Directors and the Chair continued to work well to achieve Group objectives and are operating effectively

The Board fosters a culture of open, constructive debate, underpinned by a cohesive and appropriately challenging Board. The Board Associate role and the Associates' Council continued during the year to provide valuable insight into colleagues' views leading to better Board decision making

Positive progress was noted in areas pertaining to risk strategy and cyber risk, defining Sage's competitive advantage, succession planning, monitoring of colleague and customer success and advancing Sage's sustainability and social purpose. Areas of continued focus related to Sage's M&A strategy, competitive differentiation, Artificial Intelligence/ Machine Learning roadmaps and product integration, partner ecosystem and overall competitor performance

### Key areas of focus for FY22

- Monitor the investments, technology and talent needed to deliver the new strategic framework across the Group
- Understand execution challenges, key decisions to be taken and Sage's performance against its competitors over the short to medium term. Evolve Sage's annual Strategy Day to better meet these objectives
- Continue Board and executive succession planning, talent development and embedding of diversity, equity and inclusion objectives
- Determine the appropriate governance structures for Board and Board Committees to monitor the performance and delivery of Sage's Sustainability and Society strategy
- Continue to find opportunities for the Directors to spend time outside meetings with each other and also with senior management, customers and partners

## Opening our doors at Cobalt

*"I was blown away about how great the office looks and feels, seeing it for the first time in person. The local amenities are great, and I do enjoy going for a stroll at lunchtime."*

**Andrew James**  
Payroll

### Move to Cobalt

In 2019, the Board concluded that a move of Sage's office to Cobalt Business Park from North Park would benefit our stakeholders and the business commercially.

### Colleagues

In determining the office location, one of the principal guiding factors for the Board was the happiness of colleagues and taking into consideration their requirements, including the ease of access to the new site and the impact to colleagues of moving location. Continuous engagement with colleagues through various platforms was provided, including the ability to ask questions to the project team directly and holding town hall meetings and Q&A sessions for managers. These ensured that the UK leadership team had the opportunity to listen and address any concern raised on an individual basis.

### Communities and the planet

The Board considered and reviewed the environmental assessment of the move to Cobalt Business Park, prior to giving its approval. Underpinning the strategic decision was a focus on sustainability, and the Board considered how energy-conscious technology would be used as well as the facilities which would be provided to encourage colleagues to make environmentally positive choices. Cobalt is helping Sage to reduce energy consumption significantly.

### Covid-19

This development has been delivered entirely during the pandemic and almost exclusively managed by the Sage UK team remotely. The office has been open since July 2021 and colleagues have been booking desk space through our workspace app, with care taken to ensure that an enhanced colleague experience is delivered with colleague safety front of mind at all times.

An overwhelmingly positive response has been received from our colleagues on our new Cobalt office.

### Annual re-election of Directors

Andrew Duff and Derek Harding will be proposed for election as Non-executive Directors by shareholders for the first time at Sage's Annual General Meeting ("AGM") on 3 February 2022. In compliance with Sage's Articles of Association, all other current Directors who wish to continue to serve will submit themselves for re-election.

### Time commitment

The Non-executive Directors are advised of the commitments which are expected of their role at Sage prior to their appointment and are required to devote such time as necessary to discharge their responsibilities effectively.

The Board considered and approved the following new external commitments, being satisfied that the Directors would have time to fulfil their commitments at Sage:

- Jonathan Howell assumed the role of an independent non-executive director of Experian plc, effective 1 May 2021
- Dr John Bates assumed the role of chairman of the Advisory Board of the SER Group, effective 1 May 2021. From 1 November 2021 he transitioned to assume the role of executive chairman of SER Group Holding GmbH and is no longer chairman of the Advisory Board of the SER Group
- Jonathan Bewes was appointed as senior independent director of Next plc, effective 20 May 2021, where he already served as an independent non-executive director and chair of its audit committee

The Company Secretary maintains a register of Directors' commitments, which is reviewed at every Board meeting. The Board is satisfied that given the number of external positions held by the Directors, no instances of over-boarding were identified.

The Non-executive Directors devote considerable time to the Group beyond the programme of Board and Board Committee meetings. Their activities include consideration of out-of-cycle papers and reports submitted to them and discussion with the senior management and other subject matter experts between Board meetings. Their activities also extend to briefings and training to ensure they maintain an in-depth understanding of the business and are kept up-to-date with emerging technology, regulations, and other matters impacting the Group. All Directors also attend site visits and participate in a formal engagement plan to meet colleagues and other stakeholders.

### Independence of the Non-executive Directors

The Board considers all the Non-executive Directors to be independent in character and judgement. As recommended by the Code, both the newly appointed and the retired Chair were independent on appointment.

The independence of the Non-executive Directors is kept constantly under review by reviewing their external commitments and monitoring their behaviour and interests throughout the year. The Board considers whether there are relationships or circumstances which are likely to affect or could appear to affect the Non-executive Director's judgement taking into consideration the guidance and specific independence criteria provided by the Code. As part of this process, the Board keeps the length of tenure of all Non-executive Directors under review.

### Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage actual conflicts or potential conflicts of interest that may arise. At each Board meeting, the Board formally considers a register of interests, commitments and potential conflicts of Directors including new external appointments for Directors and, when appropriate, gives any necessary approvals. If such conflict exists, Directors recuse themselves from consideration of the relevant subject matter.

### Board and Committee meeting attendance and cross-membership

The table below sets out the Board and Committee attendance at scheduled meetings during FY21. Additional meetings were held, and written resolutions were passed as and when required. The table also shows current membership of the Committees. The composition of all Committees complied with the Code throughout the year.

Directors	Position	Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee
Andrew Duff <sup>1</sup>  	Chair (from 1 October 2021)	3/3	–	–	–
Sir Donald Brydon <sup>2</sup>	Chair (until 30 September 2021)	5/5	1/2 <sup>(3)</sup>	–	–
Sangeeta Anand <sup>4</sup>	Independent Non-executive Director	5/5	–	2/2	–
Dr John Bates	Independent Non-executive Director	5/5	2/2	–	6/6
Jonathan Bewes 	Independent Non-executive Director	5/5	–	4/4	–
Annette Court 	Independent Non-executive Director	5/5	–	4/4	6/6
Drummond Hall	Senior Independent Director	5/5	2/2	4/4	6/6
Derek Harding <sup>5</sup>	Independent Non-executive Director	3/3	–	2/2	–
Steve Hare	Executive Director and CEO	5/5	–	–	–
Jonathan Howell	Executive Director and CFO	5/5	–	–	–
Irana Wasti	Independent Non-executive Director	5/5	–	–	–
Vicki Bradin <sup>6</sup>	Company Secretary	5/5	2/2	4/4	6/6

#### Key

 Board Chair     Audit and Risk Committee Chair     Nomination Committee Chair     Remuneration Committee Chair

#### Notes:

The maximum number of scheduled meetings held during the year that each Director could attend is shown next to the number attended. In FY21, there was 100% attendance to all Board meetings and Committee meetings by its members, except one Nomination Committee meeting that Sir Donald Brydon did not attend in relation to his succession.

Committee attendance as set out above reflects attendance by Committee members only.

1. Andrew Duff was appointed as Non-executive Director on 1 May 2021 and as Chair of the Board and the Nomination Committee on 1 October 2021.
2. Sir Donald Brydon stepped down as Chair of the Board and the Nomination Committee on 30 September 2021.
3. Sir Donald Brydon did not attend the Nomination Committee Meeting in relation to his succession.
4. Sangeeta Anand was appointed as a member of the Audit and Risk Committee on 21 April 2021.
5. Derek Harding was appointed as Non-executive Director and member of the Audit and Risk Committee on 2 March 2021.
6. The Company Secretary acts as a Secretary to the Board and all the Committees.

Board and Committee members are expected to attend every scheduled meeting. If a Director is unable to attend a meeting due to exceptional circumstances, or pre-existing business or personal commitments, they are encouraged to provide comments and observations on the Board and Committee papers to the Chair of the Board or Committee so that they may be shared with Directors at the meeting.

Each year, the Board aims to hold at least two meetings in different operating locations. By visiting these locations, the Directors are able to meet with a diverse group of senior business leaders and high-potential colleagues, to gain further insight into how the business works and listen to colleague views. This year, due to travel restrictions imposed by most governments in response to the Covid-19 pandemic, the majority of the Board and Committee meetings were held virtually. The Board and the Committees have demonstrated their ability to adapt in making full use of the technology available at Sage, thereby allowing Board and Committee meetings and other engagement activities to be conducted safely and efficiently.

The Board resumed physical meetings from July 2021 and in September 2021 visited our new Cobalt office in Newcastle, which included an informal lunch with the UKI leadership team, participation in engagement sessions on execution of UKI strategic plans and time spent with our customer services team.

There is a standing invitation to Directors to attend any Board Committee meeting they wish, irrespective of whether they are a Committee member, subject only to recusal regarding matters concerning the individual(s) or conflicts of interests. There is also a standing paper from the Audit and Risk Committee and the Remuneration Committee presented at each subsequent Board meeting highlighting key strategic Committee decisions taken. To further assist information flows between the Board and its Committees, there are cross-memberships of the Committees as shown in the table on page 84.

## Board meeting schedule



### Informal Board interactions

In addition to routine and ad hoc Board meetings, the Board meets over informal Board dinners to connect and discuss wider business topics and help maintain successful relationships to promote a culture of openness. The Board is committed to effective engagement with all stakeholders at Sage. Engagement activities include talent lunches and engagement days which generally precede Board meetings and provide the Board with opportunities to spend time with colleagues outside formal Board meetings. This helps Directors gain a deeper understanding and insight into the operation of various function lines and significant elements of the business. Our Board Associate also has a significant role in bringing the colleague voice into the Boardroom.

The Board continues to review strategic decisions throughout the year and holds a dedicated Strategy Day on an annual basis, where core strategic initiatives are discussed in depth with management.

**Please see pages 88 to 95 for more information on our engagement activities with our stakeholders.**

### Engagement with investors

Regular and open communication with our investors is extremely important for the Board. By maintaining dialogue with our investors, we aim to ensure that their views are heard and that our objectives are understood. Trading updates are published quarterly, and on an ad hoc basis where relevant. Analysts are invited to attend presentations, and interact with the Executive Directors, following the announcement of Sage's interim and final results. The Executive Directors interact with shareholders, both as part of post-results roadshows and on an ad hoc basis. There is a dedicated investor relations programme managed by the VP, Investor Relations, who reports to the CFO. Further information regarding our engagement activities with our investors can be found on page 89.

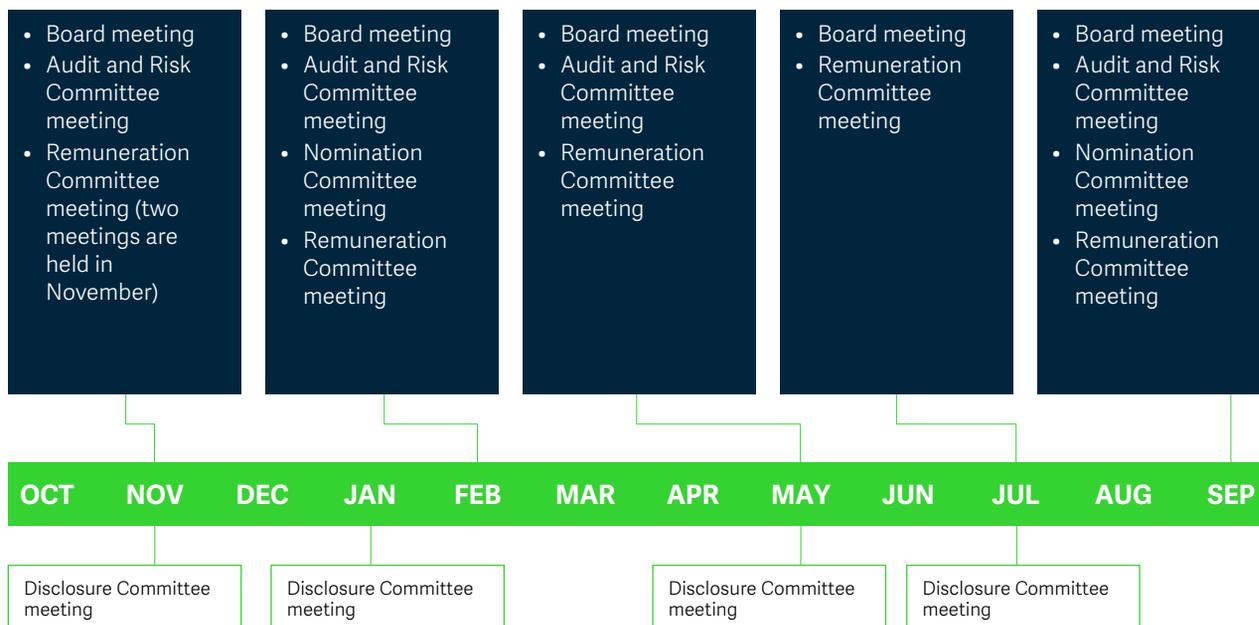
### Covid-19 and the Board's ways of working

This year, the Board was asked to reflect on their ways of working, adopted due to Covid-19 restrictions. Positive feedback was received from the Directors on virtual arrangements for meetings, engagement and induction sessions. The Board noted that it enabled time-efficient participation, whilst retaining focus and quality of information flow, for effective decision making.

As workplaces re-open, the Board will continue to assess its effective ways of working and balance its Board calendar to include physical and virtual participation, as appropriate.



## Scheduled Board and Committee meetings timeline



Scheduled Disclosure Committee meetings are for the purpose of approval of financial results and quarterly trading updates.

## Annual General Meeting (“AGM”)

The AGM provides us with a valuable opportunity to engage with our shareholders. In light of ‘Stay at Home’ restrictions imposed by the UK Government, the Board decided that the 2021 AGM would be held virtually with no physical presence, as permitted by the Corporate Insolvency and Governance Act 2020 at that time. Shareholders were provided with an opportunity to submit their questions about the business of the AGM in advance and responses were published on our website ahead of proxy deadlines to ensure shareholders could make informed voting decisions. Shareholders were also invited to listen to the AGM online and had the opportunity to submit questions on the day on any matter pertaining to the business of the AGM. All Directors joined the AGM virtually, along with our external auditors and senior management who were available to answer questions.

All resolutions at the 2021 AGM were voted on a poll. In view of the attendance arrangements, shareholders were asked to register their vote in advance of the AGM by appointing the Chair of the AGM as proxy, with voting instructions. We received voting instructions from over 81% of shareholders and all proposals were passed with over 89% of votes cast in favour.

**Further details on our past annual general meetings and other information on AGM arrangements can be found on our corporate website at [sage.com](http://sage.com), which is the principal means we use to communicate with our shareholders.**

## Engagement with our Stakeholders

### Section 172(1)

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

**Key**



**(a)** the likely consequences of any decision in the long term



**(b)** the interests of the company's employees



**(c)** the need to foster the company's business relationships with suppliers, customers and others



**(d)** the impact of the company's operations on the community and the environment



**(e)** the desirability of the company maintaining a reputation for high standards of business conduct



**(f)** the need to act fairly as between members of the company

### Stakeholder Engagement

We are committed to effective engagement with all our stakeholders and see this as a critical way of building a foundation of mutual respect, trust and understanding. Considering our stakeholders in key principal decisions is central to good governance and to the effective delivery of our strategy.

When preparing the annual Board agenda and the Non-executive Directors' engagement plan for FY21, the Board sought to ensure that it supported delivery of the Board's annual objectives by providing good coverage across all of our stakeholder groups. Engagement plans were designed to complement and enhance Board agendas and ensure the right mix, volume and range of activities were achieved. Key stakeholder considerations were also integrated into our Board papers to enable the Board to consider these in their discussions and decision making.

The Board reviews our key stakeholders each year to ensure our assessment of their needs and interests remains relevant and aligned with our strategy. This year the Board also considered our stakeholders in the context of our evolved strategic framework and updated these, as needed.

The following pages set out the forms of engagement with stakeholders undertaken by the Board collectively as well as the wider business and the impact of such engagement on activities conducted during the year. We also set out some of the key decisions taken by the Board in FY21, and how the Board sought to discharge its obligations in making those decisions. This is shown by section 172(1) icons, as found on this page.

Finally we have also set out our key activities of the Board throughout the year and their alignment with stakeholders and our risk management approach.

## Our investors



### Board engagement

- The Board receives regular updates from the Investor Relations team, including at each Board meeting
- Feedback from investor meetings is also circulated to the Board after our full-year and half-year results announcements and quarterly trading updates where relevant
- The Chair and other Non-executive Directors are available to attend meetings with major shareholders at the request of either party to gain an understanding of any issues or concerns
- At our AGM, all Board directors are present, which provides a key opportunity for the Board to engage with shareholders and for shareholders to vote on the resolutions put to them
- The Chair of the Remuneration Committee wrote to large investors regarding the Directors' Remuneration Policy, which will be proposed at the forthcoming AGM. Further details of this engagement and the Directors' Remuneration Policy can be found on pages 126 and 130 to 139

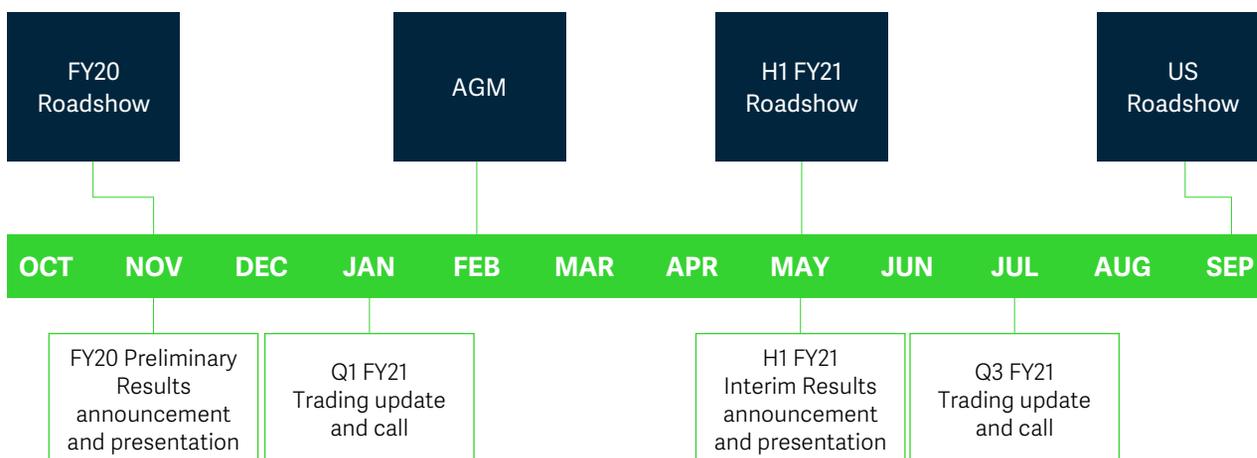
### Company engagement

- Shareholder engagement is the responsibility of the Executive Directors and principally the day-to-day activity of the Investor Relations team who develop and manage Sage's external relationships with investors and analysts. The Board is regularly kept updated with significant feedback from our investors
- The announcements of the full-year and half-year results and trading updates, are prepared and published by the Investor Relations team. Analyst events are held to provide opportunities to ask questions
- Senior management are also available to meet investors, and did so virtually during the year, for example to discuss Sage's technology vision and strategy
- Our website [sage.com/investors](https://www.sage.com/investors) continues to be an important channel for communicating with all stakeholders, including investors

### What we did in FY21

- Conducted an ongoing programme of dialogue with investors and analysts, where they discuss a wide range of issues including strategy, performance, management and governance
- Redesigned our investor relations web pages on our website, which provide up-to-date, detailed information about Sage and matters of interest to investors
- Paid an interim and recommended a final dividend and commenced share buyback programmes
- Received feedback from our large investors which helped shape our proposed Directors' Remuneration Policy to ensure that the policy is appropriate, aligned with the policy applied to our wider colleague base, and promotes Sage's long-term sustainable success
- Provided our shareholders with a valuable opportunity to engage by holding our 2021 AGM virtually. Further information on our 2021 AGM can be found on page 87

### Company and investor - key meetings timeline (all meetings held virtually in FY21)



## Our colleagues



### Board engagement

- Interaction with our colleagues has benefitted from the appointment of our Board Associate bringing the colleague voice into the Boardroom and providing a two-way communication channel
- Our Board Associate programme has been enhanced by the formation of the Associates' Council designed to help the Board consider the likely consequences of strategic decisions in the long-term, from a colleague perspective
- Colleague engagement sessions held virtually three times a year
- Oversee embedding of our Sage DEI strategy to build a truly inclusive culture where all colleagues can feel they belong regardless of their race, age, gender, sexual orientation, socio-economic status, disability or neuro-diversity
- Oversee the health and safety performance and approach to monitoring and reporting of colleague incidents

### Company engagement

- Our Code of Conduct provides unambiguous guidance for all colleagues on how we do the right thing and sets clear expectations across Sage for compliance with ethical standards
- Provision of an independent and anonymous whistleblowing hotline which is available 24 hours a day, 7 days a week. Calls are monitored by the Company Secretary, investigated by our Risk team and reported to the Audit and Risk Committee where needed
- Our Health and Safety and Wellbeing Policies are designed to ensure a healthy, safe and supportive working environment at Sage which protects the wellbeing of all of our colleagues
- Sage TV broadcasts presentations of strategy and quarterly performance updates by the CEO and CFO and other Executive Committee members
- Multimedia channels for sharing information and as a depository of in-house news items of interest

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### What we did in FY21

- Launched Flexible Human Work to shape how, where and when colleagues work to best serve customers and drive human connection
  - In recognition of the ongoing efforts of Sage colleagues in light of Covid-19, all colleagues globally were offered three 'wellbeing days' in addition to annual leave, as well as access to the Headspace mindfulness app, funded by Sage
  - We were awarded Comparably's Best Leadership Teams and Best Career Growth for 2021 in their Best Places to Work awards
  - Our most recent Pulse Survey, in which 83% of colleagues took part, showed an increase overall in Employee Net Promoter Scores (eNPS) to +35 and employee satisfaction (eSat) remained at 81 points
  - A key part of Board engagement is the focus on culture throughout the Group. Further details on how the Board monitors culture can be found on page 91
-



## How the Board monitors culture

The Board recognises the impact of culture and the role it plays in delivering the long-term success of the Company. The following mechanisms are used by the Board in monitoring Sage's culture:

- Regular updates on and annual reviews of Sage's core compliance policies
- Colleague representation at Board meetings through the Board Associate and further engagement as part of the Board engagement programme to monitor colleague sentiment
- Bi-annual meetings with the Associates' Council
- The Board is regularly presented at Board meetings with reports detailing progress against culture objectives
- Approved the Board Diversity, Equity and Inclusion Policy, aligned with our Sage DEI strategy and Group-wide DEI Policy to set the tone at the top
- Progress against Sage's DEI strategy is reported annually
- Oversaw Sage Foundation activities through its annual review
- Received a deep dive on People strategy which includes metrics on colleague attrition, talent and succession for senior management, presented by the Chief People Officer
- Monitored senior leadership capability, development and succession
- Communicated with colleagues on engagement day programmes and small group sessions
- Oversaw progress against Colleague Success KPIs

## Our customers



### Board engagement

- Deep-dive on product segments to understand strategy and monitoring against deliverables with the aim of meeting customers' needs more effectively
- Oversight of Sage's objectives, investment and prioritisation of investment in Artificial Intelligence and Machine Learning
- Updates at each Board meeting on customer feedback, including monitoring of the Net Promoter Scores across segments and key geographies
- Monitoring of Sage Brand evolution and Customer Promises
- Discussed our strategy for Customer Success and received updates on a regular basis from the CEO on the operational priorities in place to deliver a high-quality customer experience
- Chief Customer Success Officer led a session on customer success team activities which included call listening
- Engagement day at the Newcastle office, spending time with customer services colleagues and participating in call listening
- Receiving publicly available competitor updates to understand Sage's competitive performance and its strengths and weaknesses

### Company engagement

- 232 customer visits took place during FY21 Customer Connect Pilot, with more than 5,000 hours of customer-related activity, including customer experience activities such as closed loop calls and outreach
- Further digitisation of customer service functions by providing an enhanced range of contact options to customers to reduce call wait times and improve first-contact resolution
- Digital resources are made available to help customers get the most value from their Sage solutions, including community discussions (Sage City), learning opportunities (Sage University) and technical articles (Sage Knowledgebase)
- Sage Transform 2021 customer event for the Sage Intacct and Sage Intacct Budgeting and Planning communities held, providing customers, partners and prospects with education, inspiration, and collaboration to help their businesses thrive
- Sage Extended Leadership Team all committed to taking part in Customer Connect initiative, completing customer closed loop calls

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### What we did in FY21

- Launched the Customer Connect initiative in January 2021 to connect Sage colleagues with our customers and partners to help Sage better understand their needs and bring customer insight into the business
  - Expanded the Customer marketplace, introducing colleagues to Sage customers and their products by providing every colleague with an opportunity to spend one Customer Day in FY21 on customer-related activities
  - Built seamless integration of the end-to-end customer journey through the further digitisation of back-office services and systems
  - Developed and deployed several advanced analytic capabilities powered by Artificial Intelligence and Machine Learning within the Sage Business Cloud suite of products
  - Launched the Sage Executive Sponsor programme with the Executive Committee who have been assigned customers to build ongoing relationships with
-

## Our partners



### Board engagement

- Considered our go-to-market approach with partners in relation to the development of a successful ISV ecosystem and the Sage Business Cloud Marketplace, and the steps being taken to develop the on-boarding, enablement and nurturing of both new and existing partners to drive scalable growth
- Received reports, including updates on performance and key partner issues, partner relationships, development and engagement

### Company engagement

- The Sage Partner Summit 2021 welcomed over 2,000 Medium Segment partner attendees, virtually in May, designed to provide our Medium Segment partner community with the information and tools needed to build their business with Sage
- Our Partner Code of Conduct defines our expectations of responsible business and behaviour and underlines our strategic focus on customer needs
- Launched Sage Dev Stream, a new series of events designed to help app developers develop their apps
- Sage Partner Hub offers one portal to partners providing access to sales and marketing materials, news, events and the ability to share and track opportunities digitally
- A combination of organic development and partnerships enabled Sage to continue to broaden our value proposition for mid-sized businesses with new cloud native services

### What we did in FY21

- Established the Partner Centre of Excellence function, working to drive our business performance and support partner success
- Transferred the Expert and Learning Services team into the Partner organisation to help drive faster partner engagement
- Launched YourCause Partner Volunteer Platform as part of Sage Foundation providing Partners a platform to find and create events, using a fundraising tool and collaborate with Sage colleagues and partners
- Expanded the Sage Partner Cloud Programme to drive cloud transformation and empower our partners to support our joint customers with moving to the cloud
- Developed a new partnership with Tide, offering a tightly integrated banking and accounting product for Tide members



## Communities and the planet



### Board engagement

- Ensures Sage Foundation's plans focus on what matters most to Sage's colleagues and communities, and receives regular updates on its activities and plans
- Continued to promote and endorse a culture where all colleagues are actively encouraged to take their volunteer days as part of Sage Foundation activities in order to give back time, skills and technology
- Oversaw the development and approved Sage's Sustainability and Society strategy and attended its launch (along with other colleagues) in June
- The Board made commitments at the Company's 2021 AGM to support TCFD and SASB disclosure recommendations

### Company engagement

- We proactively consider and manage the impact we have on our local communities as part of the delivery of long-term sustainable business performance
- Sage Foundation celebrated its fifth anniversary in FY21. To date, colleagues spent a total of 110,000 days volunteering, the value of Sage Foundation's volunteer hours reached £14m, 600 grants were awarded to non-profits and 2,000 non-profits have benefitted from discounted software
- We are committed to managing our use of resources and proactively managing our environmental impact. We continue to focus our commitment on areas that are most relevant to Sage, our people and our customers
- Sage also continues to participate in the Carbon Disclosure project and is fully compliant with the Streamlined Energy and Carbon Reporting requirements

For further information about Sage's strategy and commitment regarding the environment, see pages 29 to 37 of the Strategic Report.

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### What we did in FY21

- Approved the adoption of an ambitious new Sustainability and Society strategy, for more information please see our Sustainability and Society Report on our website
  - Signed up to the United Nations Global Compact 'Business Ambition for 1.5°C', the United Nations Climate Change 'Race to Zero' and the commitments of the Science Based Targets initiative
  - Adopted a robust sustainability reporting framework with industry-specific SASB standards and continued to enhance our TCFD disclosures
  - Colleagues spent a total of 22,055 days volunteering as part of Sage Foundation in FY21
-

## FY21 through the lens of our Board Associate, Pamela Novoa Ralli

The Board Associate programme, first adopted in 2017, continues to be an effective and efficient alternative method of colleague engagement, as permitted by the Code. The Board Associate attends all scheduled Board meetings, has direct access to all Board Directors and is entrusted to bring the colleague voice into the Boardroom. Colleagues are encouraged to reach out to the Board Associate directly with their views and virtual round table discussions are held on specific topics. This ensures that the Board is appropriately informed and that the interests of our colleagues are considered in all key decision making. The Board considers that the Board Associate role has also been successful in increasing awareness of the role of the Board with colleagues and thereby providing a successful and effective two-way communication channel.

Colleague engagement by the Board has been further enhanced by the formation of Associates' Council in FY20 comprising past and present Board Associates and selected candidates from the most recent Board Associate appointment process.

Almost 18 months into the role of Board Associate, Pamela Novoa Ralli, our third Board Associate, reflects on her key highlights:

*Our colleagues:* This has been a hard year for everyone, leading to unprecedented human and humanitarian challenges. Covid-19 and Black Lives Matter (BLM) have been two major global events that have deeply affected our colleagues and the wider community at large. For me, Sage has led the way, acting swiftly to safeguard our colleagues and their wellbeing based on colleague engagement through Sage Belong listening sessions, localised support groups, Wellbeing Days, Flexible Human Work and the Global DEI Accountability Board amongst other initiatives. I have been able to canvass colleague views on topics of focus such as barriers to execution and creating an inclusive culture by reflecting upon how colleagues have felt on the matters mentioned above.

*Sustainability and Society strategy:* Our commitment to doing the right thing is not new to Sage, but the launch of our Sustainability and Society strategy is, I feel, an important moment in our journey and a step further in the right direction. It showcases our determination to knock down barriers to digital equality and to protect the climate.



I have observed the active support received from the Board, constructively challenging and building on the strategy presented, so Sage can action our commitment.

*Board Associates' Council:* Set up in June 2020 to canvass a broader range of colleague views, the Council has met with the Board twice since its inception. A range of topics has been discussed, such as accountability, DEI and views on Company strategy and colleagues have been encouraged to speak openly and honestly. I feel the evolution of this forum and the way it operates is evidence of a great company culture and shows how we truly live our Values.

The Board Associate role has been transformational for me. I have regularly updated the Board and made targeted contributions to bring an insight on colleagues' views to the Board deliberations. It has also made me deeply appreciate the role of the Board and how its consideration of our stakeholders in decision making has influenced the Company's strategy, Values, and our culture.

Over this period, I have undertaken several activities to bring the role of our Board and its Directors to our colleagues. I have regularly blogged on Sage's intranet site on the activities of the Board. Colleague engagement was further enhanced by seeking active participation from our colleagues, asking them to choose Non-executive Directors they would like to hear from. Based on such feedback, the Non-executive Directors shared their views and insights on topics related to innovation, opportunities in Machine Learning and the role of good corporate culture.

### FY21 Key principal decisions

We set out below some of the key principal decisions and details of how the Board has considered our stakeholders in light of section 172 (1) of the Companies Act 2006. For further details on other FY21 Board activities and decisions, please refer to pages 98 to 101.

	Principal decision by the Board	Board considerations	Outcome
<p><b>M&amp;A</b></p>  <p><b>Stakeholders considered</b></p> <ul style="list-style-type: none"> <li>• Investors</li> <li>• Colleagues</li> <li>• Customers</li> </ul>	<p>In December 2020, the Board approved the sale of Sage’s businesses in Asia and Australia (excluding global products) to The Access Group. Sage retained its global products in the regions which are core to its growth strategy.</p>	<p>The Board noted that the disposal provided the Company with an opportunity to realise significant value for our investors at an attractive valuation.</p> <p>The Board also concluded that The Access Group would be a good home for customers and colleagues in the region, with Sage’s regional management team also supportive of the transaction.</p>	<p>After consideration of the interests of relevant stakeholders and the strategic objectives of the Company, the Board approved the sale of the business to The Access Group.</p> <p>The sale has resulted in a simplified Group structure, with management and capital resources focused on fewer, larger geographies.</p>

	Principal decision by the Board	Board considerations	Outcome
<p><b>Society and Sustainability strategy</b></p>  <p><b>Stakeholders considered</b></p> <ul style="list-style-type: none"> <li>• Communities and the planet</li> <li>• Investors</li> <li>• Colleagues</li> <li>• Customers</li> </ul>	<p>In June 2021, the Board approved Sage’s Society and Sustainability strategy.</p>	<p>The Board is cognisant of its role in bringing to life Sage’s goal to tackle societal and economic inequality and the climate crisis. Working towards achieving this ambition, the Board considered the proposed strategy and its impact on all relevant stakeholders prior to its launch in June.</p> <p>The Board noted the focus on three strategic pillars which aim to knock down the barriers that hinder access to opportunity, equality and sustainability.</p> <p>The three pillars have been chosen to align with our customers and what matters to them, as well as the expectations they have on providers such as Sage to make a difference. The Board also considered how the strategy would resonate with our colleagues and be communicated to them.</p> <p>Finally, the Board reviewed which reporting frameworks would be most appropriate to enable Sage to demonstrate its progress over time to investors and the governance community, and how the strategy would be included within incentive plans for Executive Directors and colleagues to drive its delivery.</p>	<p>The Board concluded that the strategy is beneficial for all relevant stakeholders, is aligned to our evolved strategic framework and will support a new generation of diverse and sustainable businesses.</p> <p>Sage pledged business mentoring, advice and support for over 1.2 million people from under-represented groups around the world. Sage has also committed to being Net Zero by 2040 and, as an interim step, to halve emissions by 2030.</p> <p>Our external reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board Standards has also been enhanced.</p>

	Principal decision by the Board	Board considerations	Outcome
<p>Share buyback</p>  <p><b>Stakeholders considered</b></p> <ul style="list-style-type: none"> <li>• Investors</li> <li>• Colleagues</li> <li>• Customers</li> </ul>	<p>In March and September 2021, the Board approved capital returns of up to £600m in aggregate. Both capital returns were executed via share buyback.</p>	<p>In March FY20 the Company announced that it would enter into a share buyback programme. However, shortly thereafter the Board cancelled this programme in order to preserve a high level of liquidity given the uncertainty of market conditions due to Covid-19.</p> <p>The Board subsequently considered the launch of a new share buyback programme taking into account the Group's capital allocation policy, sale proceeds received from disposals, Sage's strong ongoing cash generation and the stabilising market conditions regarding Covid-19.</p>	<p>The Board approved a new share buyback programme in March 2021 and a further buyback programme in September 2021.</p> <p>Shares purchased under the first and second share buyback programmes are held in treasury and used to meet obligations arising from share option programmes, or other allocations of shares to colleagues.</p> <p>Sage continues to have considerable financial flexibility to drive the execution of its growth strategy, supported by its robust financial position.</p> <p>Please see page 161 of the Directors' Report for further information on the matter.</p>

	Principal decision by the Board	Board considerations	Outcome
<p>Transforming the business to deliver on strategic priorities</p>  <p><b>Stakeholders considered</b></p> <ul style="list-style-type: none"> <li>• Colleagues</li> <li>• Customers</li> <li>• Investors</li> <li>• Partners</li> </ul>	<p>In September 2021, the Board approved the simplification of the Group's organisational structure with the removal of c.800 positions from the business globally.</p>	<p>The Board invested significant time to consider this decision.</p> <p>In doing so, the Board focused on the strategic rationale for the changes, principally the need for Sage to rebalance its investments towards its strategic priorities and to simplify the business in order to continue being successful in the medium to long term.</p> <p>Given the importance of our colleagues to Sage, time was spent understanding the process and timeline of communication with affected colleagues, including redeployment and severance packages, and the overall alignment of the approach being adopted with our Values. Views of the Board Associate were also taken into consideration as part of the Board decision making.</p> <p>The Board continues its oversight with regular updates provided by management.</p>	<p>The Board believes these changes will enable the Company to simplify and invest in the business in ways that will be transformative for all stakeholders.</p> <p>The simplification will enable Sage to go faster and make it easier for customers to buy and use Sage solutions, and for our colleagues to serve those customers. It will help Sage get into the best shape possible to meet our customers' needs in the future while staying focused on supporting our partners and our colleagues.</p> <p>The Board recognised that the decision could risk colleague morale and engagement in the short term but is confident that the long-term benefits will ultimately enhance Sage's culture and performance and support the long-term success of the Group.</p>

Section 172(1) key	
 (a) the likely consequences of any decision in the long term	 (d) the impact of the company's operations on the community and the environment
 (b) the interests of the company's employees	 (e) the desirability of the company maintaining a reputation for high standards of business conduct
 (c) the need to foster the company's business relationships with suppliers, customers and others	 (f) the need to act fairly as between members of the company

### Activities of the Board

Board activities are structured to develop and support the Group’s strategy and to enable the Executive Committee and senior management to assist its delivery within a transparent governance framework. The table below sets out the key areas of Board focus during the year aligned with the Group strategy and our 12 principal risks. For further information on our Risk Management Framework and principal risks please refer to pages 50 to 64. Sage’s key stakeholders and their differing perspectives are taken into account as part of Board discussions as illustrated by the examples of principal decisions on pages 96 and 97.

Principal risks					
1	Understanding Customer Needs	5	Customer Success	9	Cyber Security and Data Privacy
2	Execution of Product Strategy	6	Third-Party Reliance	10	Data Strategy
3	Innovation	7	People and Performance	11	Live Services Management
4	Route to Market	8	Culture	12	Environment, Social and Governance

## Strategy and Group structure

### Key stakeholders considered

- Investors
- Colleagues
- Customers
- Partners
- Communities and the planet

### Strategy

The Board monitored execution against its strategy and received regular updates via the CEO and senior management on customers, colleagues, technology and innovation and corporate development. The competitive landscape and Sage’s market share and positioning were discussed, as was how Sage is evolving and adapting its strategy to meet the changing needs of customers. Regional ‘Win Plans’ and Sage Business Cloud product roadmaps were also shared. A Board Strategy Day is held each year dedicated to considering and discussing in-depth the key strategic choices, priorities and investments being made.

In FY21, the Board approved the adoption of our Sustainability and Society strategy. For more information please see our Sustainability and Society Report on our website.

### Principal risks:

- 1 2 3 4 5 7 8 9 10 11 12

### Acquisitions and disposals

The Board determines the Group’s approach to M&A activity and product portfolio management, in order to accelerate strategic delivery.

- In December 2020, the Board approved the sale of Sage’s Polish business to funds advised by Mid Europa Partners LLP. The transaction completed in March 2021
- In December 2020, the Board approved the sale of Sage’s business in Asia and Australia (excluding global products) to The Access Group. The transaction completed in May 2021
- In March 2021, the Board approved the sale of Sage’s Swiss business to Infonika. The transaction is expected to complete within 12 months of signing
- In September 2021, the Board approved the acquisition of GoProposal, a UK-based provider of proposal management software for small and mid-sized accountancy firms
- During FY21, Sage made minority investments in Brightpearl (December 2020), Countingup (March 2021) and Bench Accounting (May 2021). Sage also acquired certain assets of Task Sheriff in March 2021

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## Culture and leadership

### Key stakeholders considered

- Investors
- Colleagues

### Corporate culture

The Board continued to receive regular updates on how culture and Values are embedded for colleagues across the Group and its wider stakeholders. The Board continued to hear about the colleague experience from the Board Associate and Associates' Council during FY21. Further information on how the Board monitors culture is found on page 91.

### Principal risks:

① ⑦ ⑧

### Succession and talent

The Board, supported by the Nomination Committee, continued to focus on succession planning for the Board and Executive Committee and monitored talent development for senior management. Changes to the Executive Committee, Board and Committee composition were also made during the year. Further details are provided in the Nomination Committee Report on pages 102 to 109.

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## Customers and innovation

### Key stakeholders considered

- Customers
- Partners

Strategic focus on customer experience and satisfaction and product innovation was maintained by the Board with regular updates from the CEO and Board sessions with the Chief Customer Success Officer, senior Product leadership and the Chief Technology Officer. Customer success sessions took place during the year, along with demonstrations of Sage's product portfolio.

The Board reviewed the competitor analysis and monitored the Sage brand evolution.

Investment in our cloud native and cloud connected solutions and the development and deployment of several advanced analytic capabilities powered by Artificial Intelligence and Machine Learning within the Sage Business Cloud suite of products also formed part of Board oversight.

### Principal risks:

① ② ③ ④ ⑤ ⑧ ⑨ ⑩ ⑪

Further information on how Sage is addressing and adapting to customer macro trends can be found in our Strategic Report on pages 14 and 15.

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## Finance and risk management

### Key stakeholders considered

- Investors
- Colleagues
- Customers
- Partners

The Board closely monitored reports relating to the financial position of Sage throughout the year. The Board was responsible for considering, reviewing and evaluating the FY22 budget, annual business plan and three-year financial plan, FY21 half-year and full-year results (including going concern and viability assessments) and the publication of trading statements during the year.

One of the key activities undertaken by the Board was the oversight and approval given to the issuance of a debut £350m 10-year bond which successfully launched in February 2021.

Further information on these matters can be found in the CFO report on pages 42 to 49 and the going concern statement on page 158 of the Directors' Report.

### Principal risks:

⑥ ⑦ ⑨

### Capital allocation

The Board continued to review Sage's capital allocation strategy. Details on approval and recommendation of dividends and returning surplus capital to shareholders via the share buyback programme commenced in FY21 are detailed on page 161.

### Risk management

The Board regularly reviewed its risk profile and emerging risk themes as well as reviewing updates on the internal control and risk framework and determining its effectiveness. Further details can be found in our risk management report on pages 50 to 56 and in the Audit and Risk Committee Report on pages 110 to 119.

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## Governance

### Key stakeholders considered

- Investors
- Colleagues
- Customers
- Partners
- Communities and the planet

### Compliance

The Board is committed to fully complying with all laws and regulations and has high standards of governance and compliance. The Board conducted its annual review of Sage's core corporate policies and procedures, including the Share Dealing Code, Code of Conduct, Anti-Bribery and Corruption Policy, Whistleblowing Policy and updated them in accordance with legal and regulatory requirements.

### Principal risks:

⑦ ⑧ ⑨ ⑫

Throughout the year the Board received regular updates of legal and regulatory matters including litigation matters at each Board meeting.

The Board also conducts an annual review of Matters Reserved for the Board and the Board Committees' Terms of Reference.

### Board evaluation

A robust internal Board evaluation process took place as set out on pages 80 to 82 with outcome of the review and next steps discussed.

### AGM

The Board held the 2021 AGM via electronic means, details of which can be found on page 87.

# Cyber threat

## Key stakeholders considered

- Investors
- Colleagues
- Partners

The Board continued to receive regular updates at each Board meeting from the Chief Information Security Officer on improvements being made to reduce cyber risks across the corporate estate and our products.

## Principal risks:

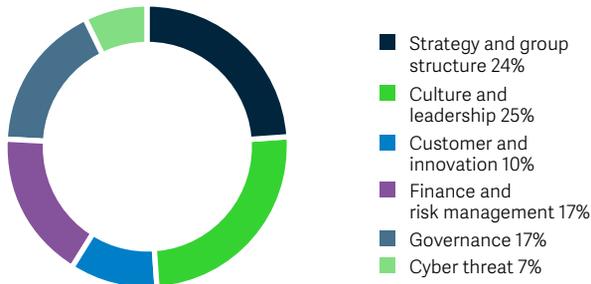
- ① ② ③ ⑤ ⑥ ⑨ ⑩ ⑪

These included:

- Overview of incidents, lessons learned and continual improvement
- Implementation of refreshed product security standards and an improved data picture of products' compliance with these
- Introduction of enhanced threat detection capabilities to Sage's cloud and data centre hosting environments
- Preparedness for ransomware attacks, including technical mitigation strategy, third-party support arrangements and Sage's cyber crisis exercise programme

## The Board's key areas of activities

The Board adopts a written set of objectives for each financial year, based on corporate strategy, key responsibilities of its role and its promises to its stakeholders. The proportion of time spent on each of the Board's key areas of focus is set out below with further details of its activities set out above and on pages 98 to 100.



## Looking forward to 2022

In 2022, the Board intends to focus on realising Sage's ambition to be the trusted network for SMBs and deliver on our promises to customers, colleagues, society and our shareholders. In order to do so, the Board will:

- Assess how we are continuing to build a high-performance, high-engagement culture, reflective of our Values and our global Diversity, Equity and Inclusion strategy
- Monitor our talent identification and development within Sage and ensure a diverse and inclusive talent pipeline
- Continue to monitor how our investments in Sage Business Cloud solutions and our customer experience are differentiating us from the competition and enabling our network to scale
- Focus on ensuring our investments in Artificial Intelligence and Machine Learning technologies, and their integration within our Sage Business Cloud products, are serving our customers by removing friction and delivering insights
- Continue to assess those inorganic opportunities which will enable us to scale and grow the business in line with our M&A strategy
- Maintain our focus on customer-centricity and developing deep and enduring relationships with our customers and our partners
- Maintain focus on understanding our defence against cyber attacks and keep abreast of cyber risks as an integral part of building a trusted network
- Continue to evolve our Board Associate role to help the Board make better decisions and enhance colleague engagement through our Board Associate
- Create a more sustainable future for our colleagues, customers, communities and the planet through the implementation of our Sustainability and Society strategy

Further information on the Board's key areas of focus are set out on page 82.

# Nomination Committee Report



**Andrew Duff**  
Chair of the Nomination Committee

Dear shareholder

I am pleased to introduce my first report as Chair of the Nomination Committee (the “Committee”) covering both the role of the Committee and the work it has undertaken during the year.

The Committee has continued to play a critical role in supporting the Board in discharging its succession planning responsibilities and in championing Sage’s diversity, equity and inclusion strategy and its delivery. During the year a key area of the Committee’s focus has been on Board and Board Committee composition and on ensuring the most appropriate balance of skills, knowledge, experience and diversity in terms of their membership. The Chair succession process, led by our Senior Independent Director Drummond Hall, culminated in my appointment to the Board as a Non-executive Director and Chair Designate in May 2021. Derek Harding was appointed as Non-executive Director and member of the Audit and Risk Committee in March 2021. Further details on both appointments are set out on pages 104 and 105 of this report.

As well as these specific appointments, much focus continued to be given to working with the whole Board on Company succession planning and overseeing the development of talent from within Sage as well as promotions within the Executive Committee.

With diversity, equity and inclusion firmly on the Committee’s agenda, a recommendation was made during the year for the Board to adopt its own Diversity, Equity and Inclusion Policy which it duly did in July and of which further details are set out on pages 106 to 109 of this report. I recognise that further progress needs to be made in relation to the level of our female Board representation which, owing to changes in Board composition during the year, has fallen below our diversity aims. The Board and the Committee remain committed to minimising the period for which this is the case and will continue to monitor the composition and balance of the Board overall.

This year the Company undertook an internal effectiveness review and evaluation of the Board, its Committees, individual Directors and the Chair. Further information on the outcome of the annual evaluation can be found on pages 80 to 82. We expect to conduct an externally facilitated evaluation in line with the Code in FY22.

My transition to Chair was greatly supported by our outgoing Chair Sir Donald Brydon, the Board and the Company Secretary, which ensured continuity during this period of change. I am excited to have been given the opportunity to lead the Sage Board and I am very thankful for all their support.

A handwritten signature in dark ink, appearing to read 'A. Duff'.

**Andrew Duff**  
Chair of the Nomination Committee

## Role of the Committee

The Committee is responsible for reviewing the structure, size and composition of the Board and ensuring that the Board and Board Committees have the most appropriate balance of skills, knowledge, experience and diversity. The Committee also oversees succession planning and ensures appropriate procedures are in place for annual evaluation and the nomination, induction and training of Directors.

## Committee composition and meetings

The Committee is composed of two independent Non-executive Directors, Drummond Hall and Dr John Bates, and is chaired by our Non-executive Chair, Andrew Duff. There was a change in Committee membership at the end of FY21 with Sir Donald Brydon stepping down, with effect from 30 September 2021, and being replaced as Chair by Andrew Duff, with effect from 1 October 2021. Details of the skills and experience of the Committee members can be found in their biographies on pages 70 and 71 and on page 76.

The Committee held two scheduled meetings during FY21. Additional meetings were held and written Committee resolutions passed as and when required, for example in relation to the Committee's Chair succession planning activities. Details of individual attendance at scheduled meetings are set out on page 84.

## Activities of the Committee at a glance

### Allocation of time



During the year, the Committee focused on the matters summarised in the table below.

Key area of activity	Matters considered	Outcome
<b>Board and Board Committee composition</b>	<ul style="list-style-type: none"> <li>Reviewed the skills, knowledge, experience, independence and diversity on the Board and considered changes to further strengthen the Board's collective capability and enhance Board and Committee composition</li> </ul>	<p>The Committee made the below recommendations to the Board during the year:</p> <ul style="list-style-type: none"> <li>Appointment of Derek Harding as an independent Non-executive Director and member of the Audit and Risk Committee with effect from 2 March 2021</li> <li>Appointment of Andrew Duff as an independent Non-executive Director with effect from 1 May 2021 and his appointment as Chair of the Board and Chair of the Committee with effect from 1 October 2021</li> </ul> <p>Sangeeta Anand was appointed to the Audit and Risk Committee with effect from 21 April 2021</p>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>Leading the succession planning and selection process to find a new Non-executive Director and Non-executive Chair</li> </ul>	Please see pages 104 and 105 for further information on the Committee's succession planning activities
<b>Corporate governance</b>	<ul style="list-style-type: none"> <li>Considered the outcome of its annual evaluation</li> <li>Reviewed the Committee's Terms of Reference to ensure they are fit for purpose</li> </ul>	<p>Please see page 105 for further information on the FY21 Committee effectiveness review and evaluation</p> <p>Revised Terms of Reference were recommended by the Committee for Board approval and were approved by the Board in May 2021</p> <p><b><i>The Committee's Terms of Reference is available on our website at <a href="https://www.sage.com">sage.com</a>.</i></b></p>
<b>Diversity, Equity and Inclusion (DEI)</b>	<ul style="list-style-type: none"> <li>Formalising a DEI policy for the Board</li> <li>Reviewing Sage's progress towards building a diverse, equitable and inclusive culture in line with our Sage Belong strategy</li> </ul>	<p>The Board Diversity, Equity and Inclusion Policy ("Board DEI Policy") was recommended by the Committee for Board approval and was approved by the Board in July 2021</p> <p>The Board received regular updates from members of the Executive Committee and senior management on Group-wide DEI initiatives and considered the progress made across diversity, equity and inclusion at Sage with the focus on gender and ethnic equality, building an inclusive culture and health and wellbeing of our colleagues</p>

### Board and Board Committee composition

During the year, the Committee focused on the structure, size and composition of the Board and its Committees. It considered the length of service of the members of the Board, the combined capabilities, experience and knowledge of the Directors and Committees, and made recommendations to the Board as appropriate.

The process for making new appointments to the Board is usually led by the Chair, except when the Committee is dealing with the Board Chair succession. The Committee has procedures for appointing a new Non-executive and Executive Director which are clearly set out in its Terms of Reference, which are reviewed annually to ensure they remain suitable.

When considering new appointments, all recommendations to the Board are made on merit against objective criteria which take into account experience, skills and an appropriately diverse balance, in the broadest sense, in the resulting membership of the Board. Time commitment, independence and potential conflicts of interest are considered before any recommendation is made to the Board. Any candidates who are shortlisted are interviewed by the Board Chair and other Directors. The Board is updated on the progress of the selection process and receives recommendations from the Committee for appointment.

### Succession planning for a new Non-executive Director

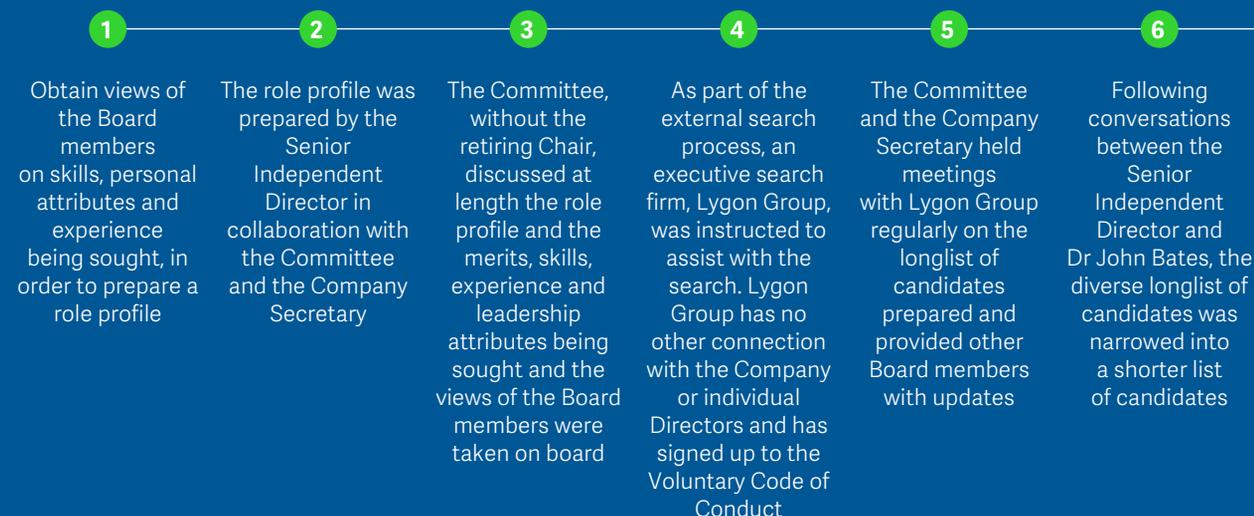
The selection and appointment procedure for the appointment of Derek Harding as Non-executive Director commenced with the agreement of the role profile. An external search agency, Lygon Group, was instructed to assist with the search. Lygon Group has no other connection with the Company or with individual Directors other than to provide recruitment services and has signed up to the Voluntary Code of Conduct.

A diverse longlist of candidates was prepared and considered by the Committee. The Committee, upon discussion, then shortlisted the candidates, and agreed to hold one-to-one candidate interviews with Board members. The Committee reviewed and considered the interview feedback, external references, assessment of skills and experience, cultural fit and diversity. Taking into consideration Derek Harding’s financial acumen, commercial expertise and experience of leading business transformation, and with a view to further strengthening the depth of existing Board capabilities, the Committee recommended Derek’s appointment which the Board approved with effect from 2 March 2021.

## Succession planning for the Chair

During the year, one of the key activities of the Committee was the Chair succession.

A formal, rigorous and transparent selection process was led by Drummond Hall, Senior Independent Director and assisted by his fellow Committee member Dr John Bates, the Company Secretary and the Board. A summary of the process overseen by Drummond Hall is set out below:



In making its recommendation, the Committee also satisfied itself that Derek Harding met the independence criteria of the Code and took into account his other significant commitments and the time involved, as disclosed to the Committee.

### Succession planning for the Executive Committee and senior management

When considering succession planning for the Executive Committee and senior management, the Board focuses on supporting and developing Sage's diverse pipeline of internal talent, and the organisation's ability to attract, retain and develop skilled, high-potential individuals. The Committee recognises the importance of such processes and how they benefit Sage, and works alongside the Executive Committee and senior management to further develop them throughout the year. This will continue to be an area of focus during FY22 and beyond.

### Committee effectiveness and evaluation

The Board conducts a formal and rigorous evaluation of its performance including the performance of its Committees, individual Directors and the Chair annually.

In FY21, an internal effectiveness review and evaluation was carried out. The report on the outcome of the evaluation of the Committee was received and discussed at the September 2021 Committee meeting. The Company last conducted an external evaluation in FY19 and, in compliance with the Code, anticipates conducting an external evaluation next year in FY22.

The overall conclusion from this year's internal evaluation was that the Committee continues to work well and is operating effectively.

For further information on the evaluation of the Board, the Committees and individual Directors, including details of the evaluation process, questions asked, participants, outcome and next steps, please refer to pages 80 to 82.

7

A sub-Committee including the Senior Independent Director, CEO, Chair of the Remuneration Committee and Chair of the Audit and Risk Committee was formed to interview the final shortlist of candidates

8

The sub-Committee members held face-to-face interviews and reported back to the Committee on those interviews

9

Extensive external referencing was sought and discussed, and feedback considered by the Committee

10

Following detailed discussions and careful consideration including time commitment, independence and potential conflicts of interest, the Committee recommended to the Board the appointment of Andrew Duff as a Non-executive Director with effect from 1 May 2021 and that he assume the role of Chair with effect from 1 October 2021

11

The recommendation was approved by the Board for an initial term of three years, subject to annual re-election by shareholders. The Chair was independent on appointment

Andrew Duff was considered to have met the role profile very favourably. He brings with him a wealth of experience and a successful track record as a Non-executive Chair, with a strong focus on culture, purpose, customer-centricity and sustainability



## Diversity, equity and inclusion (DEI)

DEI remains an area of focus at Sage. The Board and the Committee are committed to fostering a culture of diversity, equity and inclusion across the Group and promoting a healthy and supportive corporate culture by setting the tone from the top.

### Strategy

As we continue our journey with the Group-wide Diversity, Equity and Inclusion strategy (“DEI strategy”) called “Sage Belong”, we are making diversity, equity and inclusion in its widest sense a greater focus for all colleagues, through awareness, training and transparency. Please see pages 38 to 40 for more information.

The Board and the Committee are advocates of our Sage Belong strategy and as an extension of our DEI initiatives to wider stakeholders, the Board also endorsed our Sustainability and Society strategy launched in June 2021. Our Sustainability and Society strategy aims to tackle societal and economic inequality so that everybody has the opportunity to thrive. It is recognised by the Board that knocking down barriers will enable us to support a generation of diverse and sustainable businesses, helping our customers, colleagues, communities and wider society to thrive. Please see pages 29 to 31 of the Strategic Report and the Sage Sustainability and Society Report on our website for more information on sustainability at Sage.

### Board DEI objective

To help reinforce the Board’s commitment in this area and to further enhance its drive, the Board added ‘ensuring diversity and inclusion objectives are embedded in the Group’ as one of its FY21 Board objectives. This continues to be an area of focus for FY22.

### Board DEI oversight

The Board receives regular updates from members of the Executive Committee and senior management on Group-wide DEI initiatives and monitors progress against DEI objectives. In FY21 the Board was pleased to see amongst other achievements:

- The increase in female representation in leadership roles in the business with the gender balance of our Executive Committee and their direct reports currently standing at 42%, an increase of 5% since last year. Further information on gender diversity can be found on page 39
- The decrease in gender pay gap in the UK, demonstrating the good progress we are making against our Sage Belong strategy and the steps we are taking towards gender equality at Sage. Further information can be found on page 39
- The appointment of our new VP Sage Belong and formation of a Global DEI Accountability Board consisting of members of the Extended Leadership Team, the EVP Talent, Capability and Culture and the VP Sage Belong focusing on driving Sage’s DEI strategy and execution. The Global DEI Accountability Board replaced our Global D&I Council. In addition, a Global DEI Advisory Board was formed, chaired by the Chief People Officer and consisting of external experts, the EVP Talent,

Capability and Culture, the VP Sage Belong and a rotation of Colleague Success Network leads, to provide new insights from lived experiences, stimulate debate and challenge thinking

- The success of our Colleague Success Networks continued. Our Colleague Success Networks are voluntary groups created and led by colleagues committed to creating an inclusive culture focusing on a specific intersection of diversity, shared identity or lived experience, fostering connection and a sense of community
- The newly launched Sage Reverse Mentoring pilot which has already offered valuable insight into the lived experiences of colleagues
- The implementation of our Flexible Working Policy enabling flexibility for all colleagues balanced with delivering high performance and great customer outcomes
- The recognition of our DEI efforts through external awards, most recently the 2020 Comparably Award for Best Company for Women and Sage winning the Diversity in Tech Employer of the Year Award at the Women Tech Awards 2020

## Board DEI Policy

The Committee recommended (and in July 2021 the Board approved) the adoption of a formal Board DEI Policy.

**The Board DEI Policy is available on our website at [sage.com](https://www.sage.com).**

The Board DEI Policy applies only to the Board but it forms part of, and is aligned to, our Sage Belong strategy, and sits alongside our Group-wide Diversity, Equity and Inclusion Policy, Code of Conduct and associated global policies, which set out our broader commitment to diversity, equity and inclusion.

The purpose of the Board DEI Policy is to set out the approach to diversity, equity and inclusion for the Board itself with the intention of supporting the succession planning work of the Committee in creating and maintaining the appropriate Board and Committee composition.

Even though the Board DEI Policy was formalised recently, its objectives have already been guiding the Board and the Committee in their activities throughout FY21. The objectives of the Board DEI Policy, their implementation and progress made against each of them are set out on pages 108 and 109.

The Board and the Committee will continue to monitor progress against the Board DEI Policy to provide meaningful disclosure in the Annual Report and Accounts on its implementation and progress in meeting its objectives. The Board and the Committee will review the Board DEI Policy and its effectiveness annually.



### Board DEI Policy objectives

All appointments to the Board should be made on merit against objective criteria which take into account experience, skills, and the need to ensure an appropriately diverse balance in the resulting membership of the Board.

### Implementation and progress against objectives

The Board and the Committee strongly believe that a diverse Board, sharing a range of views, insights, perspectives, and opinions will improve its decision making and effectiveness. The Board and the Committee are committed to ensuring the composition of the Board exhibits a diverse mix of skills, professional and industry backgrounds, geographical experience and expertise, gender, age, tenure, ethnicity and independence of thought.

In FY21 the Committee reviewed the composition of the Board in the context of the annual Board effectiveness review. The overall conclusion from this year's evaluation was that the Board, its Committees, individual Directors and the Chair continue to work well to achieve Group objectives and are operating effectively.

Please see pages 80 to 82 for further information on this year's annual effectiveness review and evaluation.

The recommendations of the Committee in respect of the two Board appointments made in FY21 were conducted in full consideration of the Code, relevant regulatory guidance, our Sage Belong strategy and applicable internal policies.

- The appointment of Derek Harding as an independent Non-executive Director brought varied and rounded operational and financial experience. The appointment of Derek Harding and Sangeeta Anand to the Audit and Risk Committee further enhanced its composition and capabilities. For further information on their key skills please refer to page 76.
- The appointment of Andrew Duff as an independent Non-executive Director and Chair of the Board and the Committee brought significant experience in transforming high-profile international businesses and strong focus on purpose, culture and customer-centricity to the Board's deliberations together with non-executive Chair experience and leadership attributes.

## Board DEI Policy objectives

## Implementation and progress against objectives

Consider candidates for appointment to the Board from as diverse a pool of applicants as possible and ensuring that the recruitment and selection process has been reviewed to mitigate bias.

The Board and the Committee seek a wide and diverse list of candidates for Board appointments, including in terms of gender, social and ethnic background, experience (including those with no previous public listed company non-executive experience), knowledge and skills, always with the aim of securing the very best candidate for the position.

Respect the conclusions of the Hampton-Alexander and Parker Reviews as far as possible, recognising that there may be temporary periods when meeting targets set by these reviews is not possible; such periods should be minimised.

The Board and the Committee are mindful of the recommendation of the Parker Review to have at least one Board member from an ethnic minority background by 2021 and are satisfied that the Board currently meets this recommendation. Details of Board composition can be found on page 75.

The Board met the recommendations of the Hampton-Alexander Review and maintained a gender balance of 33% female representation on the Board throughout FY20 and as at the date of its 2021 AGM. The gender balance of the Board as at the end of FY21 was 27% female representation as a result of the appointment of an additional Non-executive Director in March 2021 and the appointment of the new Chair designate in May 2021. After Sir Donald Brydon's retirement at the end of September 2021, the gender balance has increased and is currently at 30% female representation.

The Board and the Committee are cognisant that as a result of Board changes made during the year, we have slightly fallen short of the gender diversity aim publicly stated in our Board DEI Policy and the expectation of our relevant stakeholders. We remain committed to minimising the period for which this is the case but believe that the recent change of Chair means the Board and Committee would benefit from a period of reflection to appropriately assess how best to meet this aim. We remain committed to ensuring that all Board appointments are made on merit, against objective criteria which take into account experience, knowledge, skills, and the need to ensure an appropriately diverse balance in the resulting membership.

Sage is strongly committed to ensuring a diverse workforce and to promoting and fostering a culture of diversity, equity and inclusion across the Group. Our progress is reflected in the current gender balance of our Executive Committee and their direct reports, senior leadership and total workforce. This information can be found on page 39.

Engage executive search firms who have signed up to the voluntary Code of Conduct on both gender and ethnic diversity and best practice, and utilise an open recruitment process for non-executive roles.

The Board and the Committee engaged with Lygon Group, in search of its two Board appointments this year. The Lygon Group is an executive search firm that has signed up to the voluntary code of conduct on both gender and ethnic diversity and best practice and, is able to demonstrate a commitment to gender and ethnic diversity as part of its role in identifying suitable candidates.

Ensure advertisements, role descriptions and longlists reflect the Board's diversity commitments in respect of gender and ethnicity, as set out in the Board DEI policy.

The Board and the Committee will utilise an open recruitment process for non-executive roles, as appropriate.

# Audit and Risk Committee Report



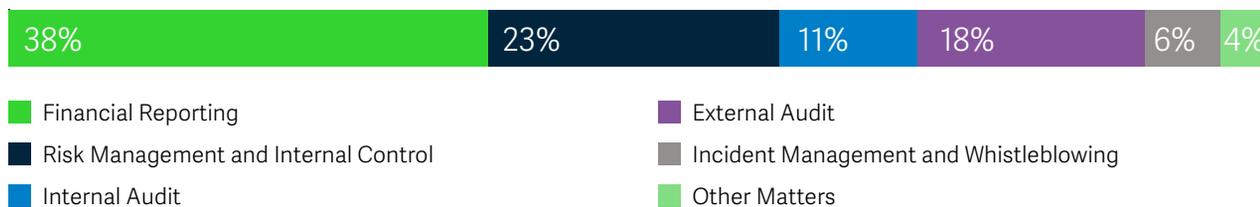
“We remain firmly focused on ensuring that Sage’s risk management procedures and internal controls remain robust and fit for purpose as our business model evolves.”

Dear shareholder

I am pleased to present the Annual Report of the Audit and Risk Committee (“the Committee”) for 2021. This report explains the Committee’s responsibilities and shows how it has delivered on these, whilst also considering and responding to how the business has evolved during the year. In view of the ongoing Covid-19 pandemic, specific consideration has been given by the Committee to its impact on Sage’s operations, risks and controls throughout the year.

**Jonathan Bewes**  
Chair of the Audit and Risk Committee

## Allocation of time



## Activities and evaluation

During the year, the Committee oversaw the Group’s financial reporting, risk management and internal control procedures and the work of its internal and external auditors.

Fuller details of the Committee’s activities are set out below. The Committee’s performance was reviewed as part of the 2021 Board evaluation process. Following consideration of the findings of the review of the Committee, the Directors were satisfied that it was operating effectively.

The Committee operated during the year in accordance with the principles of the Financial Reporting Council’s (“FRC”) UK Corporate Governance Code 2018 (the “Code”) and the associated recommendations set out in the FRC’s Guidance on Audit Committees.

## Role of the Committee

The Committee is an essential part of Sage’s overall governance framework. The Board has delegated to the Committee the responsibility to oversee and assess the integrity of the Group’s financial reporting, risk management and internal control procedures, and the work of both the internal audit function and the external auditor, EY. These responsibilities are defined in the Committee’s Terms of Reference, which were reviewed and approved by the Committee and the Board in May 2021.

## Composition

The Code requires that at least one member of the Committee has recent and relevant financial experience. The Disclosure Guidance and Transparency Rules (DTRs) require that at least one member has competence in accounting and/or auditing. The Board is satisfied that this requirement is met, with the Chair of the Committee being a qualified chartered accountant and experienced Audit Committee Chair following 25 years in financial services as a corporate finance advisor in the investment banking sector.

The Board considers that the Committee has the necessary competence and broad experience relevant to the sector in which Sage operates as required by the Code. Annette Court and Drummond Hall are both former Chief Executive Officers with extensive experience of leading complex, customer-focused businesses. During the year, Sangeeta Anand and Derek Harding were appointed to the Committee. Sangeeta Anand was appointed as a Non-executive Director in the prior year and is a senior software technology leader with an extensive understanding and knowledge of transforming product portfolios. Derek Harding, who was appointed as a Non-executive Director this year, joins the Committee with a strong finance-related background and is a chartered accountant currently serving as Chief Financial Officer at Spectris plc.

## Activities during the year

The Committee held four scheduled meetings during the year in line with its Terms of Reference. There were no unscheduled meetings during the year. Details of individual attendance at scheduled meetings are set on page 84. The Chair of the Board, the Chief Executive Officer and the Chief Financial Officer were present at all four of the scheduled meetings. The General Counsel and Company Secretary and Executive Vice President (“EVP”) Group Financial Controller were also present at all four meetings, alongside the Vice President (“VP”) Assurance. Since his appointment to the role in January 2021, the EVP Chief Risk Officer has attended all meetings.

The Chair of the Committee reported to the Board on key matters arising after each Committee meeting. At certain meetings, the Committee met with the external auditor and the VP Assurance, without management being present. Outside these formal Committee meetings, the Chair of the Committee met regularly with the Chief Financial Officer, the external auditor, the VP Assurance, the EVP Group Financial Controller, the EVP Chief Risk Officer and the General Counsel and Company Secretary.

Key activities during the year included ongoing monitoring of the impact of the Covid-19 pandemic on risks, controls and operations, the effectiveness of internal controls and further embedding of the Enterprise Risk Management Framework including risk appetite, tolerance and emerging risks. In addition, the Committee has overseen the preparation of the financial statements and the application of significant reporting and accounting matters, which are set out in further detail below.

During the year, the Committee received, challenged and considered:

- Scheduled finance updates on business performance and significant reporting and accounting matters from the EVP Group Financial Controller;
- The Group’s half-year results and Annual Report and Accounts, as well as the accompanying press release, ahead of their review by the Board;
- Scheduled risk updates, including risk dashboards outlining both principal and any escalated risks. The Committee also received summary reports and supplementary briefings from management on selected principal risks and other ‘in-focus’ reviews;
- The development of Group and principal risk appetites with specific consideration to the assessment of emerging risks;
- The prominence of the new principal risk relating to Environmental, Social and Governance (ESG) matters alongside updates relating to the Group’s overall ESG response and Sustainability and Society strategy;
- Summary reports of escalated incidents and instances of whistleblowing and fraud, together with status of investigations and, where appropriate, management actions to remediate issues identified;
- The Internal Audit plan and subsequently progress against the plan and results of internal audit activities, including Sage Assurance and management reports on internal control and the implementation of management actions to remediate issues identified and make improvements to internal controls;
- The External Audit plan and subsequently updates on delivery of the external audit and reports from the external auditor on the Group’s financial reporting and observations on the internal financial control environment in the course of their work;
- Updates on the legal and regulatory frameworks relevant to the Committee’s areas of responsibility, including a standing update from the EVP Chief Risk Officer on information security, cyber risk and GDPR; and
- Updates from the EVP Group Financial Controller on the UK Government’s proposed reforms to audit and corporate governance with consideration to the Group’s current internal controls framework.

### Financial reporting, including significant reporting and accounting matters

The agenda for every Committee meeting includes a formal finance update from the EVP Group Financial Controller. This informs the Committee about developments in the Group’s reporting and accounting environment, and compliance with relevant reporting standards. During the year, the Committee considered how these developments were addressed in preparing the Group’s financial statements, ensuring that applicable requirements were appropriately reflected.

The Committee assessed the overall quality of financial reporting through review and discussion of the significant accounting matters and the interim and annual financial statements. The Committee’s review included assessing the appropriateness of the Group’s accounting policies and practices, confirming their compliance with financial reporting standards and relevant statutory requirements, and reviewing the adequacy of disclosures in the financial statements. In performing its review of the Group’s financial reporting, the Committee considered and challenged the work, judgements and conclusions of management. The Committee also received reports from the external auditor setting out its view on the accounting treatments included in the financial statements.

### Significant reporting and accounting matters

During the year, the Committee considered a number of significant reporting and accounting matters which impacted the Group’s financial statements. The Committee’s response and challenge over these matters is set out below:

Significant reporting and accounting matters	Response and challenge	Cross reference
<p><b>Revenue recognition</b></p> <p>Revenue recognition continues to be an important area of focus for the Group.</p> <p>The Group has a detailed revenue recognition policy for each category of revenue. This includes the application of rules relating to the various ways in which the Group sells its products. Key judgements are on (i) determining whether the business partner is a customer of the Group and (ii) recognition and deferral of revenue on on-premise subscription offerings.</p>	<p>The Committee continues to oversee management’s application of revenue recognition policies and during the year has continued to monitor compliance with financial reporting and accounting controls linked to revenue recognition. During the year there have been no changes to the Group’s revenue recognition policies.</p> <p>In light of the Group’s acceleration in growth of cloud-based solutions, the Committee continues to review the appropriateness of management’s application of revenue recognition policies.</p> <p>As part of the preparation for the interim and annual financial statements, the Committee obtained reports from both management and EY which set out the application of accounting and reporting treatment against the detailed revenue recognition policy.</p> <p>EY provided an update to the Committee on the nature, extent and findings from its procedures over revenue recognition during the year.</p>	<p>See note 3.1 in the financial statements on page 190.</p>

Significant reporting and accounting matters	Response and challenge	Cross reference
<p><b>Carrying value of goodwill</b> Given the Group's goodwill balance of £1,877m and the continuing evolution of Sage's business model, the annual assessment of the recoverability of goodwill is a significant area of focus for the Committee.</p> <p>With effect from 1 October 2020, the goodwill acquired with the acquisition of the Sage Intacct business in 2017 is monitored as a group of CGUs comprising both Sage's Business Solutions Division (SBS) and Sage Intacct business in North America. This decision has been taken following strategic and operational changes made during the year, as a result of which the North American business is now managed, and performance monitored, on a combined basis.</p>	<ul style="list-style-type: none"> <li>The Committee reviewed and considered the methodology applied, and challenged the key inputs into the impairment model including forecast cash flows, forecast timeframe, discount rates and long-term growth rates.</li> <li>Where appropriate, the Committee acknowledged the use of external specialists to support and corroborate management's inputs, particularly in relation to discount rate and long-term growth rates.</li> <li>The Committee further enquired as to whether any other reasonable changes in assumptions would result in a material impairment and therefore require sensitivity disclosure in the financial statements. The Committee agreed with management's conclusion that a sensitivity disclosure should be included for the Iberia business in relation to a reasonably possible change in revenue growth and discount rate.</li> <li>During the year, the Committee challenged the appropriateness of management's decision to monitor the goodwill from the North America and Intacct businesses on a combined basis. The Committee agreed with the conclusion reached by management following the decision to manage the North America business as a single operational unit which was a distinct change in approach from the prior year.</li> </ul>	<p>See note 6.1 in the financial statements on page 202.</p>
<p><b>Going concern and viability assessment</b> Both the going concern and viability assessment are key areas of focus for the Committee due to the level of management judgement required.</p> <p>In preparing these assessments, consideration was given to the continuing and possible future impact of the Covid-19 pandemic. The Committee received a detailed update from management during the year which included both reverse and scenario-specific stress testing.</p>	<ul style="list-style-type: none"> <li>The Committee reviewed management's process for assessing the Group's longer-term viability, the determination of the period over which viability should be assessed, and which of the Group's principal risks should be reflected in the modelling of sensitivity analysis.</li> <li>In light of the ongoing impact of the Covid-19 pandemic, the Committee reviewed the key assumptions underpinning management's longer-term forecasting, and the sufficiency and adequacy of future funding requirements. As part of this review, the Committee considered the level of available liquidity and covenant compliance over the forecast period.</li> <li>The Committee reviewed the results of management's scenario-specific stress testing for both going concern and viability, as well as reverse stress testing, the result of which demonstrated the resilience of the Group's business model.</li> <li>It was noted that under scenario-specific stress testing, the Group maintains sufficient available liquidity and covenant compliance over the forecast period. The results of reverse stress testing highlighted that such a scenario would only arise following a catastrophic deterioration in performance, well in excess of the assumptions in the scenario-specific stress testing.</li> <li>As part of its review and challenge, the Committee took into consideration updates provided by the EVP Chief Risk Officer with respect to the Group's principal and emerging risks.</li> <li>The Committee approved the disclosures in relation to both the going concern and viability assessment, and recommended to the Board the preparation of the financial statements under the going concern basis.</li> </ul>	<p>The Group's going concern and viability statements can be found on pages 158 and 65 to 66, respectively.</p>

Significant reporting and accounting matters	Response and challenge	Cross reference
<p><b>Alternative Performance Measures (APMs)</b></p> <p>The Committee closely monitors management’s interpretation and definition of Alternative Performance Measures (APMs), in particular Annualised Recurring Revenue (ARR).</p> <p>In addition, the Committee considers the presentation of APMs in the Group’s Annual Report and Accounts in the context of the requirement that they be fair, balanced and understandable.</p>	<ul style="list-style-type: none"> <li>• The Committee continues to review and challenge management’s use of APMs and, as part of the preparation for the interim and annual financial statements, requests a clear reconciliation between key APMs and statutory reporting measures.</li> <li>• There is a continued focus by the Committee on the ARR APM given its importance as a key measure of business performance. At each Committee meeting, an update on ARR performance is provided. No changes to APM definitions have been made during the year.</li> <li>• The Committee has challenged the sufficiency, adequacy and clarity of disclosures related to APMs in the Annual Report and Accounts and considers them to be appropriately disclosed.</li> <li>• At the request of the Committee, and on behalf of the Remuneration Committee, EY performed a set of agreed-upon procedures over the mathematical calculation of ARR. In doing so, EY considered the appropriateness of the calculation against the defined policy and reviewed in detail any proposed adjustments.</li> <li>• The Committee also reviewed supplementary information issued alongside the financial statements, including the Group’s press release, to ensure consistency in the way APMs are disclosed and presented on a balanced basis alongside statutory reporting measures.</li> </ul>	<p>The definition of APMs can be located in the glossary on pages 249 to 250.</p> <p>Reconciliations of statutory revenue, operating profit and basic earnings per share to their underlying and organic equivalents are in the Financial review starting on page 42.</p>
<p><b>Disposal activity</b></p> <p>During the year the Group completed the disposal of its businesses in Poland, Australia, and Asia Pacific, for £169m of cash proceeds.</p> <p>The Group’s business in Switzerland continues to be classified as held for sale at the end of FY21.</p>	<ul style="list-style-type: none"> <li>• The Committee considered the accounting and reporting for these disposals, with a particular focus on the profit recognised on the disposal and concluded that the approach taken by management in performing this calculation was appropriate.</li> <li>• The Committee challenged the continued appropriateness of the classification as held for sale for the business in Switzerland and noted this approach is supported by the fact that a sale agreement has been reached and the disposal is expected to complete in early FY22.</li> <li>• The Committee agreed with management that the profit recognised on the disposal of businesses be reported as a non-recurring item, in line with previous years, and reflecting the fact that disposal of businesses is not an underlying operating activity.</li> <li>• The Committee also considered the view of EY over the disposal accounting and held for sale classification.</li> </ul>	<p>See note 16.2 in the financial statements on page 236.</p>

Significant reporting and accounting matters	Response and challenge	Cross reference
<p><b>Restructuring programme</b> In light of the Group-wide restructuring programme announced at the end of FY21, a detailed update was provided to the Committee which outlined the appropriateness of the reporting and accounting treatment.</p> <p>As a result of the restructuring programme, a charge of £67m has been recognised in the financial statements as a non-recurring item.</p>	<ul style="list-style-type: none"> <li>• The Committee challenged the appropriateness of recognising a provision in the financial statements for the announced restructuring programme. Based on the relevant criteria being met, the Committee agreed with the decision to recognise a provision.</li> <li>• Given the materiality by both nature and size of the restructuring programme, and reflecting its one-off nature, the Committee agrees with the decision to report the restructuring cost as a non-recurring item.</li> </ul>	<p>See note 3.6 in the financial statements on pages 196 to 197.</p>
<p><b>Tax provisions</b> The Committee received regular updates from the EVP Group Financial Controller on the appropriateness of recognised tax provisions in respect of open tax matters given the degree of estimation and uncertainty.</p>	<ul style="list-style-type: none"> <li>• The Committee evaluated updates from management in respect of uncertain tax positions, related provisions, and the deferred tax position.</li> <li>• These reports included consideration of the impact on the Group of the developments with regards to the European Commission’s (EC) State Aid ruling. During the year, the Committee discussed the progress on the EC State Aid ruling and the updates received by the Group from the relevant tax authorities on the matter.</li> <li>• The Committee was satisfied that management’s approach to accounting for taxation was appropriate and took account of developments during the year.</li> <li>• The Committee considered the view of EY and noted its use of tax specialists for certain key matters.</li> </ul>	<p>See note 4 in the financial statements starting on page 198.</p>

## Fair, balanced and understandable

Each year, the Committee advises the Board on whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess Sage's position, performance, business model and strategy. In reaching its conclusion, the Committee considered the results of management's assessment of going concern and viability, reviewed the Annual Report and Accounts as a whole, and assessed the results of processes undertaken by management to provide assurance that the Group's financial statements were fairly presented.

These processes included an analysis of how the key events in the year had been described and presented in the Annual Report and Accounts, how APMs had been defined and presented, and the outcome of representations received from country management teams on the application of a range of financial controls. The Committee also considered the perspective of the external auditor.

## Risk management and internal controls

The Committee assists the Board in its monitoring of the Company's internal control and risk management systems, and in its review of their effectiveness. This monitoring includes oversight of all material controls, including financial, operational, regulatory and compliance controls, and assessing whether the control systems are fit for purpose and whether any corrective action is necessary. As part of the Group's continuing evolution of its approach to risk management and internal controls, the Risk and Assurance (Internal Audit) functions have been separated during the year. As such, the Risk function now reports into the EVP Chief Risk Officer, with the Assurance function reporting directly to the Committee and administratively into the General Counsel and Company Secretary.

During the year, the Committee:

- Reviewed the principal risks, their evolution during the year, and the associated risk appetites and metrics, challenging and confirming their alignment to the continued achievement of Sage's strategic objectives. At each meeting, the Committee considered and challenged the ongoing overall assessment of each risk, their associated metrics and management actions and mitigations in place and planned;
- Supported the General Counsel and Company Secretary in the recruitment process for the newly appointed VP Assurance;
- Reviewed and considered an assessment of the effectiveness of risk management more broadly, and reviewed summary reports from Sage Business Integrity and Sage Legal on the Group's adherence to policies, including Conflicts of Interest, Anti-Money Laundering, Sanctions, Competition Law, Anti-Bribery and Corruption and Modern Slavery;
- Reviewed updates from the Sage Business Integrity team on the operating effectiveness of controls within the Sage Business Control Framework;
- Received reports from Sage Assurance and management on internal control and monitored the implementation of management actions to remediate issues identified and make improvements. The Committee also satisfied itself that management's response to any financial reporting or internal financial control issues identified by the external auditor was appropriate;
- Reviewed at each Committee meeting any escalated incidents and any instances of whistleblowing and management actions to remediate any issues identified (see Incident management, fraud and whistleblowing paragraph below for further details); and
- Considered individual incidents and associated actions to assess whether they demonstrated a significant failing or weaknesses in internal controls, of which none were identified.

For further details on the Group's risk management and internal control systems, its risk-informed decision-making process and its principal risks and uncertainties, refer to the Risk Management section on pages 50 to 56.

## Specific areas of focus

The Committee spent time on the following specific areas of focus during the year to consider and challenge relevant, current and important issues:

- At each Committee meeting, consideration was given to the impact of Covid-19 on the Group's operations, risks and controls. Specifically, this included consideration of the impact upon the Group's wider Enterprise Risk Management Framework, emerging risks, business continuity planning (BCP) strategy and significant reporting and accounting matters;
- Received a briefing on the process undertaken to document the Group's viability assessment. In doing so, specific focus was given to the determination of the severe but plausible viability scenarios and the key assumptions used in determining the resilience of the business to the downside scenarios identified;

- Received updates on the new principal risk related to ESG matters to ensure that the Group has appropriate mitigations or a plan to introduce mitigations to enable successful development and execution of the Group's Sustainability and Society strategy;
- Learnt about the ways in which the Group is continuing to build and enhance its BCP strategy and increase overall levels of cyber resilience with a specific focus on using the experience learnt throughout the Covid-19 pandemic; and
- Received an update from the EVP Group Financial Controller and EVP Chief Risk Officer on the key elements of the UK Government's *Restoring trust in audit and corporate governance* recommendations which impact the Group, as well as a readiness assessment and an early view on the Group's implementation plans.

### Incident management, fraud and whistleblowing

The Committee considered the suitability and alignment of the Incident, Emergency and Crisis Management and Whistleblowing policies and confirmed the effectiveness of these policies in facilitating appropriate disclosure to senior executive management and the Committee. At each meeting, the Committee received a summary report of any escalated incidents and instances of whistleblowing and, together with management, considered whether there were any thematic issues and identified remediating actions. As part of this reporting process, the Committee was notified of all whistleblowing matters raised, including any relating to financial reporting, the integrity of financial management or that included any allegations relating to fraud, bribery or corruption. The Committee was also notified of all non-whistleblowing incidents exceeding an agreed materiality threshold.

### Internal audit

Internal audit is delivered by the in-house Sage Assurance function. Reporting directly to the Committee and administratively to the General Counsel and Company Secretary, its remit is to provide independent and objective assurance over the Group's operations and activities, to assist management and colleagues in fulfilling their responsibility to develop and maintain appropriate internal controls.

The specific objectives, authority, scope and responsibilities of Sage Assurance are set out in more detail in the Internal Audit Charter, which is reviewed annually by the Committee. The Committee also considers and evaluates the level of Sage Assurance resource and its quality, experience and expertise, supplemented as appropriate by third-party support and subject matter expertise, to ensure it is appropriate to provide the required level of assurance over the principal risks, processes and controls throughout the Group.

Additionally, in line with the Institute of Internal Auditors' (IIA) Code of Practice, the effectiveness of Sage Assurance is reviewed by the Committee on an annual basis and is also subject to a five-yearly external quality assessment (EQA). In 2021, PwC was appointed to conduct the latest EQA, after a tender process led by the Group Counsel and Company Secretary. Feedback from the EQA was positive and noted conformance with the IIA International Standards for the Professional Practice of Internal Auditing (IPPF), with the team viewed as being well-respected and valued, with very strong foundations. The EQA report was presented to the September 2021 Committee meeting, its findings discussed, and the Committee endorsed these conclusions.

The Committee reviewed and approved the nature and scope of the work of Sage Assurance, and the Sage Assurance plan was approved by the Committee at the beginning of the financial year, along with any subsequent quarterly updates. Specific consideration was given to the impact of the Covid-19 pandemic, which was closely monitored throughout the year, with no significant or adverse impact on the business's control environment identified. In particular, the Internal Audit plan was adjusted to reflect the change in risk due to shifting working patterns, with more people now working from home, for example through enhanced coverage of end-user IT controls and colleague health and safety. Operationally, the function also showed flexibility to adapt to a predominantly remote delivery model, allowing internal audit coverage to be maintained throughout the year.

Progress against the plan and the results of Sage Assurance's activities, including the quality and timeliness of management responses, is monitored at each Committee meeting. This includes consideration of a summary of report findings against the internal audit plan, reported at each meeting by Sage Assurance, as well as an executive summary for each individual internal audit.

Following its review of the Company's internal control systems, the Committee considered whether any matter required disclosure as a significant failing or weakness in internal control during the year. No such matters were identified.

## External audit

The Group's current external auditor is EY. Each year, the Committee makes a recommendation to the Board with regard to whether the external auditor should be re-appointed. In making its recommendation, the Committee considers the auditor's effectiveness, including its independence, objectivity and scepticism. The Committee also reviews the application of, and compliance with, the Group's Auditor Independence Policy, in particular with regard to any non-audit services provided by EY. The Committee also considers business relationships between the Group and EY, which primarily relate to EY's procurement of Sage products and applications.

Further consideration is given to partner rotation and any other factors which may impact the Committee's judgement regarding the external auditor. EY has now been Sage's external auditor for seven years since the formal tender process conducted in 2014. Kathryn Barrow was appointed as lead audit partner in 2020 and will continue in her role for the next financial year.

The Company is, and has been throughout the year under review, in compliance with the requirements of The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014. In accordance with the terms of this Order, Sage anticipates that it will conduct a competitive tender process in respect of the external audit no later than 2024. This allows for any potential new audit firm to take up the role for the year ending September 2025. The Committee believes this approach is in the best interest of shareholders, as over this period the Group will benefit from an efficient and effective audit, whilst receiving fresh challenge following the change of lead auditor in 2020.

## Auditor effectiveness

The Committee is responsible for assessing the effectiveness of the external auditor. In doing so, the Committee considers the independence, objectivity and level of professional scepticism exercised by the external auditor, as well as the results of the annual auditor effectiveness review. To fulfil its responsibility for oversight of the external audit process, the Committee reviewed and agreed:

- The terms, areas of responsibility, associated duties and scope of the audit as set out in the external auditor's engagement letter;
- The overall work plan and fee proposal;
- The issues that arose during the course of the audit and their resolution;
- Key accounting and audit judgements;
- The level of errors identified during the audit; and
- Control recommendations made by the external auditor.

In addition to the above, specific considerations made by the Committee during the year included:

- The findings published by the Financial Reporting Council (FRC) into their view on the effectiveness of EY's audits;
- The experience and expertise demonstrated by the auditor in its direct communication with, and support to, the Committee;
- The content, quality of insight and added value provided by EY's reports;
- Robustness and perceptiveness of EY in its handling of key accounting and audit judgements; and
- The interaction between management and the auditor.

EY presented the strategy and scope of the audit for FY21 in the Committee's May meeting and highlighted key areas of audit focus, which were updated in subsequent meetings in response to a change in risk assessment. The Committee acknowledges EY's consideration of the Covid-19 pandemic in the planning of their audit, especially conducting an audit in a remote working environment. Overall, no required improvements were noted with regard to EY's judgement and communication, particularly as to technical issues, estimates and discussing potential issues openly. At certain Committee meetings a separate private meeting was held between Committee members and the lead audit partner, Kathryn Barrow, to encourage open and transparent feedback. The Chair of the Committee also met with the external auditor outside of Committee meetings supporting effective and timely communication.

During the year the Committee also received feedback from the businesses evaluating the performance of each assigned audit team. Management's report to the Committee included a summary of the findings of a survey of key Sage colleagues on the quality of the EY's delivery, communication and interaction with the various finance teams across the Group. Management concluded that the working relationship between finance functions and EY across the Group was effective and the audit had been carried out in an independent, professional, organised and constructive manner, with an appropriate level of challenge and scepticism over management's treatment of significant reporting and accounting matters.

### Auditor independence

The Committee is responsible for the development, implementation and monitoring of policies and procedures to ensure auditor independence. At Sage this is governed by the Auditor Independence Policy (the "Policy"). The Policy has been in place throughout the year. It specifies the role of the Committee in reviewing and approving non-audit services in order to ensure the ongoing independence of the external auditor. A summary of non-audit fees paid to the external auditor is provided to the Committee on a quarterly basis.

The Policy states that Sage will not use the external auditor for non-audit services, except in limited circumstances, and as permitted by the Ethical Standard, where non-audit services may be provided by the external auditor with pre-approval by the Committee unless clearly trivial. This is provided that the approval process set out in the Policy is adhered to and that potential threats to independence and objectivity have been assessed and safeguards applied to eliminate or reduce these threats to an appropriate level. Any non-audit services individually in excess of £75,000 require pre-approval by the Chair of the Committee, as do any non-audit services where the cumulative total of previously approved non-audit services in the financial year exceed £75,000.

The Committee considered the application of the Policy with regard to non-audit services and confirms it was properly and consistently applied during the year. The Policy also requires that the ratio of audit fees to non-audit fees must be within Sage's pre-determined ratio, and non-audit fees for the year must not exceed 70% of the average of the external audit fees billed over the previous three years. In 2021, the ratio of non-audit fees to audit fee was 8% (2020: 5%), principally reflecting the fee paid for the half-year interim review and permitted assurance services relating to a bond issuance during the year as well as a set of agreed-upon procedures over the mathematical calculation of ARR. A breakdown of total audit and non-audit fees charged by the external auditor for the year under review is shown in note 3.2 to the financial statements.

The Committee has also considered the independence of the external auditor's partners and staff involved in the audit of Sage. EY has confirmed that all its partners and staff complied with their ethics and independence policies and procedures that are consistent with the FRC's ethical standards including that none of its employees working on the audit hold publicly listed securities issued by Sage. In addition, the Committee acknowledges management's internal assessment that no employee in a key financial reporting oversight role has a close relationships with any EY employee which may impact their independence.

### Auditor re-appointment

Having considered the summary set out above relating to the effectiveness and independence of EY, the Committee has recommended to the Board that a resolution to re-appoint EY be proposed at the 2022 AGM which the Board has accepted and endorsed.

### Evaluation of the performance of the Committee

The evaluation of the Committee for the year was completed as part of the 2022 Board evaluation process. An explanation of how this process was conducted, the conclusions arising from it and the action items identified are set out on pages 80 to 82. The Committee has considered this in the context of the matters that are applicable to the Committee.



### Jonathan Bewes

Chair of the Audit and Risk Committee

# Remuneration Committee



**Annette Court**

Chair of the Remuneration Committee

**“We are seeking shareholder approval for our new remuneration policy at our forthcoming AGM.”**

Our remuneration principles **page 121**

FY22 remuneration priorities **page 122**

Remuneration Committee governance **page 129**

Remuneration Policy 2022 **page 130**

Directors' Annual Remuneration Report **page 140**

Statement of implementation of remuneration policy in the following financial year **page 149**

Dear shareholder

On behalf of the Remuneration Committee (“the Committee”), it is my pleasure to present the Directors' Remuneration Report (the “Report”) for the year ended 30 September 2021.

This Report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the 2018 UK Corporate Governance Code (the “Code”), the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and the Listing Rules.

The Report is in two sections:

- The Directors' Remuneration Policy (the “Policy”) (pages 130 to 139).
- The Directors' Annual Remuneration Report (pages 140 to 157). This section sets out details of how the 2019 Policy was implemented for the year ended 30 September 2021 and how we intend the revised Policy to apply for the year ending 30 September 2022 subject to shareholder approval at the 2022 Annual General Meeting (the “AGM”).

## Objectives and responsibilities

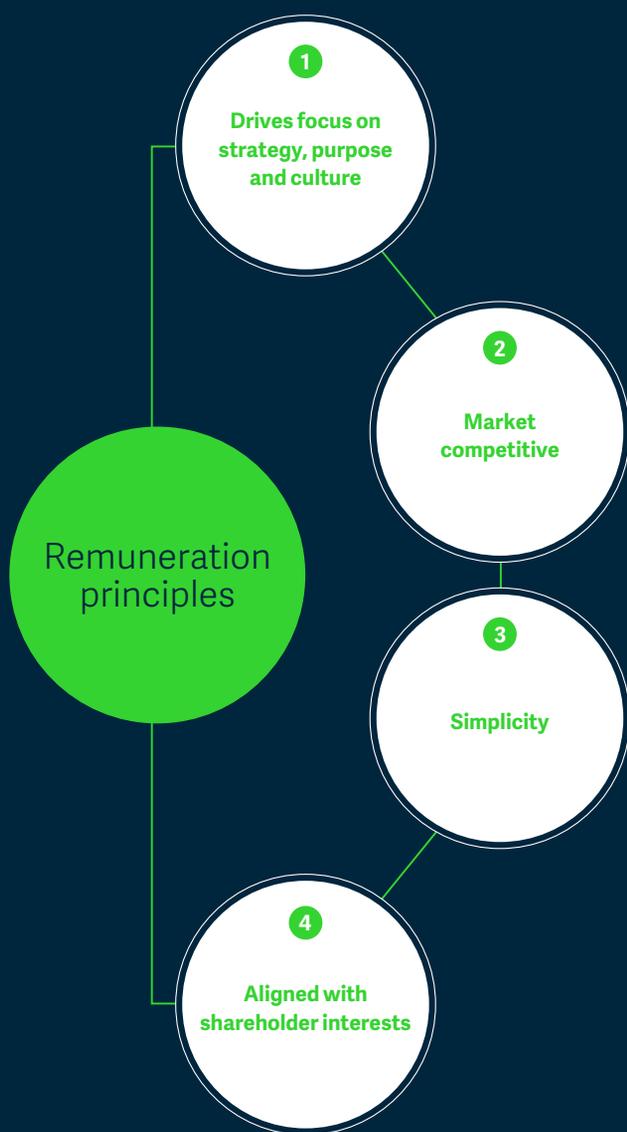
The Remuneration Committee's main objective is to determine the framework, broad policy and levels of remuneration for the Group's Chief Executive Officer, the Group's Chief Financial Officer, the Chair of the Company and other executives as deemed appropriate, ensuring compliance with legal and regulatory requirements and striving to enhance Sage's long-term development.

This framework includes, but is not limited to, establishing stretching performance-related elements of reward and is intended to promote the long-term success of the Company. We achieve this through:

- Providing recommendations to the Board, within agreed terms of reference, on Sage's framework of executive remuneration;
- Determining the contract terms, remuneration and other benefits for each of the Executive Directors, including performance share awards, performance-related bonus schemes, pension rights and compensation payments and aligning such to the Company's purpose, Values and culture;
- Reviewing workforce remuneration and related policies across the Group and the alignment of incentives and rewards with culture, taking these into account when setting the Policy for Executive Directors;
- Determining remuneration for senior executives below Board level;
- Approving share awards; and
- Ensuring the Policy promotes long-term shareholdings by Executive Directors by ensuring share awards granted are released on a phased basis and subject to a total vesting and holding period of five years.

# Our remuneration principles

Our remuneration principles have been refreshed for 2022 to further align with the requirements of the 2018 UK Corporate Governance Code. The principles apply across our entire workforce and are designed to drive the behaviours and results required to support our short- and longer-term business strategy as outlined in the Strategic Report.



## Drives focus on strategy, purpose and culture

Allows the Committee to give appropriate reward for achievements that support delivery of strategic goals and wider social purpose through a remuneration approach that is consistent with that in place for colleagues across Sage.

## Market competitive

Reward opportunity aligned to relevant competitive markets, recognising wider context of geographies in which we operate.

## Simplicity

Clarity and simplicity of design enables transparency for all stakeholders.

## Aligned with shareholder interests

Close alignment of reward outcomes and value created for shareholders through material 'skin in the game' for executives; mitigates against excessive risk-taking that can arrive from target-based incentive plans and ensures no reward for failure.

Principles are underpinned by compliance with corporate governance guidelines and specifically with Provision 40 of the 2018 UK Corporate Governance Code:

**Clarity** – should be transparent and promote effective engagement with shareholders and the workforce.

**Simplicity** – should avoid complexity and their rationale and operation should be easy to understand.

**Risk** – should ensure reputational and other risks from excessive rewards, and behavioural risks that can arrive from target-based incentive plans, are identified and mitigated.

**Predictability** – the range of possible values of rewards and any limits or discretion should be identified and explained at the time of approving the policy.

**Proportionality** – the link between individual awards, the delivery of strategy and the long-term performance of the company should be clear.

**Alignment to culture** – incentive schemes should drive behaviours consistent with company purpose, values and strategy.

## FY22 remuneration priorities

As outlined in the Strategic Report, we have made significant progress in delivering the strategy we set out at the start of FY19. Three years on, our context and purpose have evolved: with the growth opportunity in the digital economy, we aim to knock down barriers so everyone can thrive. We will do this through being the trusted network for SMBs and delivering on our five strategic priorities, which underpin our promises to customers, colleagues, society and shareholders. SMBs play a crucial role in the global economy and in communities. If we apply our innovation to help them be more efficient and more productive, they create a ripple effect within their communities bringing prosperity and wellbeing to those around them. Further details can be found on page 18.

The digital network plays a key role in delivering on our purpose; it is about creating relationships between businesses and everyone they need to connect with. The digital network is the architecture of the future that will

enable us to meet expectations of a digitally transformed world. Adding more customers, end users and ecosystem participants will improve the network effect and allow Sage to scale new value propositions and deliver sustainable growth. Sage Business Cloud penetration is a strategic KPI that measures our progress in the transition of business to the Sage Business Cloud, which includes both cloud native and cloud connected solutions, and is key to us creating value through the digital network opportunity.

To ensure that senior executive remuneration remains aligned to our evolved strategic focus, our external operating environment and UK corporate governance requirements, we are proposing several changes to FY22 remuneration arrangements:

- 1) Reshaped FY22 performance measures.
- 2) Increasing the alignment of the CEO's remuneration to sustainable long-term value creation and the external executive talent market.
- 3) Amendments to 2022 Directors' Remuneration Policy.

## 1) Reshaped FY22 performance measures

FY22 award	FY22 measures	Why the Remuneration Committee has adopted the measure in FY22	How it will be measured	How value will be created for stakeholders
Annual bonus – incentivises management to scale the business	<p><b>Removal of duplication of measures and focusing on our annual growth model:</b></p> <ul style="list-style-type: none"> <li>• 70% of bonus based on ARR growth*</li> <li>• 10% based on customer NPS</li> <li>• 20% based on personal strategic goals aligned to strategy execution</li> </ul> <p>* Payout is subject to the achievement of an underlying operating margin underpin.</p>	<p>To incentivise management to deliver the annual growth model with steadily improving margin.</p> <p><b>ARR is a strategic KPI as detailed on page 24.</b></p>	<ul style="list-style-type: none"> <li>• ARR is defined on page 250</li> <li>• NPS is measured on a closing-quarter basis</li> <li>• Personal strategic goals are set with reference to indicators in the strategy and budget and disclosed at the end of the performance period</li> </ul>	ARR is a forward-looking indicator of reported recurring revenue growth, linking directly to Sage's investment proposition.
Performance Share Plan (the "PSP") – incentivises management to scale the business sustainably over the long term	<p><b>Creating sustainable long-term growth:</b></p> <p>55% of the FY22 PSP will be measured by Sage Business Cloud penetration, balanced with cloud native penetration and absolute growth. Any payout would be subject to the achievement of Return on Capital Employed (ROCE) and cloud native penetration underpins, with this element of the award not vesting unless organic revenue has grown in absolute terms at the end of the performance period.</p>	<p>The focus of our medium-term strategy is the growth of Sage Business Cloud in both cloud native and cloud connected solutions. Adopting Sage Business Cloud penetration as a measure ensures that management is rewarded for creating value through the Digital Network opportunity, measuring the transition of the business to the Sage Business Cloud and our Digital Network.</p> <p><b>Sage Business Cloud penetration is a strategic KPI as detailed on page 25.</b></p>	<ul style="list-style-type: none"> <li>• Sage Business Cloud penetration is defined on page 250 and the definition will not change over the performance period</li> <li>• ROCE is defined on page 250</li> <li>• Cloud native penetration is defined on page 150</li> <li>• Organic revenue is defined on page 249</li> </ul> <p>How the Remuneration Committee proposes to consider acquisitions and disposals for this measure is set out on page 150.</p>	<p>By increasing the proportion of recurring revenue from Sage Business Cloud, Sage can leverage the Digital Network to deliver true digital transformation for our customers and create sustainable growth and competitive advantage by scaling new propositions. This is key to creating long-term sustainable growth. Cloud native solutions remain a critical component of Sage Business Cloud and ARR growth and is retained as an underpin.</p> <p>ROCE ensures capital is invested for value.</p>

## 1) Reshaped FY22 performance measures *continued*

FY22 award	FY22 measures	Why the Remuneration Committee has adopted the measure in FY22	How it will be measured	How value will be created for stakeholders
Performance Share Plan (the "PSP") <i>continued</i>	<p>15% of the FY22 PSP will be based on the following measures aligned to our Sustainability and Society strategy:</p> <ul style="list-style-type: none"> <li>7.5% is based on delivering impact in society through our strategic pillars of Tech for Good and Fuel for Business</li> <li>7.5% is based on the impact of our Sustainability and Society strategy against our most material issues</li> </ul> <p>Beyond FY22, the Committee intends to increase the weighting of ESG measures to 20% and will include metrics such as our progress in reducing carbon emissions against an SBTi-approved Net Zero Plan and ensuring our products enable SMBs to address their own sustainability goals, as the Sustainability and Society strategy evolves.</p> <p>30% of the FY22 PSP will be based on relative TSR.</p>	<p>We announced our new Sustainability and Society strategy in June, and have articulated our new social purpose – full details can be found on page 29 and in our Sustainability and Society Report. Each of the proposed FY22 Sustainability and Society measures represents a meaningful ambition linked to our three Sustainability and Society pillars of Tech for Good, Fuel for Business and Protect the Planet, to ensure that management is incentivised to knock down barriers.</p>	<p>Delivering impact in society:</p> <ul style="list-style-type: none"> <li>Volunteering hours from our Sage Foundation ecosystem (colleagues, friends and family, customers, partners)</li> <li>Individuals supported through the provision of substantive business skills or experience</li> </ul> <p>Impact of our Sustainability and Society strategy:</p> <ul style="list-style-type: none"> <li>Achieving certified verification of ESG process effectiveness and performance impact</li> </ul> <p>Qualitative assessments on the impact of volunteering hours and individuals supported will be conducted to ensure value is created for stakeholders. Outturns will be independently verified.</p> <p>Measures are further defined on page 151.</p>	<p>Sage, with our thousands of colleagues and millions of customers, and with Sage Foundation at the heart of our Sustainability and Society strategy, is uniquely positioned to help create a more equitable and sustainable future, tackling economic inequality by developing digital and business skills in under-represented groups, helping to build and support the next generation of more diverse and sustainable businesses.</p>

The full set of annual bonus and PSP measures and related targets for FY22 are set out on pages 150 and 151.

## 2) Increasing the alignment of the CEO's remuneration to sustainable long-term value creation and the external executive talent market

The growth in the digital economy and the opportunity this unlocks for Sage, its shareholders and wider stakeholders as outlined in our Strategic Report is significant. This digitisation is also placing high demand on executive talent with the skillset to successfully maximise the opportunity. Within this context, we have reviewed the competitiveness of the CEO's total remuneration package against our internal executive team and externally against similar roles in companies of similar scale and complexity and propose to increase the CEO's PSP award from 200% of base salary to 250% of base salary (within the existing Policy limit of 300% of base salary). To further enhance alignment with shareholders, there will be an accompanying increase in the CEO's shareholding requirement from 250% to 300% of base salary.

## 3) Amendments to 2022 Directors' Remuneration Policy

At the AGM, shareholders will be asked to support our Directors' Remuneration Policy (the "2022 Policy") when it is subject to its triennial vote. The 2022 Policy is set out on

pages 130 to 139 with the key amendments from the existing Policy outlined on page 130. As well as enabling the implementation of the aforementioned FY22 remuneration priorities, the 2022 Policy contains additional features, namely:

- Alignment with the Investment Association guidance on post-employment shareholding guidelines (the lower of the shareholding requirement (being 300% of base salary for the CEO and 250% of base salary for other Executive Directors) immediately prior to departure or the actual shareholding on departure to be held for at least two years after stepping down as a Director);
- Pension provision of Directors is fully aligned with the workforce, accordingly the CEO's pension has reduced from 15% to 10% of salary with effect from 1 October 2021;
- Flexibility to set and measure bonus targets otherwise than on an annual basis. There is currently no intention to use this for FY22. It is expected that use of this flexibility will be reserved for exceptional circumstances, for example where there is limited visibility to set robust 12-month targets; and
- Flexibility to make additional travel allowance payments to Non-executive Directors for time spent travelling internationally on Company business due to the increasing level of time commitment required from a Non-executive Director in our internationalised business.

### Delivering our remuneration principles in FY22

The table below summarises the remuneration arrangements for our current Executive Directors in FY22 in accordance with the proposed 2022 Policy, pending shareholder approval on 3 February 2022. Alignment to our remuneration principles is also denoted.

Element of Policy	Purpose	Implementation in FY22
Base salary <b>1 2</b>	Enables Sage to attract and retain Executive Directors of the calibre required to deliver the Group's strategy.	CEO: £809,000 (3% increase) CFO: £555,000 (1.8% increase) The equivalent average increase for colleagues eligible for an annual pay award is 3.2% (in respect of colleagues based in the United Kingdom).
Pension <b>1 2 3</b>	Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company.	10% of base salary for both the CEO and CFO The CEO's pension reduced from 15% to 10% of base salary on 1 October 2021.
Benefits <b>2</b>	Provide a competitive and cost-effective benefits package to Executive Directors to assist them in carrying out their duties effectively.	Standard benefits package plus costs of travel, accommodation and subsistence for the Executive Directors and their partners on Sage-related business.
Annual bonus <b>1 2 3 4</b>	Rewards and incentivises the achievement of annual financial and strategic targets. A minimum of one-third deferral into shares for three years is compulsory, with the remainder delivered in cash.	Maximum 175% of base salary 70% based on Annualised Recurring Revenue (ARR) growth (with an underlying operating profit margin underpin), 10% on customer Net Promoter Score and 20% based on strategic goals.
Performance Share Plan (PSP) <b>1 2 3 4</b>	Supports achievement of our strategy by targeting performance under our key financial performance indicators. Vesting is after three years, and awards are subject on vesting to a holding period for two years before being released.	Face value of 250% of base salary for the CEO Face value of 200% of base salary for the CFO 55% based on Sage Business Cloud penetration with cloud native penetration, ROCE and absolute growth underpins, 30% based on relative Shareholder Return performance and 15% based on ESG basket of measures.
All-employee share plans <b>1</b>	Provides an opportunity for Executive Directors to voluntarily invest in the Company.	Eligible to participate up to the tax-efficient limit of £500 per month.
Chair and Non-executive Director fees <b>2</b>	Provide an appropriate reward to attract and retain high-calibre individuals.	<b>See page 152 of this Report for a list of Non-executive Director fees.</b>
Shareholding guideline <b>4</b>	The shareholding guideline for the CEO is 300% of base salary and 250% for the CFO. Achievement of this is expected within a maximum of five years from the time the Executive Director became subject to the guideline. The post-employment shareholding guideline requires Executive Directors to retain shares following cessation of employment as a Director in line with Investment Association guidelines.	Shareholding at 30 September 2021 (inclusive of deferred shares held, net of tax at the current estimated marginal tax withholding rate). Steve Hare 405% of base salary Jonathan Howell 256% of base salary. <b>See page 152 for more information on the shareholding guideline.</b>

#### Key: Our remuneration principles

- 1** Drives focus on strategy, purpose and culture
- 2** Market competitive
- 3** Simplicity
- 4** Aligned with shareholder interests

## FY21 single figure for total remuneration summary:

Director	2021 Total £'000	2020 (restated) Total <sup>6</sup> £'000
<b>Executive Directors</b>		
S Hare	2,453	1,557
J Howell	1,652	1,091
<b>Non-executive Directors</b>		
Sir D Brydon <sup>1</sup>	428	436
S Anand <sup>2</sup>	60	25
J Bates	60	60
J Bewes	77	77
A Court	77	77
D Hall	77	77
I Wasti <sup>3</sup>	60	25
D Harding <sup>4</sup>	35	–
A Duff <sup>5</sup>	25	–

### Notes:

1. Sir Donald Brydon stepped down as Chair of the Sage Board on 30 September 2021.
2. Sangeeta Anand was appointed as a Non-executive Director on 1 May 2020.
3. Irana Wasti was appointed as a Non-executive Director on 1 May 2020.
4. Derek Harding was appointed as a Non-executive Director on 2 March 2021.
5. Andrew Duff was appointed as a Non-executive Director on 1 May 2021.
6. 2020 values are restated. Full details are provided in the footnotes to the full single figure for total remuneration table on page 140.

### Key remuneration outcomes for FY21

#### 2021 bonus: 60.2% to 61.0% of potential payable

The 2021 bonus was aligned to our strategy of accelerating our move to a cloud business with an increased pace of digitisation among small and medium businesses with 50% of bonus potential based on cloud native ARR growth ("CNARR") and 20% of bonus potential based on ARR growth with an underlying operating profit (UOP) margin underpin applicable to both measures. 10% of bonus potential was based on customer Net Promoter Score to reflect the criticality of maintaining and improving the experience for Sage customers. CNARR growth of 43.6% (slightly below the target set) and ARR growth of 7.8% (between target and stretch) were achieved; the UOP margin of 19.6% met the underpin level. There was an annual increase in the Net Promoter Score to 21.3. The remaining 20% is determined by assessments of individual Executive Directors' performance against their goals. In summary:

- For the CEO, 60.2% would be payable
- For the CFO, 61.0% would be payable

The Remuneration Committee determined that the formulaic outcome is appropriate therefore no discretion has been applied, so between 60.2% and 61.0% of maximum bonus will be payable. Further detail is set out on page 141.

#### 2019 Performance Share Plan (PSP): 33.5% of the total shares under award vesting

PSP awards granted in February 2019 were based on ARR growth (with a Return on Capital Employed (ROCE) underpin) and relative Total Shareholder Return (TSR) performance measured over the three-year performance period from 1 October 2018 to 30 September 2021. Reflecting on general business performance, and the experience of shareholders, customers and colleagues over the period, the Remuneration Committee determined that the formulaic outcome is appropriate, so 33.5% of the total number of shares under award will vest in December 2021, subject to a two-year holding period for both Executive Directors. Further detail is set out on page 143.

### Engagement with stakeholders

The Committee values input from shareholders and is committed to ensuring open and transparent dialogue between parties in regards to executive remuneration. Where appropriate, the Committee seeks the views of the largest shareholders individually and others through shareholder representative bodies when considering any significant changes to the Policy. Any feedback received is thoughtfully reviewed and where appropriate changes are implemented. Ahead of the 2022 AGM, the Committee consulted individually with Sage's top 17 shareholders and proxy agencies on the proposed 2022 Policy. This was initially in written format and included a number of virtual meetings. In response to the feedback received from a small number of shareholders, we have: addressed duplication of measures in the annual bonus and PSP; strengthened the PSP measures, including introducing long-term ESG metrics, to ensure they directly align to our strategy of creating long-term sustainable growth and reward for impact achieved. We hope the clear articulation of the 2022 Policy and implementation changes provide a clear understanding of how our plans will reward executives for the value created for stakeholders.

Colleague Success is critical for Sage and engaging with the workforce in meaningful, two-way dialogue underpins this. The CEO hosts frequent 'All-Hands' calls for the whole

workforce, during which he provides Company performance updates explaining how this translates to the bonus plan. Colleagues are encouraged to ask questions and the CEO provides open and transparent answers. Additionally, Company performance at a Group and regional/functional level and bonus updates are periodically provided on our intranet site and by email, this ensures that colleagues are able to understand how the business is performing during the financial year and the impact that can have on their reward package.

Colleagues have the opportunity to share their thoughts and feedback on all topics, including our remuneration policies and practices, through our 'Always Listening' survey. Originally launched during 2020 in response to the pandemic, this is a continuous feedback survey which colleagues can access at any time. Our bi-annual colleague 'Pulse' surveys and CEO round tables also provide opportunities for colleagues to provide feedback.

A global Reward and Recognition policy available to all colleagues applies across the entire workforce. Furthermore, colleagues are able to access a more detailed explanation of executive pay through this Report and of our PSP through our colleague intranet.

## Corporate governance code considerations

From 1 October 2021, we are fully compliant with the 2018 UK Corporate Governance Code. When reviewing the Policy for Executive Directors and determining the approach to pay, in line with the Code, the Committee gives consideration to the following:

<b>Clarity</b>	<b>Code provision:</b> remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Engaging with stakeholders effectively, in a timely, transparent and relevant manner is important for the Company. Further details on how we engage with stakeholders can be found on page 126. The purpose, strategic alignment and structure of each element of pay is provided in the Policy and easily accessible on our Company website.
<b>Simplicity</b>	<b>Code provision:</b> remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Simplicity is one of our remuneration principles and guides the design of our remuneration structures. Remuneration arrangements in place for Executive Directors are not complex: executives are eligible for an annual bonus and a long-term incentive award under our PSP, the metrics of which are aligned to the Company's strategy. Salaries are reviewed annually across the whole workforce and benefits are provided in line with local market norms. The pension provision for Executive Directors is 10% of salary. This policy was applied for the first time to the appointment of Jonathan Howell as CFO in December 2018 and the CEO's pension reduced from 15% of base salary to 10% of base salary with effect from 1 October 2021. This Report provides open and transparent disclosure of executive remuneration for our workforce and our shareholders.
<b>Risk</b>	<b>Code provision:</b> 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.	There is an appropriate mix of fixed and variable pay and financial and non-financial measures and goals in our remuneration plans. There are mechanisms in place to ensure alignment with long-term shareholder interests and the ongoing performance of the business; one third of annual bonus is deferred into Sage shares, a holding period of two years is applicable to the PSP and Executive Directors are required to build up and maintain a significant holding of Sage shares both whilst an Executive Director (300% of salary for the CEO and 250% of salary for the CFO) and for a two-year period after stepping down from that position (100% of their 'in-employment' guideline for two years after stepping down as a Director). The Committee is able to exercise discretion over the formulaic outcomes of the bonus and PSP to ensure outturns reflect performance of Executive Directors and the business. Malus and clawback provisions are applicable to these plans in the event of a trigger event.
<b>Predictability</b>	<b>Code provision:</b> 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 illustrations provided on page 136 detail the potential future reward based on different performance scenarios under the proposed 2022 Policy. Incentive opportunities are capped with clearly defined payout schedules, deferral requirements and holding periods.

<b>Proportionality</b>	<b>Code provision:</b> 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.	Executive Directors' total remuneration package is designed to ensure that remuneration increases or decreases in line with business performance and aligns the interests of Executive Directors and shareholders, specifically with the annual bonus and PSP rewarding over the short and long term. Stretching targets over an annual (applicable to annual bonus) and three-year performance period (applicable to the PSP) are approved by the Committee and assessed at the end of the respective performance period, taking into account the wider business performance and the internal and external context. The Committee has overriding discretion over the formulaic outcomes of the bonus and PSP to ensure outturns reflect performance of Executive Directors, the business and the shareholder experience, ensuring that poor performance is not rewarded.
<b>Alignment to culture</b>	<b>Code provision:</b> incentive schemes should drive behaviours consistent with the company purpose, values and strategy.	Incentive schemes are aligned to Sage's culture. The bonus plan is split between Company performance and achievement of personal strategic goals which incorporate non-financial metrics such as employee engagement, leadership development, inclusion, diversity, talent development and the community. The Company performance measures are central to the strategic progression of Sage and the personal goal assessments are completed taking into account outputs and how they have been delivered in respect of the Company's Values and Behaviours. The Performance Share Plan measures align to the Company's strategic priorities in addition to the wider shareholder experience through Total Shareholder Return (TSR). The proposed introduction of ESG measures into the PSP will drive achievement of the new Sustainability and Society strategy announced in June 2021. Full details of the proposed measures can be found on page 150.

The Remuneration Committee in 2021 undertook a review of remuneration and related policies for the wider workforce and deemed that remuneration for Executive Directors is aligned to the wider workforce. This is achieved by consistent performance measures in the annual bonus plan, pay principles that are applicable across the entire workforce and application of the annual pay review process consistently across all colleagues. Additionally, Save and Share, our all-colleague Share Plan, generates Colleague Success through fostering colleagues as shareholders at all levels across the business. In 2021, the take-up rate was 31% of eligible colleagues.

The Remuneration Committee reviewed the implementation of the Policy over 2021 and judged it to be operating as intended and with no deviation from the approved Policy. It determined this through the periodic review of potential incentive outcomes and their contribution to the single figure of remuneration; a consideration of wider business

performance including customer metrics; the experience of shareholders and our Total Shareholder Return; and the experience of our colleagues.

I hope you find this Report to be clear in understanding our remuneration practices and that you will be supportive of the resolutions relating to remuneration at the 2022 AGM. As ever, the Remuneration Committee welcomes any questions or comments from shareholders.



**Annette Court**  
Chair of the Remuneration Committee

# Remuneration Committee

## Remuneration Committee governance

### Committee composition and meetings

The Remuneration Committee is composed solely of independent Non-executive Directors, Drummond Hall, Dr John Bates and is chaired by Annette Court. Details of the skills and experience of the Remuneration Committee members can be found in their biographies on pages 70 to 71.

The Committee held six scheduled meetings during FY21. There was one unscheduled meeting during the year. Details of individual attendance at scheduled meetings is provided on page 84. The Committee also held a number of working sessions on the 2022 Directors' Remuneration Policy over the course of FY21.

### Activities and evaluation

Details of the Remuneration Committee's activities are set out below.

## Activities of the Committee at a glance

### Allocation of time



### Activities of the Committee

During the year, the Committee focused on the matters summarised in the table below.

Key area of activity	Matters considered	Outcome
Determining the Policy and its implementation	<ul style="list-style-type: none"> <li>Determined bonus targets and outcomes for 2020 and PSP outcomes for the 2018 award.</li> <li>Reviewed content of 2020 Directors' Remuneration Report.</li> <li>Adjustments required to the 2022 Policy to ensure Executive Directors' remuneration is aligned to the strategic requirements and long-term goals of the business.</li> </ul>	<ul style="list-style-type: none"> <li>2020 bonus determined at 18.4% to 19% of potential, as disclosed in last year's Report.</li> <li>2018 PSP determined at 27.4% of the overall award for vesting, as disclosed in last year's Report.</li> <li>Approved the 2020 Directors' Remuneration Report.</li> <li>Approved the 2022 Policy and consulted with shareholders for implementation in FY22 pending approval at the 2022 AGM.</li> </ul>
Reviewing the effectiveness of the Policy	<ul style="list-style-type: none"> <li>Reviewed performance against in-flight incentive plans and the forecast single figure of remuneration for Executive Directors.</li> <li>Reviewed remuneration-related risks.</li> <li>Reviewed the structure of remuneration.</li> <li>Discussed the bonus and PSP structure for 2022.</li> </ul>	<ul style="list-style-type: none"> <li>Determined that the Policy was operating as intended for FY21.</li> </ul>
Considering the views on remuneration of our stakeholders and reviewing trends in executive remuneration	<ul style="list-style-type: none"> <li>At least quarterly the Committee's advisors present on market trends, legislative change and corporate governance requirements in executive remuneration.</li> </ul>	<ul style="list-style-type: none"> <li>Views of shareholders, proxy voting agencies and market insight provided invaluable context for the Committee's deliberations on the implementation of the Policy and its effectiveness.</li> </ul>
Other	<ul style="list-style-type: none"> <li>Considered the format and content of the Report for 2020.</li> <li>Reviewed the Code, The Companies (Miscellaneous Reporting) Regulations 2018 and The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 and determined the appropriate level of disclosure for the Report.</li> <li>Reviewed the Committee's Terms of Reference.</li> <li>Reviewed workforce remuneration and related policies.</li> </ul>	<ul style="list-style-type: none"> <li>2020 Directors' Remuneration Report approved in November 2020.</li> <li>Approved updates required to this Report to ensure compliance with the updated Code and Regulations.</li> <li>Determined no change to the Committee's Terms of Reference.</li> <li>Considered the implementation of the 2022 Policy in light of workforce remuneration.</li> </ul>

## Remuneration Policy 2022

The current Policy was approved by our shareholders at the 2019 AGM and can be found in full in the 2018 Annual Report, a copy of which can be downloaded from [www.sage.com/investors](http://www.sage.com/investors).

We are required by law to put a Policy (the "2022 Policy") to our shareholders for approval at the 3 February 2022 AGM. The 2022 Policy is set out on pages 131 to 139 of this Report and, subject to shareholder approval, will take effect immediately after the AGM.

The Remuneration Committee discussed the 2022 Policy over a series of meetings which considered the strategic priorities of the business, talent requirements, stakeholder views and evolving market practice. Input was sought from the CEO and members of the People team, while ensuring that conflicts of interest were suitably mitigated, but enabling consideration of the wider workforce when evaluating remuneration. An external perspective was provided by our major shareholders and our independent advisors, Deloitte.

The key proposed changes from the previous Policy are as follows:

- The post-employment shareholding guideline has been updated to align to Investment Association guidance and increased to 100% of Directors' 'in-employment' guideline for two years after stepping down as a Director, further enhancing the long-term alignment of Directors and shareholders;
- The CEO's shareholding requirement will increase to 300% of salary;
- The Committee has the flexibility to set and measure bonus targets other than on an annual basis. It is expected that use of this flexibility will be reserved for exceptional circumstances, for example where there is limited visibility to set robust 12-month targets;
- Pension provision for Executive Directors will be aligned in the 2022 Policy with the rate available to the majority of the workforce (currently 10% of salary). The CEO's existing pension provision of 15% of salary reduced accordingly with effect from 1 October 2021; and
- In recognition of the increasing level of time commitment required from a Non-executive Director in our internationalised business, the 2022 Policy will provide flexibility to make additional travel allowance payments to Non-executive Directors for time spent travelling internationally on Company business.

## Remuneration policy table

The table below sets out the Policy that the Company will apply from 3 February 2022, subject to shareholder approval.

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
<p><b>Base salary</b></p> <p>Supports the recruitment and retention of Executive Directors of the calibre required to deliver the Group's strategy. Rewards executives for the performance of their role. Set at a level that allows fully flexible operation of our variable pay plans.</p>	<p>Normally reviewed annually, with any increases applied from January. When determining base salary levels, consideration is given to the following:</p> <ul style="list-style-type: none"> <li>• Pay increases for other employees in major operating businesses of the Group;</li> <li>• The individual's skills and responsibilities;</li> <li>• Pay at companies of a similar size and international scope to Sage, in particular those within the FTSE 100 (excluding the top 30); and</li> <li>• Corporate and individual performance.</li> </ul>	<p>Ordinarily, salary increases will be in line with increases awarded to other employees in major operating businesses of the Group. However, increases may be made above this level at the Remuneration Committee's discretion to take account of individual circumstances such as:</p> <ul style="list-style-type: none"> <li>• Increase in scope and responsibility;</li> <li>• The individual's development and performance in role (e.g. for a new appointment where base salary may be increased over time rather than set directly at the level of the previous incumbent or market level); and</li> <li>• Alignment to market level.</li> </ul> <p>Accordingly, no monetary maximum has been set.</p>	<p>None, although overall performance of the individual is considered by the Remuneration Committee when setting and reviewing salaries annually.</p>
<p><b>Pension</b></p> <p>Provides a competitive post-retirement benefit, in a way that manages the overall cost to the Company.</p>	<p>Defined contribution plan (with Company contributions set as a percentage of base salary). An individual may elect to receive some or all of their pension contribution as a cash allowance.</p>	<p>The Company contribution rate for Executive Directors is aligned with the rate available to the majority of the workforce (currently 10% of salary).</p>	<p>None.</p>

Directors' Remuneration Report *continued*  
 Remuneration Policy 2022 *continued*

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
<p><b>Benefits</b>            Provide a competitive and cost-effective benefits package to executives to assist them to carry out their duties effectively.</p>	<p>The Group provides a range of benefits which may include a car benefit (or cash equivalent), private medical insurance, permanent health insurance, life assurance and financial advice. Additional benefits may also be provided in certain circumstances which may include relocation expenses, housing allowance and school fees. Other benefits may be offered if considered appropriate and reasonable by the Remuneration Committee.</p>	<p>Set at a level which the Remuneration Committee considers:</p> <ul style="list-style-type: none"> <li>• Appropriately positioned against comparable roles in companies of a similar size and complexity in the relevant market;</li> <li>• Provides a sufficient level of benefit based on the role and individual circumstances, such as relocation.</li> </ul> <p>As the costs of providing benefits will depend on the Director's individual circumstances, the Remuneration Committee has not set a monetary maximum.</p>	<p>None.</p>
<p><b>Annual bonus</b>            Rewards and incentivises the achievement of financial and strategic targets over the year. An element of compulsory deferral provides a link to the creation of sustainable long-term value.</p>	<p>Performance measures, weightings and targets are set and payout levels are determined by the Remuneration Committee based on performance against those targets. The Remuneration Committee may, in appropriate circumstances, override the formulaic outcome and amend the bonus payout should this not, in the view of the Remuneration Committee, reflect overall business performance or individual contribution. A minimum of one third of any annual bonus earned by Executive Directors is delivered in deferred share awards with the remainder delivered in cash. The deferral period will usually be a minimum of three years.</p>	<p>175% of salary            Up to 50% of the bonus can be paid for delivering a target level of performance.</p>	<ul style="list-style-type: none"> <li>• At least 70% of the bonus will be determined by measure(s) of Group financial performance;</li> <li>• No more than 30% of the bonus will be based on pre-determined financial, strategic, ESG or operational measures appropriate to the individual Director.</li> </ul> <p>The measures that will apply for the financial year 2022 are described in the Directors' Annual Remuneration Report.</p>

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
<p><b>Performance share plan (PSP)</b> Motivates and rewards the achievement of long-term business goals. Supports the creation of shareholder value through the delivery of strong market performance aligned with the long-term business strategy. Supports achievement of our strategy by targeting performance under our key financial performance indicators.</p>	<p>Awards vest dependent upon the achievement of performance conditions measured over a period of at least three years. Following the end of the performance period, the performance conditions will be assessed and the percentage of awards that will vest will be determined.</p> <p>The Remuneration Committee may decide that the shares in respect of which an award vests are delivered to participants at that point or that awards will then be subject to an additional holding period before participants are entitled to receive their shares. A holding period will normally last for two years, unless the Remuneration Committee determines otherwise.</p> <p>The Remuneration Committee has discretion to decide whether and to what extent the performance conditions have been met and, in appropriate circumstances, to override the formulaic outcome. If an event occurs that causes the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy, the Remuneration Committee may amend or substitute any performance condition.</p>	<p>Awards vest on the following basis:</p> <ul style="list-style-type: none"> <li>• Threshold performance: 20% of the maximum shares awarded;</li> <li>• Stretch performance: 80% of the maximum shares awarded;</li> <li>• Exceptional performance: 100% of the shares awarded with straight-line vesting between each level of performance;</li> <li>• Overall individual limit of 300% of base salary under the rules of the plan. Implementation for FY22 is outlined on page 150.</li> </ul> <p>The Remuneration Committee retains the discretion to make awards up to the individual limit under the PSP and, as stated in previous remuneration reports, would expect to consult with significant investors if awards were to be made routinely above current levels.</p>	<p>Vesting will be subject to performance conditions as determined by the Remuneration Committee on an annual basis.</p> <p>The performance conditions will initially be Sage Business Cloud penetration, relative TSR and ESG, although the Remuneration Committee will retain discretion to include additional or alternative performance measures which are aligned to the corporate strategy.</p> <p>At its discretion, the Remuneration Committee may elect to add additional underpin performance conditions.</p> <p>Details of the targets that will apply for awards granted in 2022 are set out in the Directors' Annual Remuneration Report.</p>
<p><b>All-employee share plans</b> Provide an opportunity for Directors (as well as the general workforce) to voluntarily invest in the Company.</p>	<p>UK-based Executive Directors are entitled to participate in an HMRC-approved all-employee plan, The Save and Share Plan, under which they can make monthly savings over a period of three or five years linked to the grant of an option over Sage shares with an option price which can be at a discount of up to 20% of the market value of shares on grant. Options may be adjusted to reflect the impact of any variation of share capital.</p> <p>Overseas-based Executive Directors are entitled to participate in any similar all-employee scheme operated by Sage in their jurisdiction.</p>	<p>UK participation limits are those set by HMRC from time to time. Currently this is £500 per month (or foreign currency equivalent). Limits for participants in overseas schemes are determined in line with any local legislation.</p>	<p>None.</p>

Directors' Remuneration Report *continued*  
Remuneration Policy 2022 *continued*

Alignment with strategy/purpose	Operation	Maximum opportunity	Performance measures
<p><b>Chair and Non-executive Director fees</b></p> <p>Provide an appropriate reward to attract and retain high-calibre individuals. Non-executive Directors do not participate in any incentive scheme.</p>	<p>Fees are reviewed periodically. The fee structure is as follows:</p> <ul style="list-style-type: none"> <li>The Chair is paid a single, consolidated fee;</li> <li>The Non-executive Directors are paid a basic fee, plus fees for additional responsibilities or time commitments such as chairing (and, where appropriate, membership) of Board Committees and to the Senior Independent Director;</li> <li>Fees are currently paid in cash but the Company may choose to provide some of the fees in shares.</li> </ul> <p>Additional travel allowance payments may be made to the Chair and Non-executive Directors for time spent travelling internationally on Company business, for example to attend a Board meeting. Non-executive Directors may be eligible for benefits such as company car, use of secretarial support, healthcare or other benefits that may be appropriate including where travel to the Company's registered office is recognised as a taxable benefit in which case a Non-executive Director may receive the grossed-up costs of travel as a benefit.</p>	<p>Set at a level which:</p> <ul style="list-style-type: none"> <li>Reflects the commitment and contribution that is expected from the Chair and Non-executive Directors;</li> <li>Is appropriately positioned against comparable roles in companies of a similar size, complexity and international scope to Sage, in particular those within the FTSE 100 (excluding the top 30).</li> </ul> <p>Overall fees paid to Directors will remain within the limit stated in our articles of association, currently £1.25m. Actual fee levels are disclosed in the Directors' Annual Remuneration Report for the relevant financial year.</p>	None.
<p><b>Shareholding guideline</b></p> <p>Aligns the interests of Executive Directors and shareholders and encourages a focus on long-term performance.</p>	<p>Whilst in employment, Executives Directors are expected to build up a shareholding worth 300% of salary in respect of the CEO and 250% of salary in respect of other Executive Directors over five years from the Director becoming subject to the guideline. The Remuneration Committee will review progress towards the guideline on an annual basis and has the discretion to adjust the guideline in what it feels are appropriate circumstances.</p> <p>Executive Directors are also expected to remain compliant with this guideline or, if lower, their actual shareholding at leaving for two years post-cessation of employment. Shares acquired by an Executive Director in their personal capacity at any time, or shares released to an Executive Director prior to 11 September 2019 are exempt from this guideline. The Committee retains discretion to waive this guideline if it is not considered appropriate in the specific circumstances.</p>		None.

Notes:

- Annual bonus and PSP performance measures and targets are selected each year so as to align with key financial and operational objectives.
- Awards granted under the deferred bonus plan and the PSP may:
  - Be made in the form of conditional awards or nil-cost options and may be settled in cash on vesting;
  - Incorporate the right to receive an amount (in cash or shares) equal to the dividends which would have been paid or payable on the shares that vest in the period up to vesting (or, where PSP awards are made subject to a holding period, the end of the holding period). This amount may be calculated assuming the dividends were reinvested in the Company's shares on a cumulative basis; and
  - Be adjusted in the event of any variation of the Company's share capital, demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Remuneration Committee, affect the current or future value of the Company's shares.

Provisions to withhold (malus) or recover (clawback) sums paid under the annual bonus and PSP in the event of material negative circumstances, such as a material misstatement in the Company's audited results, serious reputational damage or significant financial loss to the Company (as a result of the participant's conduct), an error in assessing the performance metrics relating to the award or the participant's gross misconduct are incorporated into the PSP, the annual bonus and the deferred bonus plan. These provisions may apply up to three years from the release date of a PSP award or three years from the date a cash bonus is paid or a deferred share award is granted. Details of the proposed implementation of those provisions in the forthcoming year are set out in the Directors' Annual Remuneration Report.

All Directors submit themselves for re-election annually.

The Remuneration Committee intends to honour any commitments entered into with current or former Directors on their original terms, including outstanding incentive awards, which have been disclosed in previous remuneration reports and, where relevant, are consistent with a previous policy approved by shareholders. Any such payments to former Directors will be set out in the Remuneration Report as and when they occur.

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes "payments" includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

The Remuneration Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

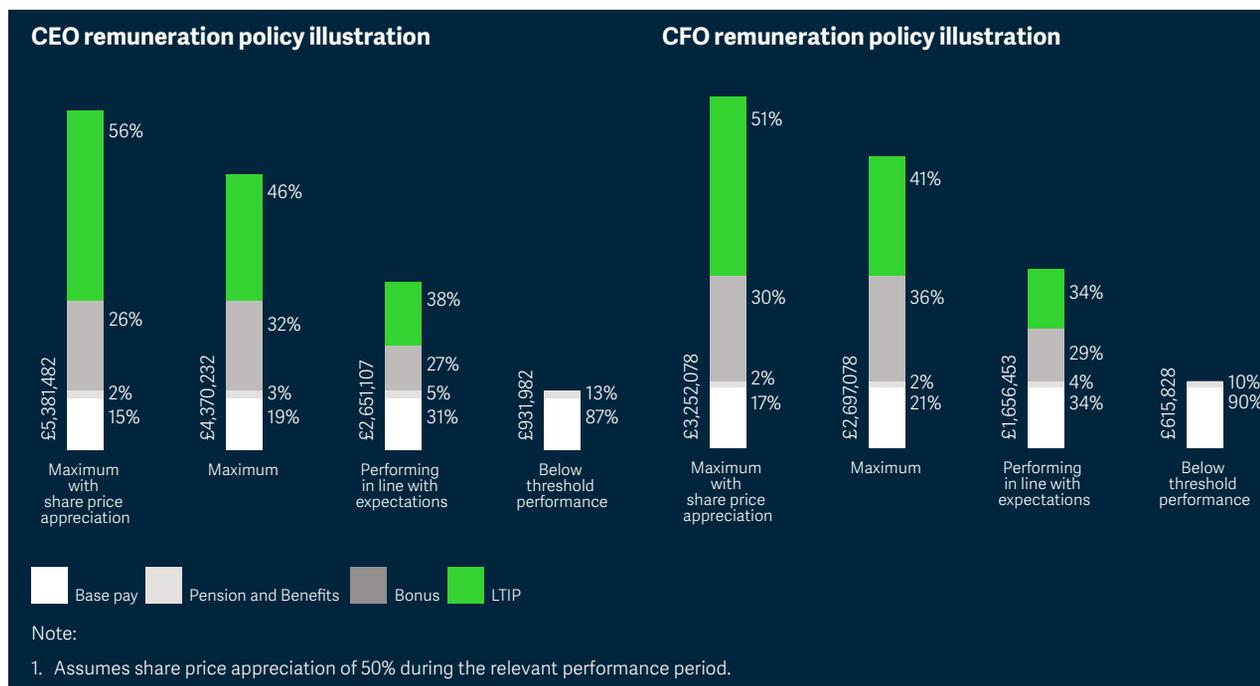
### Illustration of 2022 Policy

The charts on page 136 set out an illustration of the 2022 Policy and include base salary, pension, benefits and incentives. The charts provide an illustration of the proportion of total remuneration made up of each component of pay and the total potential value available to the Directors under the Policy. The charts do not take into account dividends or, unless stated otherwise, share price appreciation.

In these illustrative charts, salaries are those applying from 1 January 2022, pension provision is 10% of salary and benefits have been estimated using the figure included in the 2021 single figure of remuneration.

For illustrating the potential value from incentives, four scenarios have been illustrated for each Executive Director:

Below threshold performance	No bonus payout. No vesting of PSP awards.
Performing in line with expectations	87.5% of salary payout in annual bonus (50% of maximum opportunity). PSP vested shares equivalent to 125% of salary for the CEO and 100% of salary for the CFO (50% of total shares available).
Maximum	175% of salary payout in annual bonus (100% of maximum opportunity). PSP vested shares equivalent to 250% of salary for the CEO and 200% of salary for the CFO (100% of total shares awarded).
Maximum with share price appreciation	Maximum scenario with the additional assumption of 50% share price appreciation during the PSP vesting period.



## Development of our Policy

### Consistency with remuneration for the wider Group

The Policy for our Executive Directors is designed in line with the remuneration philosophy and principles that underpin remuneration for the wider Group. The remuneration arrangements for employees below the main Board reflect the seniority of the role and local market practice and therefore the components and levels of remuneration for different employees will differ from the Policy for executives as set out above.

### Consideration of pay and conditions for the wider Group

The Remuneration Committee reviews annually the remuneration and related policies prevailing for the wider Group workforce, taking them into account when determining the Remuneration Policy and pay for the main Board Directors and the Executive Committee. In the course of setting the 2022 Policy, the Remuneration Committee discussed the alignment of remuneration and related policies with culture and strategy, the progress made in key initiatives to enhance such alignment during the year and priorities for FY22, and the alignment of pay and conditions for the wider Group workforce with executives. Colleagues were not consulted in the formulation of the 2022 Policy.

### Communication with our shareholders

The Remuneration Committee is committed to an ongoing dialogue with shareholders and seeks the views of significant shareholders when any major changes are being made to remuneration arrangements. The Remuneration Committee takes into account the views of significant shareholders and shareholder representative bodies such as Institutional Shareholder Services, the Investment Association and Glass Lewis when formulating and implementing the policy. A consultation process was undertaken with our largest shareholders and shareholder representative bodies ahead of the introduction of this revised policy.

## Recruitment remuneration arrangements

In the event of hiring a new Executive Director, the Remuneration Committee will seek to align the remuneration package with our Policy, which may include the elements outlined in the Policy table above. However, the Remuneration Committee retains the discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of the recruitment. This may, for example, include the following circumstances:

- An interim appointment is made to fill an Executive Director role on a short-term basis;
- Exceptional circumstances require that the Chair or a Non-executive Director takes on an executive function on a short-term basis;
- An Executive Director is recruited at a time in the year when it would be inappropriate to provide a bonus or PSP award for that year as there would not be sufficient time to assess performance. The quantum in respect of the months employed during the year may be transferred to the subsequent year so that reward is provided on a fair and appropriate basis;
- An executive is recruited from a business or location that offered some benefits that the Remuneration Committee might consider appropriate to buy out but that do not fall into the definition of “variable remuneration forfeited” that can be included in the buyout element under the wording of the regulations;
- The executive received benefits at their previous employer which the Remuneration Committee considers it appropriate to offer; and
- The Remuneration Committee may alter the performance measures, performance period and vesting period of the annual bonus or long-term incentive, subject to the rules of the plan, if the Remuneration Committee determines that the circumstances of the recruitment merit such alteration. The rationale will be clearly explained in the relevant Directors’ Remuneration Report.

In determining appropriate remuneration arrangements on hiring a new Executive Director, the Remuneration Committee will take into account relevant factors; this may include the calibre of the individual, local market practice, the existing remuneration arrangements for other executives and the business circumstances. The Remuneration Committee seeks to ensure that arrangements are in the best interests of both Sage and its shareholders and seeks not to pay more than is appropriate.

The maximum level of variable pay which may be awarded to new Executive Directors in respect of their recruitment, excluding buy-out arrangements, is 500% of base salary in the first year of employment. Variable pay in subsequent years will be in line with the Policy table above.

The Remuneration Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so the Remuneration Committee will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (e.g. cash or shares) and the timeframe of awards. The Remuneration Committee will generally seek to structure buyout awards on a comparable basis to awards forfeited.

In order to facilitate the variable pay opportunity and buyout awards mentioned above, the Remuneration Committee may rely on exemption in LR 9.4.2. of the Listing Rules which allows for the grant of awards to facilitate, in exceptional circumstances, the recruitment of a Director. The Remuneration Committee may also rely on the rules of the PSP which permit the grant of two PSP awards in the first year of employment, with the individual limit from the plan rules applying separately to each PSP award.

Where an Executive Director is an internal promotion, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following Sage’s acquisition of or merger with another company, legacy terms and conditions would be honoured.

In the event of the appointment of a new Non-executive Director, remuneration arrangements will normally be in line with the structure set out in the policy table for Non-executive Directors.

## Directors' Remuneration Report *continued*

### Remuneration Policy 2022 *continued*

#### Change of control

The rules of the PSP provide that, in the event of a change of control, unvested awards would vest to the extent determined by the Remuneration Committee taking into account the extent to which it determines the performance conditions have been satisfied (based on all factors it considers relevant) at the date of such event. The extent to which the Remuneration Committee allows awards to vest would also, unless it determines otherwise, take into account the period of time that has elapsed between the grant of the award and the date of the change of control as a proportion of three years (or such other period the Remuneration Committee considers to be appropriate). However, the Remuneration Committee may vary the level of vesting of awards if it believes that exceptional circumstances warrant this; awards that are subject to a holding period at the time of the change of control will be released at that time.

Awards granted under the deferred bonus plan will vest in full upon a change of control. Awards held under all-employee plans would be expected to vest on a change of control and those which have to meet specific requirements to benefit from permitted tax benefits would vest in accordance with those requirements.

Alternatively, the Directors may exchange their awards over Company shares for equivalent awards in shares of the acquiring company if the terms of the offer allow this.

If the Company is wound up or in the event of a demerger, delisting, special dividend or other event which, in the Remuneration Committee's opinion, would materially affect the current or future value of the Company's shares, the Remuneration Committee may allow deferred share and PSP awards to vest and be released early on the same basis as for a change of control.

#### Executive Director service contracts

All current Executive Directors have service contracts, which may be terminated by the Company for breach by the executive or by giving 12 months' notice by the Company or the individual.

Service contracts for new Directors will generally be limited to 12 months' notice. However, the Remuneration Committee may agree a longer period, of up to 24 months initially, reducing by one month for every month served until it falls to 12 months.

#### Terms and conditions for Non-executive Directors

The appointment of the Non-executive Directors (including the Non-executive Chair) is for a fixed term of three years, during which period the appointment may be terminated by the Board on up to six months' notice. There are no provisions on payment for early termination in letters of appointment.

The letters of appointment of Non-executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office during normal business hours and will be available at the Annual General Meeting.

#### Payments to departing Directors

There are no pre-determined special provisions for Directors with regard to compensation in the event of loss of office; compensation is based on what would be earned by way of salary, pension entitlement and other contractual benefits over the notice period. In the event that a contract is to be terminated, and a payment in lieu of notice made, payments to the Executive Director may be staged over the notice period, at the same interval as salary would have been paid. If applicable, during that period the Executive Director must take all reasonable steps to obtain alternative employment and payments to the Executive Director by the Company will be reduced to reflect payments received in respect of that alternative employment.

The Remuneration Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the 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 a compromise or settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include, but are not limited to, paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

There is no automatic entitlement to an annual bonus. Executive Directors may receive a bonus in respect of the financial year of cessation. The payment of any annual bonus will be at the Remuneration Committee's discretion, based on the individual circumstances, and would usually be pro-rated for the period of service and may be paid entirely in cash. In determining the level of bonus to be paid, the Remuneration Committee may, at its discretion, take into account performance up to the date of cessation or over the financial year as a whole based on appropriate performance measures as determined by the Remuneration Committee. The treatment of leavers under our long-term incentive plans is determined by the rules of the relevant plans.

## Deferred bonus plan

If an Executive Director ceases to hold office or employment within the Group during the vesting period of a deferred share award as a result of their death, their award will vest on the date of death. If the reason for their cessation of employment is injury, ill health, disability or retirement, because their employing company or business is sold out of the Group or in any other circumstances the Remuneration Committee determines, their award will vest on the normal vesting date unless the Remuneration Committee determines the award should vest following their cessation of office or employment. Awards will normally be accelerated in the event of a participant's death. If the individual ceases to hold office or employment with a member of the Group in any other circumstances, any unvested deferred share awards they hold will lapse.

## PSP

If the Director ceases to hold office or employment within the Group during the Performance Period as a result of their death, their award will vest on the date of death. If the reason for their cessation of employment is ill health, injury or disability, because their employing company or business is sold out of the Group or in any other circumstances the Remuneration Committee determines, any unvested awards will vest (and be released from any holding period) at the same time as if the individual had not left the Group, unless the Remuneration Committee determines the award should vest (and be released) following their cessation of office or employment.

The extent to which awards vest in these circumstances will be determined by the Remuneration Committee taking into account the extent to which it determines the performance conditions have been satisfied at the end of the original performance period or following the Director's cessation of office or employment (as appropriate) and, unless the Remuneration Committee determines otherwise, the period of time that has elapsed between the grant of the award and the date of the cessation of office or employment as a proportion of three years (or such other period the Remuneration Committee considers to be appropriate).

Unvested PSP awards will lapse in any other circumstances (e.g. if the Executive Director leaves as a result of their termination for cause).

Where an Executive Director leaves whilst holding vested PSP awards that are subject to a holding period, those awards will normally be released at the end of the relevant holding period, unless the Remuneration Committee determines the award should be released following their cessation of employment. If, however, an Executive Director is summarily dismissed, any outstanding PSP awards they hold will lapse.

# Directors' Annual Remuneration Report

## Purpose of this section:

- Provides remuneration disclosures for Executive and Non-executive Directors
- Details financial measures for bonus and PSP
- Illustrates Company performance and how this compares to the pay of Executive Directors
- Outlines proposed implementation of the 2022 Policy for Executive and Non-executive Directors for 2022

## Single figure for total remuneration (audited information)

The following table sets out the single figure for total remuneration for Executive Directors for the financial years ended 30 September 2020 and 2021.

Director	(a) Salary/fees <sup>6</sup> £'000		(b) Benefits <sup>7</sup> £'000		(c) Bonus <sup>8</sup> £'000		(d) PSP awards <sup>9</sup> £'000		(e) Pension <sup>10</sup> £'000		Total fixed remuneration <sup>11</sup> £'000		Total variable remuneration <sup>12</sup> £'000		Total <sup>13</sup> £'000	
	2021	2020	2021	2020	2021	2020	2021	2020 (restated)	2021	2020	2021	2020	2021	2020 (restated)	2021	2020 (restated)
<b>Executive Directors</b>																
S Hare	785	781	42	119	827	252	681	288	118	117	945	1,017	1,508	540	2,453	1,557
J Howell	545	543	5	6	582	180	473	315	47	47	597	596	1,055	495	1,652	1,091
<b>Non-executive Directors</b>																
Sir D Brydon <sup>1</sup>	400	400	28	36	–	–	–	–	–	–	428	436	–	–	428	436
S Anand <sup>2</sup>	60	25	–	–	–	–	–	–	–	–	60	25	–	–	60	25
J Bates	60	60	–	–	–	–	–	–	–	–	60	60	–	–	60	60
J Bewes	77	77	–	–	–	–	–	–	–	–	77	77	–	–	77	77
A Court	77	77	–	–	–	–	–	–	–	–	77	77	–	–	77	77
D Hall	77	77	–	–	–	–	–	–	–	–	77	77	–	–	77	77
D Harding <sup>3</sup>	35	–	–	–	–	–	–	–	–	–	35	–	–	–	35	–
A Duff <sup>4</sup>	25	–	–	–	–	–	–	–	–	–	25	–	–	–	25	–
I Wastl <sup>5</sup>	60	25	–	–	–	–	–	–	–	–	60	25	–	–	60	25

### Notes:

- Sir Donald Brydon stepped down as Chair of the Sage Board on 30 September 2021.
- Sangeeta Anand was appointed as a Non-executive Director on 1 May 2020.
- Derek Harding was appointed as a Non-executive Director on 2 March 2021.
- Andrew Duff was appointed as a Non-executive Director on 1 May 2021.
- Irana Wastl was appointed as a Non-executive Director on 1 May 2020.
- Details of salary progression since 2018 for the current Executive Directors are summarised in the "Statement of implementation of the remuneration policy in the following financial year" on page 149 of this Report.
- Benefits provided to the Executive Directors included: car benefits or cash equivalent (Steve Hare only), private medical insurance, permanent health insurance, life assurance, financial advice and, where deemed to be a taxable benefit, the grossed-up costs of travel, accommodation and subsistence for the Directors and their partners on Sage-related business if required. Benefits exclude items subject to tax where they are in the nature of business expenses. In prior years, a large proportion of Steve Hare's benefits value related to the grossed-up cost of travel, accommodation and subsistence for his hosting Platinum Elite, a major internal event for high-performing colleagues, which is deemed by HMRC to be a taxable benefit. Due to Covid-19, this event did not take place in FY21. Sir Donald Brydon's car benefit ceased in July 2021 and has been pro-rated accordingly.
- Further information about how the level of FY21 bonus award was determined is provided in the additional disclosures below.
- The 2021 PSP value for Steve Hare and Jonathan Howell is based on the PSP award granted in financial year 2019 which is due to vest in December 2021. The performance conditions applicable to the awards are outlined on page 144 of this Report. The value is based on the number of shares vesting under the 2019 PSP award multiplied by the average price of a Sage share between 1 July and 30 September 2021, which was £7.204, plus dividend equivalents accrued. For Steve Hare, £133,693 of the value is attributable to movement in the share price between grant and vesting and for Jonathan Howell £92,892 of the value is attributable to movement in the share price between grant and vesting. No discretion has been exercised by the Remuneration Committee in respect of share price appreciation. Further detail is set out below in the notes to the table. The value of Steve Hare's 2018 PSP for 2020 has been updated. The change in value is as a result of changes in the share price reported in 2020 in line with the methodology set out in the 2013 Reporting Regulations (£7.204) and the share price actually achieved at vesting (£5.716).
- Pension emoluments for Steve Hare from his appointment as CEO on 2 November 2018 were equal to 15% of base salary and have reduced to 10% of base salary with effect from 1 October 2021. Pension emoluments for Jonathan Howell were equal to 10% of base salary (less a deduction for Employer National Insurance Contributions). Both elected to receive them as a cash allowance. Maximum pension contribution levels for the wider workforce in the UK is 10% of salary, subject to contributions from the colleagues themselves.
- Total fixed remuneration is inclusive of salary/fees, benefits and pension.
- Total variable remuneration is inclusive of bonus and PSP awards.
- Total remuneration for Directors in 2021 was £5,004,000 compared to £4,114,000 in 2020 (updated from the 2020 Directors' Remuneration Report).

## Additional disclosures for single figure for total remuneration table (audited information)

### Annual bonus 2021

The bonus targets for FY21 were set by reference to the strategy for FY21, in particular the achievement of cloud native ARR growth, ARR growth and customer Net Promoter Score taking into account the Company's annual budget and historical performance in determining the payout curve.

Bonus measure	% weighting	Threshold performance	Target performance	Stretch performance	Actual performance (at budget foreign currency exchange rates)	% of maximum bonus payable
Cloud native ARR growth	50%	30.0% (15% of bonus payable)	50.0% (25% of bonus payable)	59.3% (50% of bonus payable)	43.6%	21.8%
ARR growth	20%	4.0% (6% of bonus payable)	6.5% (10% of bonus payable)	8.0% (20% of bonus payable)	7.8%	18.7%
Net Promoter Score	10%	20 (3% of bonus payable)	25 (5% of bonus payable)	26.5 (10% of bonus payable)	21.3	3.5%
Strategic measures	20%	The assessment of strategic measures is set out below this table (between 0% and 20% of bonus payable)				Steve Hare (CEO): 16.2% of maximum Jonathan Howell (CFO): 17.0% of maximum
<b>Total</b>						Steve Hare: 60.2% of maximum bonus (105.4% of salary) Jonathan Howell: 61.0% of maximum bonus (106.8% of salary)

#### Notes:

- Payment of a bonus for CNARR and ARR growth was subject to the achievement of an underpin condition of Group underlying operating profit margin. Group underlying operating profit margin was 19.6%, which exceeded the underpin target of 15%.
- CNARR, ARR growth and underlying operating profit margin are defined on pages 8, 250 and 249 respectively. Actuals have been retranslated at budgeted foreign currency exchange rates consistent with the basis on which the targets were set. The Remuneration Committee considered the movement of foreign currency exchange rates over the year and determined that the effect was immaterial and that the use of like-for-like exchange rates was appropriate.
- One third of bonus is deferred into Sage shares for three years.

# Directors' Remuneration Report *continued*

## Directors' Annual Remuneration Report *continued*

### Executive Directors' personal strategic objectives

Executive Directors' personal strategic objectives were set by the Remuneration Committee at the beginning of the financial year, consistent with the key deliverables within the annual budget. Targets for strategic objectives are considered to be commercially sensitive and are not disclosed. However, details of performance achievements that were taken into account by the Remuneration Committee in coming to its assessment of this measure are set out below.

#### Steve Hare, CEO

Steve Hare was set a range of goals linked to the execution of the 2021 budget and long-term strategy plan. These were: (1) Demonstrate steps to evidence progress to being a great SaaS company (15% weighting); (2) Build the leadership team of the future (15% weighting); (3) Show evidence of progress in Strategic Priorities (15% weighting); (4) Continue to reshape the portfolio (10% weighting); (5) Demonstrate progress in competitive differentiation (15% weighting); (6) Engender a culture that contributes to our communities (10% weighting); (7) Deliver year one of Sage's Cyber Security Strategy (10% weighting); and (8) Demonstrate that the operating model is functioning with clarity and effectiveness (10% weighting).

The Committee took into account the following performance against those goals:

1. Demonstrate steps to evidence progress to being a great SaaS company: Customers - achieved an NPS of +21.3 for SBC solutions and personally spent time interacting with customers and the customer services team, meeting the targets set. Colleagues - voluntary attrition of 9.6% achieved, which exceeded the target set. An eNPS of +35 was achieved, and personally Steve Hare completed three days volunteering for Sage Foundation, narrowly missing the targets set. Innovation - delivered a clear product roadmap for Sage Business Cloud (SBC) for the next 12 months, including prioritising delivery of cloud native solutions. Personally, completed five days supporting innovation and experimentation, which met the targets set.
2. Build the leadership team of the future: Succession plans developed to build the leadership team for 2025 and beyond, including emerging talent and contingency plans for pivotal roles. Overall the targets were exceeded.
3. Show evidence of progress in Strategic Priorities: In the US and UK strong new customer acquisition and increase in market share of new business. Strategies for value creation developed in international territories, which met the targets set.
4. Continue to reshape the portfolio: Assets held for sale at the end of FY20 are progressing or transactions have completed. Progress has been made in the depth and breadth of the SBC digital environment and through thoughtful partnerships and incremental M&A- within Sage's financial constraints. The targets were therefore exceeded.
5. Demonstrate progress in competitive differentiation: Brand transformation work undertaken and the launch of a new positioning for the Sage brand in the market is planned for FY22, exceeding the target set. The data strategy for Sage is at the concept phase, meaning that this target was partially met.
6. Engender a culture that contributes to our communities: Sustainability and Society strategy launched in June 2021 and Diversity, Equity and Inclusion strategy launched. The Executive Team (ET) is currently 40% female. Overall, the targets were exceeded.
7. Deliver year one of Sage's Cyber Security Strategy: Increased security standards for the highest-risk products and a mature state in crisis preparedness have been achieved, which met the targets set.
8. Demonstrate that the operating model is functioning with clarity and effectiveness: The Committee is satisfied that the operating model is functioning effectively, driving high performance and evolving as required, therefore this target has been met.

In consideration of these factors and overall performance of the business, the Committee determined that a bonus of 16.2% of the maximum 20% for this element was an appropriate award.

#### Jonathan Howell, CFO

Jonathan Howell was set a range of goals linked to the execution of the 2021 budget and long-term strategy plan. These were: (1) Ensure a customer-centric approach continues to be embedded across Finance and the business and commence the development of a three-year environmental strategy (15% weighting); (2) Develop a diverse and inclusive culture, focused on recognition and empowerment (20% weighting); (3) Deliver appropriate P&L performance and returns in line with budget and guidance, and closely monitor commercial finance business drivers, to support investment in innovation (25% weighting); (4) Embed and operationalise Salesforce Einstein and CAC/LTV (25% weighting); and (5) Report performance to the market in a clear, consistent and transparent format (15% weighting).

1. Ensure a customer-centric approach continues to be embedded across Finance and the business and commence the development of a three-year environmental strategy: Clear customer-centric success metrics and commentary are in place as part of regular management reporting. Personally spent five days interacting with customers. The Eco Act sustainability roadmap has been prepared and phase one launched in FY21, which met the targets set.

2. Develop a diverse and inclusive culture, focused on recognition and empowerment: Coaching and guidance provided to the Finance Leadership team to aid their personal development. Colleague engagement scores in the Finance function of +48 and voluntary attrition Group-wide of 9.6%. Personally completed five Sage Foundation volunteering days. Overall, targets were deemed to have been exceeded.
3. Deliver appropriate P&L performance and returns in line with budget and guidance, and closely monitor commercial finance business drivers, to support investment in innovation: High-quality and accurate reporting has been delivered on time. Significant progress on cash collections and repatriations with a reduction in debtor days by 40%. Successful launch of debut £350m Sterling bond, at coupon rate of 1.625%, the lowest ever ten-year coupon from a debut issuer in Sterling. £300m share buyback completed in September 2021 with successful extension of second tranche of £300m share buyback. Capital structure plan in place aligned to the capital allocation policy to increase leverage to medium-term target of 1-2x net debt. Very effective balance sheet management with the third consecutive year of cash conversion greater than 100%. The targets were therefore exceeded.
4. Embed and operationalise Salesforce Einstein and CAC/LTV: Salesforce Einstein is fully operational across all remaining territories and CAC/LTV measures are used across all regions, segments and products as part of monthly business reviews, management accounts and in the FY22 budget process to enable data-driven insights. Overall, the targets have been exceeded.
5. Report performance to the market in a clear, consistent and transparent format: Trading updates provide clear and consistent message to the market on strategy, operational execution and financials. Significant valuation re-rating in the year and improvement in sell-side recommendations. Two US roadshows held in FY21 and US representation on the register has increased by 5ppts in FY21, with the number of shares held by US institutions up by 18%, which met the targets set.

In consideration of the above and overall performance of the business, the Committee determined that a bonus of 17.0% of the maximum 20% for this element was an appropriate award.

## PSP awards

Awards granted under the PSP to Steve Hare and Jonathan Howell in February 2019 vest depending on performance against two measures, measured over three years, from 1 October 2018 to 30 September 2021:

70% annualised recurring revenue growth with underpin for Return on Capital Employed (ROCE).

30% relative TSR performance against the FTSE 100 (excluding financial services and extracting companies).

For each measure, three levels of performance are defined below, with straight-line vesting between each level of performance: target, stretch and exceptional.

Measure	Between target (20% vests) and stretch (80% vests)	Between stretch (80% vests) and exceptional (100% vests)
Annualised recurring revenue growth (Compound Annual Growth Rate ("CAGR"))	Between 8% and 10% (with ROCE of 12%)	Between 10% and 11% (or above) (with ROCE of 12%)
Relative TSR	Between median and upper quartile	Between upper quartile and upper decile (or above)

Measure	Achieved	Vesting
Annualised recurring revenue growth (CAGR)	8.3%	20.3%
Relative TSR	60 <sup>th</sup> percentile	13.2%
<b>Total</b>		<b>33.5%</b>

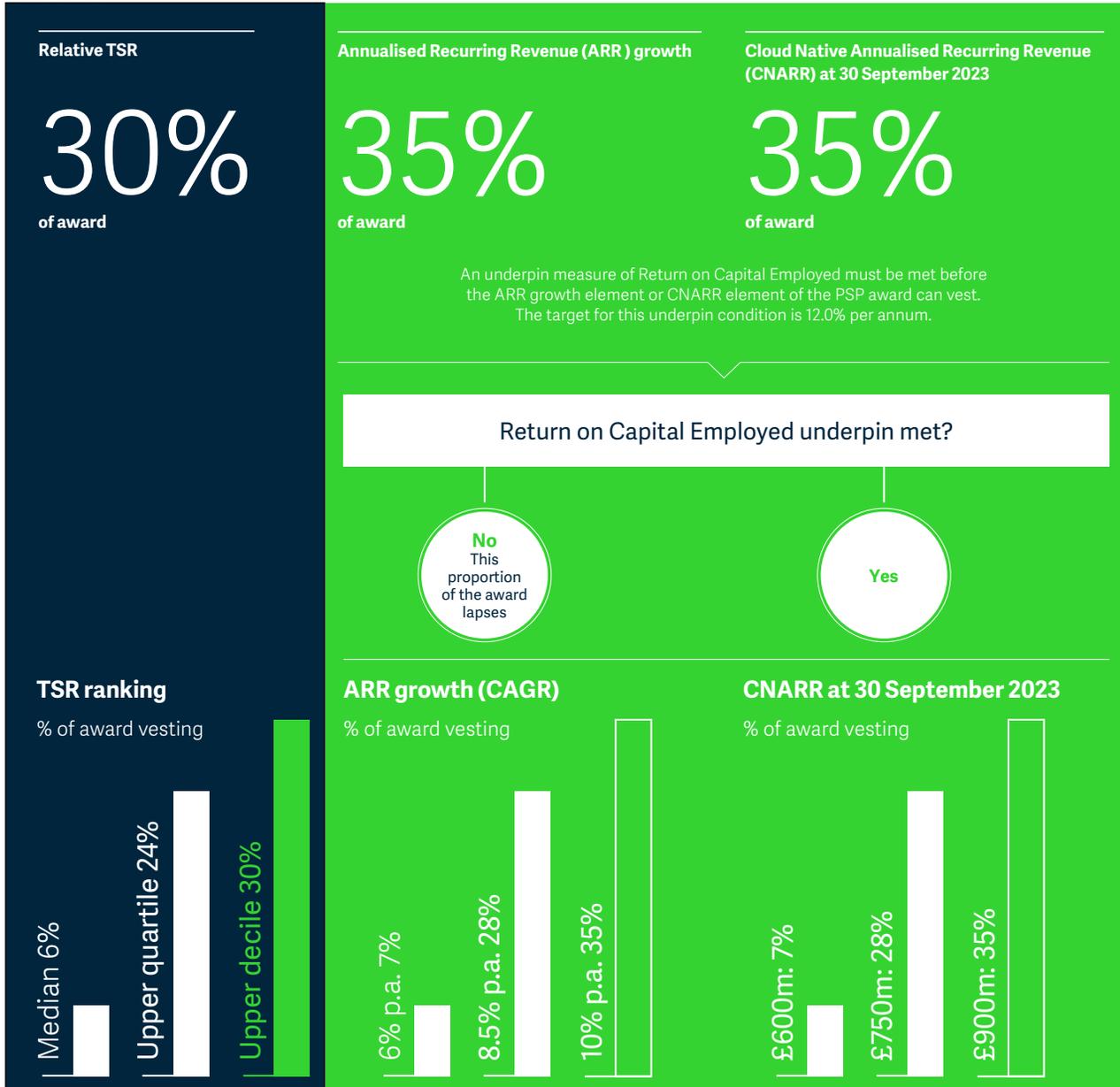
The Return on Capital Employed was 19.8% (compared to 12.0%), meaning that the underpin condition was achieved.

The Remuneration Committee determined, after careful consideration of business performance and the interests of Sage's stakeholders such as shareholders, customers and colleagues, that the formulaic outcome was appropriate. Consequently, 33.5% of the total award will vest.

Awards are scheduled to vest on 4 December 2021, and for Steve Hare and Jonathan Howell, be subject to a two-year holding period and released on 4 December 2023.

**PSP awards granted in FY21 (audited information)**

Awards were granted under the PSP on 2 December 2020 at a market value of £5.880 to Executive Directors in the form of conditional share awards. In alignment with our business strategy for FY21, performance conditions for awards granted in FY21 are:



Vesting is on a straight-line basis between the points. The following key areas are highlighted in relation to the performance measures:

- ARR growth as a medium-term performance condition provides close alignment with our medium-term strategic priorities to grow our subscription-based services and acquire new customers.
- Cloud native ARR aligns to our prioritisation of accelerating strategic focus on cloud native opportunity given the pace of digital transformation among small and medium businesses.
- Continued focus on overall Group growth and delivery of shareholder value is achieved by:
  - Requiring the achievement of a Return on Capital Employed (ROCE) underpin before the ARR and cloud native ARR growth element of the PSP awards can vest. The target for this underpin condition is 12.0% p.a. The Remuneration Committee will exclude from the ROCE calculation, where appropriate, any write down that arises from an asset that was acquired prior to the appointment of the current Executive Directors.
  - 30% of the awards being determined by relative TSR performance.

Awards will vest, subject to satisfaction of those performance conditions, in December 2023. A holding period for the PSPs will apply for two years from the vesting date. No further performance conditions attach to the awards during the holding period.

	Type of award	Maximum number of shares	Face value (£) <sup>1</sup>	Face value (% of salary)	Threshold vesting (% of award)	End of performance period
Steve Hare	Performance	267,006	1,570,000	200%	20%	30 September 2023
Jonathan Howell	shares	185,374	1,090,000	200%	20%	30 September 2023

Note:

1. The face value of the PSP awards has been calculated using the market value (middle market quotation) of a Sage share on 1 December 2020 (the trading day prior to the grant for all eligible colleagues) of £5.880.

Directors' Remuneration Report *continued*  
 Directors' Annual Remuneration Report *continued*

### Change in remuneration of Directors compared to colleagues

The table below shows the annual percentage change in total remuneration of Directors with colleagues employed by the Sage Group plc. who are not also Directors of the Group.

	% change 2020/2021			% change 2019/2020		
	Salary/fees <sup>1</sup>	Taxable benefits <sup>2</sup>	Annual incentive <sup>3</sup>	Salary/fees <sup>1</sup>	Taxable benefits <sup>2</sup>	Annual incentive <sup>3</sup>
<b>Executive Directors</b>						
S Hare	0.5%	-65%	229%	2%	14%	-80%
J Howell	0.5%	-6%	223%	25%	37%	-75%
<b>Non-executive Directors</b>						
D Brydon	0%	-23%	–	0%	7%	–
S Anand	140%	–	–	–	–	–
J Bates	0%	–	–	197%	–	–
J Bewes	0%	–	–	100%	–	–
A Court	0%	–	–	100%	–	–
D Hall	0%	–	–	-6%	–	–
I Wasti	140%	–	–	–	–	–
D Harding <sup>4</sup>	–	–	–	–	–	–
A Duff <sup>5</sup>	–	–	–	–	–	–
Colleagues of the Company	5%	29%	6%	9%	37%	-10%

Notes:

- This information was published for the first time in 2020. Over subsequent years this will build up to a rolling five-year period.
  - The change in fees for the Non-executive Directors is reflective of their start dates.
  - The change in annual incentives for the Executive Directors is driven largely by an increase in the annual bonus outturn for FY21. As reported in the 2020 Directors' Remuneration Report, Covid-19 affected the economic landscape in FY20 meaning the threshold level of financial bonus was not met and only a portion of the CEO's bonus paid out in respect of resilient performance and the achievement of key strategic milestones last year.
1. Average colleague pay is based on the data set used for the CEO pay ratio as set out immediately below this section. It excludes colleagues that joined within the reporting period, as the dataset for the Company is so small that to leave them in provides a skewed result, making meaningful judgements difficult. The salary, taxable benefits and annual incentive are the respective median values in the dataset and may relate to different incumbents. Salaries and fees for Directors for 2021 are as set out on page 140 of this Report. Salaries for colleagues employed by The Sage Group plc. are based on the data set used for the CEO pay ratio as set out immediately below this section.
  2. Steve Hare, Jonathan Howell and Sir Donald Brydon's taxable benefits for 2021 are as set out on page 140 of this Report. Taxable benefits for colleagues employed by The Sage Group plc. are based on the data set used for the CEO pay ratio as set out immediately below this section.
  3. The annual incentive value for Steve Hare and Jonathan Howell for 2021 are as set out on page 140 of this Report. Annual incentives for colleagues employed by The Sage Group plc. are inclusive of bonus and commission and are based on the data set used for the CEO pay ratio as set out immediately below this section. Non-executive Directors are not eligible for annual incentives.
  4. Derek Harding was appointed as a Non-executive Director on 2 March 2021 accordingly no comparison can be drawn.
  5. Andrew Duff was appointed as a Non-executive Director on 1 May 2021 accordingly no comparison can be drawn.

## Ratio of the pay of the CEO to that of the UK lower quartile, median and upper quartile colleagues

The table below shows the ratio of the pay of the CEO to that of the UK lower quartile, median and upper quartile colleagues in 2021, consistent with The Companies (Miscellaneous Reporting) Regulations 2018. As outlined in the Remuneration Committee Chair's letter, the treatment of colleagues has provided important context for the Committee's decisions on executive remuneration in 2021 and the Committee is consequently satisfied that the median pay ratio for 2021 is consistent with the pay and progression policies for Sage's UK employees as a whole.

Year	Method	Pay ratio			Remuneration values			
		25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)	Y25 (25th percentile)	Y50 (50th percentile)	Y75 (75th percentile)	
2021	A	70 : 1	46 : 1	31 : 1	Total remuneration	£34,807	£53,304	£79,739
					Salary only	£29,700	£42,103	£79,091
2020	A	55 : 1	36 : 1	23 : 1	Total remuneration	£29,865	£45,942	£71,524
					Salary only	£27,955	£36,116	£56,983
2019	A	95 : 1	62 : 1	38 : 1	Total remuneration	£26,463	£40,385	£66,095
					Salary only	£20,281	£34,184	£51,087

The change in the pay ratio in 2021 is driven largely by an increase in the annual bonus outturn for FY21. As reported in the 2020 Directors' Remuneration Report, Covid-19 affected the economic landscape in FY20 meaning the threshold level of financial bonus was not met and only a portion of the CEO's bonus paid out in respect of resilient performance and the achievement of key strategic milestones last year.

Notes:

- Under method A, colleague data is based on full-time equivalent pay for UK colleagues as at 30 September 2021. Pay for each colleague is calculated in accordance with the single figure of remuneration. All components of remuneration except long-term incentives are presented on a full-time equivalent basis by dividing sums by the average working hours divided by full-time equivalent hours for the portion of the year worked. Colleagues who worked no hours during the year are excluded from the dataset.
- Method A has been selected as the basis of the disclosure as it is the best reflection of the underlying colleague data required by The Companies (Miscellaneous Reporting) Regulations 2018.
- Certain benefits have been omitted from the remuneration of colleagues except the CEO. These principally comprise sums paid by way of expenses allowance chargeable to UK income tax and not paid through the payroll. Such expenses are typically irregular and generally immaterial to remuneration and are excluded to enable more meaningful comparison of the ratio of underlying colleague remuneration over time.
- The CEO's pay is based on the single figure of remuneration set out on page 140 of this Report. Because a large portion of the CEO's pay is variable, the pay ratio is heavily dependent on the outcomes of variable pay plans and, in the case of long-term share-based awards, share price movements. Further information on these outcomes for the CEO in FY21 is set out on pages 141-143 of this Report.

## Historical executive pay and Company performance

The table below summarises the Chief Executive Officer's single figure for total remuneration, annual bonus payout and PSP vesting as a percentage of maximum opportunity for the current year and previous nine years.

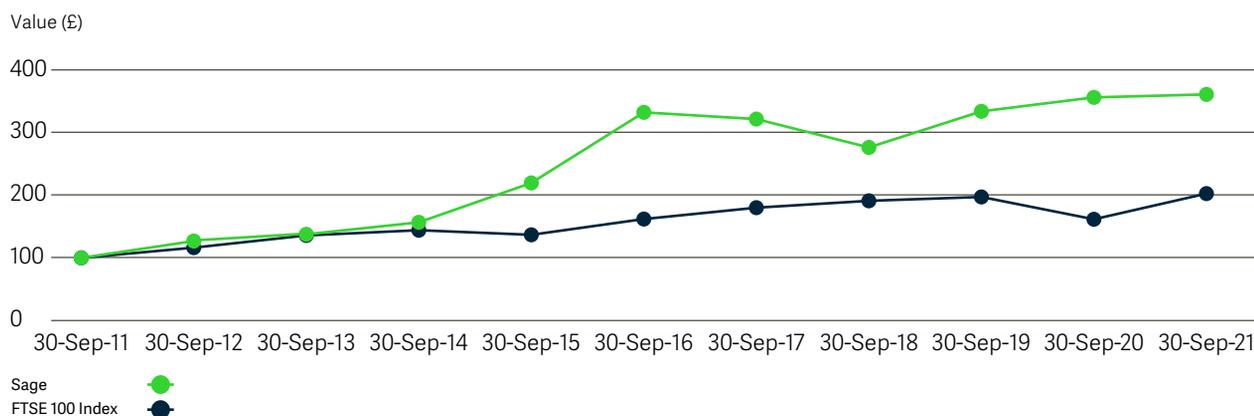
	CEO	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CEO single figure of remuneration (in £'000)	Steve Hare <sup>1</sup>	–	–	–	–	–	–	98	2,495	1,557	<b>2,453</b>
	Stephen Kelly <sup>2</sup>	–	–	–	1,521	1,723	3,547	1,690	–	–	–
	Guy Berruyer <sup>3</sup>	1,196	1,670	1,616	108	–	–	–	–	–	–
Annual bonus payout (as % maximum opportunity)	Steve Hare	–	–	–	–	–	–	0% <sup>4</sup>	94%	18%	<b>60%</b>
	Stephen Kelly	–	–	–	67%	69%	19%	0%	–	–	–
	Guy Berruyer	21%	72%	55%	0%	–	–	–	–	–	–
PSP vesting (as % of maximum opportunity)	Steve Hare	–	–	–	–	–	–	29%	15%	27%	<b>34%</b>
	Stephen Kelly	–	–	–	–	–	66%	29%	–	–	–
	Guy Berruyer	0%	0%	0%	64%	–	–	–	–	–	–

Notes:

- Steve Hare was appointed Interim COO & CFO on 31 August 2018. Whilst Steve Hare's job title at 30 September 2018 was Interim COO & CFO, not CEO, he is regarded as being the equivalent of CEO for the purposes of the disclosure.
- Stephen Kelly stepped down from the position of CEO on 31 August 2018.
- Guy Berruyer stepped down from the position of CEO on 5 November 2014.
- Steve Hare waived his entitlement to a bonus in respect of 2018.

### Historical Group performance against FTSE 100

The graph below shows the Total Shareholder Return of the Group and the FTSE 100 over the last ten years. The FTSE 100 index is the index against which the TSR of the Group should be measured because of the comparable size of the companies which comprise that index.



Note:

- This graph shows the value, by 30 September 2021, of £100 invested in The Sage Group plc. on 30 September 2011 compared with the value of £100 invested in the FTSE 100 index. The other points plotted are the values at intervening financial year ends.

### Payments to past Directors (audited information)

In FY21, Stephen Kelly's PSP award granted on 7 December 2017 vested on 7 December 2020 on the same basis as other Executive Directors as outlined on page 139 of the 2020 Annual Report. The performance conditions for Stephen's PSP recruitment award due to vest on 12 January 2021 were not met and the award lapsed in full on this date.

As reported in the 2020 Annual Report, Blair Crump retains interests in the Company's PSP and DSBP. He is eligible to receive a pro-rated proportion of the PSP awards granted during the 2018 and 2019 financial years that remained unvested on his retirement date of 31 March 2020. His DSBP award will not be subject to time pro-rating. The awards vesting are subject to the PSP and DSBP plan rules and compliance with certain post-termination covenants, including the post-cessation shareholding requirement set out on page 145 of the 2020 Annual Report. In FY21, his PSP award granted on 7 December 2017 vested on 7 December 2020 on the same basis as other Executive Directors as outlined on page 137 of the 2020 Annual Report, except that no holding period applies to his award, which was granted prior to his appointment as an Executive Director.

Otherwise than as stated in this section, no payments were made for loss of office during FY21.

## Relative importance of spend on pay

The charts below show the all-employee pay cost (as stated in the notes to the accounts), profit before tax (PBT) and returns to shareholders by way of dividends and share buybacks for 2020 and 2021.

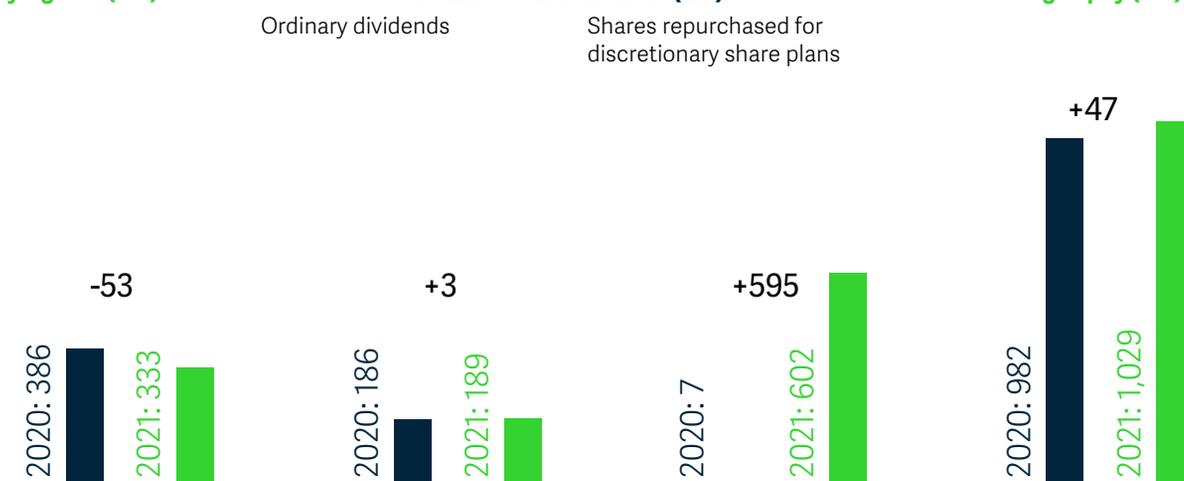
The information shown in this chart is based on the following:

- Underlying PBT – Underlying profit before income tax taken from the consolidated income statement on page 176. Underlying PBT has been chosen as a measure of our operational profitability;
- Returns to shareholders – Total dividends taken from note 15.5 on page 233; share buyback taken from consolidated statement of changes in equity on page 179;
- Total colleague pay – Total staff costs from note 3.3 on page 193, including wages and salaries, social security costs, pension and share-based payments.

### Underlying PBT (£m)

### Returns to shareholders (£m)

### Total colleague pay (£m)



## Statement of implementation of remuneration policy in the following financial year

This section provides an overview of how the Remuneration Committee is proposing to implement the Policy in 2022, pending shareholder approval at the 2022 AGM.

### Base salary

An annual salary review was carried out by the Remuneration Committee in November 2021. Following that review, the Remuneration Committee approved the following:

	Salary 1 January 2022	Salary 1 January 2021	Salary 1 January 2020	Salary 1 January 2019	Salary 1 January 2018
Steve Hare <sup>1</sup>	£809,000 (3% increase)	£785,000 (no increase)	£785,000 (1.9% increase)	£770,000 (appointed CEO 2 Nov 2018)	£522,000 (0% increase)
Jonathan Howell <sup>2</sup>	£555,000 (1.8% increase)	£545,000 (no increase)	£545,000 (1.9% increase)	£535,000 (appointed CFO 10 Dec 2018)	N/A

Notes:

1. Steve Hare was appointed CEO on 2 November 2018. His 2018 salary reflected his prior role as CFO.
2. Jonathan Howell was appointed CFO on 10 December 2018.

The equivalent average increase for colleagues eligible for an annual pay award is 3.2% (in respect of colleagues based in the United Kingdom).

### Pension and benefits

The CEO's pension provision reduced from 15% of base salary to 10% of base salary with effect from 1 October 2021 and the Chief Financial Officer will continue to receive a pension provision worth 10% of salary, as a contribution to a defined contribution plan and/or as a cash allowance. The pension for the wider workforce is 10% of salary. Executive Directors will also receive a standard package of other benefits and where deemed necessary the costs of travel, accommodation and subsistence for the Directors and their partners on Sage-related business, consistent with that in FY21.

# Directors' Remuneration Report *continued*

## Directors' Annual Remuneration Report *continued*

### Annual bonus

Key features of the Executive Directors' annual bonus plan for 2022 are as follows:

- The maximum annual bonus potential is 175% of salary;
- One third of any bonus earned will be deferred into shares for three years under the Deferred Bonus Plan; and
- Annual bonuses awarded in respect of performance in 2022 will be subject to potential withholding (malus) or recovery (clawback) if specified trigger events occur within three years of the payment/award of the annual bonus. Trigger events will include a material misstatement of the audited results, error in calculation of the bonus payout, serious reputational damage or significant financial loss as a result of an individual's conduct or gross misconduct which could have warranted an individual's summary dismissal.

The annual bonus for 2022 for Executive Directors will be determined as detailed below:

As a percentage of maximum bonus opportunity:

Measure	
ARR growth <sup>1</sup>	70%
Customer Net Promoter Score	10%
Strategic goals	20%

Note:

1. Payout is dependent upon the satisfaction of the underpin condition of underlying operating profit margin.

The selection of measures and targets takes into account the Company's strategic priorities, its internal budgeting and, where relevant, consensus. The ARR growth measure is based on the definition of ARR set out on page 250. Strategic goals will include diversity and inclusion metrics. Targets are not disclosed because they are considered by the Board to be commercially sensitive. Many of the Company's competitors are unlisted companies and not required to disclose their targets; the Company's disclosure could provide its competitors with a considerable advantage. It is intended for retrospective disclosure to be made in next year's Report.

### Performance Share Plan (PSP)

The CEO and Chief Financial Officer will be granted PSP awards as soon as practicable following the 2022 AGM. Awards will be of shares worth 250% of salary for the CEO and 200% of salary for the CFO at the date of grant.

Vesting of these awards will be subject to satisfaction of the following performance conditions measured over the three financial years to 30 September 2024.

The Committee is satisfied that all the targets represent a degree of challenge proportionate to the potential rewards that may be realised for their achievement.

### Sage Business Cloud penetration (55% of award)

The Committee believes that the targets are a significant step up from the current level of Sage Business Cloud penetration of 67%. The growth rate in Sage Business Cloud penetration can be expected to decelerate as the portfolio penetration increases over time, reflecting the additional degree of challenge in shifting the portfolio to the cloud.

	Sage Business Cloud penetration in FY24 <sup>1</sup>	% of award vesting <sup>2</sup>
Below threshold	Less than 75%	0%
Threshold	75%	11%
Stretch	80%	44%
Exceptional	85%	55%

Note:

1. The Remuneration Committee will review on a case-by-case basis the effect on Sage Business Cloud penetration and organic revenue of acquisitions and disposals, with a view to ensuring that management is not rewarded for acquiring or selling assets that are misaligned to business strategy, whilst conversely ensuring that management is not incentivised to hold on to assets that strategically are best served by being sold.
2. Vesting of this portion of the PSP award is subject to i) the achievement of 12.0% p.a. Return on Capital Employed (ROCE) underpin to be met. ROCE is defined on page 250 ii) the achievement of 25% cloud native penetration underpin, cloud native penetration is penetration from cloud native solutions which are defined on page 42 and iii) organic revenue having grown in absolute terms at the end of performance period, organic revenue is defined on page 249.

Vesting is on a straight-line basis between the points.

## Relative TSR performance condition (30% of award)

	TSR ranking	% of award vesting
Below threshold	Below median	0%
Threshold	Median	6%
Stretch	Upper quartile	24%
Exceptional	Upper decile	30%

Notes:

- TSR performance comprises share price growth and dividends paid. Vesting is on a straight-line basis between the points.
- Sage's TSR performance will be measured relative to the TSR of the constituents of the FTSE 100, excluding financial services and extracting companies.

## ESG - delivering impact in society (7.5% of award)

	Volunteering hours <sup>1</sup>	% of award vesting
Below threshold	Below 400,000	0%
Threshold	400,000	0.75%
Stretch	500,000	3%
Exceptional	600,000	3.75%

	Individuals supported <sup>2</sup>	% of award vesting
Below threshold	Below 22,000	0%
Threshold	22,000	0.75%
Stretch	27,000	3%
Exceptional	32,000	3.75%

Notes:

1. Sage Foundation ecosystem volunteering hours. The Sage Foundation ecosystem includes colleagues, partners, customers, friends and family.
2. Individuals supported through the provision of substantive business skills or experience through our Sustainability and Society strategy. Substantive business skills or experience is intended to reflect a proactive interaction with tangible benefits; for example, mentoring entrepreneurs, participation in STEM programmes and the provision of financial support.

Volunteering hours and individuals supported are measured in aggregate over the three-year performance period.

Qualitative assessments on the impact of volunteering hours and individuals supported will be conducted to ensure value is created for stakeholders. Outturns will be independently verified.

Vesting is on a straight-line basis between the points.

## ESG – ESG strategy impact (7.5% of award)

	ESG process effectiveness and performance impact <sup>1</sup>	% of award vesting
Below threshold	Not achieving GRI CORE and full SASB alignment	0%
Threshold	Achieving GRI CORE and full SASB alignment	1.5%
Stretch	Achieving GRI COMPREHENSIVE and full SASB alignment	6%
Exceptional	Achieving GRI COMPREHENSIVE and full SASB alignment – and top 10% ranking in a least 3 ESG rating schemes	7.5%

Note:

1. Achieving certified verification of ESG process effectiveness and performance impact. Global Reporting Initiative (GRI) provides standards for sustainability reporting- the GRI Standards; GRI CORE and GRI COMPREHENSIVE are the two levels to which companies can align. Sustainability Accounting Standards Board (SASB) also provides standards to which companies align to facilitate the disclosures of comparable, consistent, and reliable ESG information. ESG rating schemes provide an additional opportunity to benchmark Sage's ESG progress externally; an example of such is the Carbon Disclosure Project.

ESG process effectiveness and performance impact is measured at the end of the performance period at 30 September 2024.

Vesting is on a straight-line basis between the points.

PSP awards granted in FY22 will be subject to potential withholding (malus) or recovery (clawback) if specified trigger events occur prior to the third anniversary of the release date of an award. Trigger events in respect of PSP awards will comprise a material misstatement of the audited results, error in calculation of the extent of the PSP vesting, serious reputational damage or significant financial loss as a result of an individual's conduct or gross misconduct which could have warranted an individual's summary dismissal, or a material failure of risk management.

## Directors' Remuneration Report *continued*

### Directors' Annual Remuneration Report *continued*

#### Non-executive Director remuneration

The table below shows the fee structure for Non-executive Directors for 2022. Non-executive fees, except for the fee for the Chair, are determined by the executive members of the Board plus the Chair. The fee for the Chair of the Board is determined by the Remuneration Committee.

	2022 fees
Chair of the Board all-inclusive fee	£400,000
Basic Non-executive Director fee	£60,000
Senior Independent Director additional fee	£17,000
Audit and Risk Committee Chair additional fee	£17,000
Remuneration Committee Chair additional fee	£17,000

#### Directors' shareholdings and share interests (audited information)

The shareholding guideline for the CFO is 250% of salary and, pending approval of the 2022 Policy at the AGM, the CEO's shareholding guideline will increase from 250% of salary to 300% of salary. Executive Directors are expected to build up the required shareholding within a five-year period of the Executive Director becoming subject to the guideline. As at 30 September 2021, Steve Hare held shares worth 405% of salary and Jonathan Howell held shares worth 256% of salary. Values include unvested deferred shares net of tax at the estimated marginal withholding rates. The values for Executive Directors are derived from interests in shares valued using the average market price of a share in the three months to 30 September 2021 (the last trading day of the financial year), which was £7.204, and the Executive Director's basic salary over the same period.

Additionally, from 11 September 2019 the Remuneration Committee introduced a requirement for Executive Directors to hold Sage shares for a two-year period after stepping down from that position. This post-employment shareholding guideline will be aligned to the Investment Association guidance, subject to the approval of the 2022 Policy at the AGM, such that Executive Directors are required to remain compliant with 100% of their 'in-employment' shareholding guideline for two years after stepping down as a Director. The Executive Director's actual shareholding will include any shares acquired through the vesting or release of shares from share incentive plans (net of tax, where applicable) after the date the policy was adopted and unvested shares granted under the Deferred Bonus Plan (net of tax) but excludes shares acquired through purchase and the release of shares under share incentive plans where the release occurred prior to the Remuneration Committee's adoption of the policy. Additionally, PSP shares vesting after cessation are subject to a two-year holding period at vesting. On cessation as an Executive Director, the Remuneration Committee may subject any relevant portion of an unvested share award preserved for "good leaver" reasons to the fulfilment of the post-cessation shareholding requirement as a condition of vesting. Furthermore, for awards granted to an Executive Director on or after 1 October 2019, the Committee may as a condition of grant require an Executive Director to have a relevant portion of a released share award be released into a nominee account to be held on their behalf until such time as the post-cessation shareholding requirement expires.

## Interests in shares

The interests as at 30 September 2021 of each person who was a Director of the Company during the year (together with interests held by his or her connected persons) were:

Director	Ordinary shares at 30 September 2021 number	Ordinary shares at 30 September 2020 number
S Anand <sup>1</sup>	0	–
J Bates	16,735	–
J Bewes	10,000	10,000
D Brydon	100,024	100,024
A Court	6,350	1,350
D Hall	10,000	10,000
S Hare <sup>2</sup>	382,510	372,464
J Howell	146,660	129,660
I Wasti <sup>3</sup>	0	–
D Harding <sup>4</sup>	10,000	–
A Duff <sup>5</sup>	13,150	–
<b>Total</b>	<b>695,429</b>	<b>623,498</b>

Notes:

1. Sangeeta Anand was appointed as a Non-executive Director on 1 May 2020.
  2. Lucinda Cowley is a person closely associated to Mr Hare. The total for 30 September 2021 includes 7,000 shares also held by Lucinda Cowley.
  3. Irana Wasti was appointed as a Non-executive Director on 1 May 2020.
  4. Derek Harding was appointed as a Non-executive Director on 2 March 2021.
  5. Andrew Duff was appointed as Non-executive Director on 1 May 2021
- There have been no changes in the Directors' holdings in the share capital of the Company, as set out in the table above, between 30 September 2021 and the date of this Report.
  - Details of the Executive Directors' interests in outstanding share awards under the PSP, Deferred Bonus and all-employee share option plans are set out below.

# Directors' Remuneration Report *continued*

## Directors' Annual Remuneration Report *continued*

### All-employee share options (audited information)

All Executive Directors are eligible to join the all-employee share plan, the Sage Save and Share Plan, on the same terms as all colleagues based in their respective local jurisdiction. See note 15.2 on page 231 for more detail of this plan. In the year under review, Steve Hare participated in this scheme. The outstanding all-employee share options granted to each Director of the Company are as follows:

Director	Exercise price per share	Shares under option at 1 October 2020 number	Granted during the year number	Exercised during the year number	Lapsed during the year number	Shares under option at 30 September 2021 number	Date exercisable
S Hare	604p	2,980	–	–	–	2,980	1 August 2022-31 January 2023
<b>Total</b>		2,980	–	–	–	2,980	

Notes:

- Steve Hare participated in the 2019 Save and Share Plan. Under the UK Save and Share Plan rules, the scheme has a three-year saving period. No performance conditions apply to options granted under this plan. For the 2019 UK Save and Share grant, the exercise price was set at £6.04, a 20% discount on the average share price on 20, 21 and 22 May 2019 of £7.546.
- Jonathan Howell did not participate in the 2019 Save and Share Plan.
- The market price of a share of the Company at 30 September 2021 (the last trading day of the financial year) was £7.096 (mid-market average) and the lowest and highest market prices during the year were £5.481 and £7.566 respectively.

### Performance Share Plan (audited information)

The outstanding awards granted to each Executive Director of the Company under the PSP are as follows:

Director	Grant date	Under award 1 October 2020 number	Awarded during the year number	Vested during the year number	Lapsed during the year number	Under award 30 September 2021 number	Vesting date
S Hare	2 December 2020	–	267,006	–	–	267,006	2 December 2023
	2 December 2019	208,278	–	–	–	208,278	2 December 2022
	28 February 2019	265,975	–	–	–	265,975	4 December 2021
	7 December 2017	171,597	–	(47,017)	(124,580)	–	7 December 2020
		<b>645,850</b>	<b>267,006</b>	<b>(47,017)</b>	<b>(124,580)</b>	<b>741,259</b>	
J Howell	2 December 2020	–	185,374	–	–	185,374	2 December 2023
	2 December 2019	144,600	–	–	–	144,600	2 December 2022
	28 February 2019	184,801	–	–	–	184,801	4 December 2021
	11 December 2018	98,919	–	(41,644)	(57,275)	–	3 October 2020
	<b>428,320</b>	<b>185,374</b>	<b>(41,644)</b>	<b>(57,275)</b>	<b>514,775</b>		
<b>Total</b>		1,074,170	452,380	(88,661)	(181,855)	1,256,034	

Notes:

- No variations were made in the terms of the awards in the year.
- PSP awards for 2021 were granted to Executive Directors on 2 December 2020. The market price of the award was £5.880.
- The performance conditions for awards granted in December 2017, February 2019 and December 2020 are set out in the respective Reports for the year of grant and for awards granted in December 2020 on page 144.
- The performance conditions for Steve Hare's award that vested during 2021 are set out on page 139 of the 2020 Report and for Jonathan Howell's award that vested during 2021 on page 140 of the 2020 Report.
- Awards for Steve Hare granted in December 2017 and after are subject to a holding period of two years on vesting. Awards for Jonathan Howell vesting in 2020 and after are subject to a holding period of two years on vesting.
- All Performance Share Plan awards were granted as conditional awards.

## Deferred shares (audited information)

The outstanding awards granted to each Executive Director of the Company under The Sage Group Deferred Bonus Plan are as follows:

Director	Grant date	Under award at 1 October 2020 number	Awarded during the year number	Vested during the year number	Lapsed during the year number	Under award at 30 September 2021 number	Vesting date
S Hare	2 December 2020	–	14,260	–	–	14,260	2 December 2023
	2 December 2019	55,620	–	–	–	55,620	2 December 2022
J Howell	2 December 2020	–	10,225	–	–	10,225	2 December 2023
	2 December 2019	32,102	–	–	–	32,102	2 December 2022
<b>Total</b>		87,722	24,485	–	–	112,207	

Notes:

- Awards are not subject to further performance conditions once granted. The market price of a share on 1 December 2020, the trading day prior to the date of the awards made in the year ended 30 September 2021, was £5.880.
- No variations were made in the terms of the awards in the year.

There are limits on the number of newly issued and treasury shares that can be used to satisfy awards under the Group's colleague share schemes in any ten-year period. The limits and the Group's current position against those limits as at 30 September 2021 (the last practicable date prior to publication of this Report) are set out below:

Limit	Current position
5% of Group's share capital can be used for discretionary share schemes	3.4%
10% of Group's share capital can be used for all share schemes	4.4%

The current position consists of shares released during the period plus committed shares inclusive of dividend equivalents accrued, with the total adjusted for forfeitures and, where applicable, performance expectations. The Company has previously satisfied all awards through the market purchase of shares or transfer of treasury shares and will continue to consider the most appropriate approach, based on the relevant factors at the time.

## External appointments

Executive Directors are permitted, where appropriate and with Board approval, to take non-executive directorships with other organisations in order to broaden their knowledge and experience in other markets and countries. Fees received by the Directors in their capacity as directors of these companies are retained, reflecting the personal responsibility they undertake in these roles. The Board recognises the significant demands that are made on Executive and Non-executive Directors and has therefore adopted a policy that no Executive Director should hold more than one directorship of other listed companies. Except in exceptional circumstances, where approved in advance by the Chair of the Remuneration Committee, if an Executive Director holds non-executive positions at more than one listed company then only the fees from one such company will be retained by the Director. Jonathan Howell was appointed as independent non-executive director to the board of Experian plc, with effect from 1 May 2021 and as such receives an annual fee of €158,250 as reported on page 131 of the Experian Annual Report 2021; this is the only appointment of this nature he holds. Steve Hare does not currently hold any appointments of this nature.

No formal limit on other board appointments applies to Non-executive Directors under the Policy but prior approval (not to be unreasonably withheld) from the Board is required in the case of any new appointment.

Directors' Remuneration Report *continued*  
 Directors' Annual Remuneration Report *continued*

### Unexpired term of contract table

Director	Date of contract	Unexpired term of contract on 30 September 2021, or on date of contract if later	Notice period under contract
<b>Executive Directors</b>			
S Hare	3 January 2014	12 months	12 months from the Company and/or individual
J Howell	10 December 2018	12 months	12 months from the Company and/or individual
<b>Non-executive Directors</b>			
S Anand	1 May 2020	1 year 7 months	1 month from the Company and/or individual
J Bates	31 May 2019	8 months	1 month from the Company and/or individual
J Bewes	1 April 2019	6 months	1 month from the Company and/or individual
A Court	1 April 2019	6 months	1 month from the Company and/or individual
D Hall	1 January 2020	1 year 3 months	1 month from the Company and/or individual
I Wasti	1 May 2020	1 year 7 months	1 month from the Company and/or individual
D Harding	2 March 2021	2 years 5 months	1 month from the Company and/or individual
A Duff	1 May 2021	2 years 7 months	6 months from the Company and/or individual

### Consideration by the Directors of matters relating to Directors' remuneration

The following Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were being considered:

- Annette Court (Chair);
- Drummond Hall;
- Dr John Bates .

The Remuneration Committee received assistance from Amanda Cusdin (Chief People Officer), Tina Clayton (Executive Vice President, Reward & Recognition) until December 2020, Tara Gonzalez (Executive Vice President, Reward & Recognition) from January 2021 and Vicki Bradin (General Counsel and Company Secretary) and other members of management (including the CEO and CFO), who may attend meetings by invitation, except when matters relating to their own remuneration are being discussed.

## External advisors

The Remuneration Committee continues to receive advice from Deloitte LLP, an independent firm of remuneration consultants appointed by the Remuneration Committee after consultation with the Board. During the year, Deloitte's executive compensation advisory practice advised the Remuneration Committee on developments in market practice, corporate governance, institutional investor views, the development of the Company's incentive arrangements and the review of the Policy. Total fees for advice provided to the Remuneration Committee during the year were £128,925 (charged on a time spent basis).

The Remuneration Committee is satisfied that the advice it has received has been objective and independent.

Deloitte is a founding member of the Remuneration Consultants Group and adheres to its code in relation to executive remuneration consulting in the UK. Other parts of Deloitte have provided tax advice, specific corporate finance support in the context of merger and acquisition activity and unrelated corporate advisory services.

Stitch, a Deloitte business, provided the Sage reward team with communication support on colleague reward and share plan communications during 2021.

## Statement of shareholding voting

The table below sets out the results of the vote on the 2019 Policy at the 2019 AGM and the 2021 Report at the 2021 AGM:

	Votes for		Votes against		Votes cast	Votes withheld
	Number	%	Number	%		
Remuneration Policy	747,391,904	96.23	29,250,695	3.77	776,642,599	97,632,667
Remuneration Report	803,292,111	89.77	91,511,968	10.23	894,804,079	1,367,314



### Annette Court

Chair of the Remuneration Committee

16 November 2021

# Directors' Report

The Directors present their report together with the audited consolidated financial statements for the financial year ended 30 September 2021 (the "Annual Report and Accounts"). The Annual Report and Accounts contains statements that are not based on current or historical fact and are forward-looking in nature. Please refer to the "Disclaimer" on page 163.

## Information included in the Strategic Report

The Directors' Report, together with the Strategic Report on pages 1 to 66, represent the management report for the purpose of compliance with The Disclosure Guidance and Transparency Rules (the "DTRs") 4.1.R.

As permitted by legislation, some of the matters required to be included in the Directors' Report have instead been included in the Strategic Report as the Board considers them to be of strategic importance. Specifically, these are:

Subject matter	Page reference
Future business developments	10 to 13 – Chief Executive's review (Relevant information is also in the Corporate Governance Report on page 101)
Greenhouse gas emissions, energy consumption and energy-efficiency action	32 to 37 – Environment section (Relevant information is also available in our Sustainability and Society Report on our website)
Employment of disabled persons	40 – People section
Engagement with colleagues	26 to 27 – Section 172(1) Statement, 38 to 40 and 9,
Engagement with suppliers, customers and others	14 and 15 (Relevant information is also in the Corporate Governance Report on pages 88 to 95 and in this Directors' Report on page 159)
Important events affecting the Group after year end	48 of the Strategic Report and Note 18 to the financial statements on page 238

## Corporate governance statement

The DTRs require certain information to be included in a corporate governance statement in the Directors' Report. This information can be found in the Corporate Governance Report on pages 67 to 157, which is incorporated into this Directors' Report by reference and, in the case of the information referred to in DTR 7.2.6, in this Directors' Report.

## Disclosure of information under Listing Rule 9.8.4

Sub-section of Listing Rule 9.8.4R	Detail	Page reference
7	Allotments of shares for cash pursuant to the Group employee share schemes	227
12, 13	Shareholder waiver of dividend	162

## Results and dividends

The results for the financial year are set out from page 165 to 248. Full details of the proposed final dividend payment for the year ended 30 September 2021 are set out on page 233. The Board is proposing a final dividend of 11.63p per share following the payment of an interim dividend of 6.05p per share on 18 June 2021. The proposed total dividend for the year is therefore 17.68p per share.

## Going concern

After making enquiries, the Directors have a reasonable expectation that Sage has adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. In reaching this conclusion, the Directors have had due regard to the following:

- The Group has a robust balance sheet with £1.2bn of cash and available liquidity as at 30 September 2021 and strong underlying cash conversion of 126%, reflecting the strength of the subscription business model. Further information on the available cash resources and committed bank facilities is provided in note 13 to the financial statements on pages 218 to 221.
- The financial position of Sage, its cash flows, financial risk management policies and available debt facilities, which are described in the financial statements, and Sage's business activities, together with the factors likely to impact its future growth and operating performance, which are set out in the Strategic Report on pages 42 to 49.
- The Directors have reviewed liquidity and covenant forecasts for the Group for the period to 31 March 2023, which reflect the expected impact of Covid-19 on trading. Stress testing has been performed with the impact of severe increases in churn and significantly reduced levels of new customer acquisition and sales to existing customers being considered.

## Viability statement

The full viability statement and the associated explanations made in accordance with provision 31 of the Code can be found on pages 65 to 66.

## Research and development

During the year, we incurred a cost of £281m (2020: £252m) in respect of research and development. Please see page 192 (note 3.2 in the Financial Statements) for further details.

## Political donations

No political donations were made in the year.

## Directors and their interests

A list of Directors, their interests in the ordinary share capital of Sage, their interests in its long-term Performance Share Plan and details of their options over the ordinary share capital of Sage are given in the Directors' Remuneration Report on pages 120 to 157. No Director had a material interest in any significant contract, other than a service contract or contract for services, with Sage or any of its operating companies at any time during the year.

The names of all persons who, at any time during the year, were Directors of Sage can be found on pages 70 and 71.

Sage maintains directors' and officers' liability insurance which provides appropriate cover for legal action brought against our Directors. Sage has also granted indemnities (which are qualifying third-party indemnity provisions under the Companies Act 2006) to each member of the Board, under which it has agreed to indemnify the Directors to the extent permitted by law and by Sage's articles of association, in respect of all liabilities incurred in connection with the performance of their duties as a Director of Sage or any of its subsidiaries. These indemnities are currently in force. Neither these indemnities nor the insurance provides cover in the event that an indemnified individual is proven to have acted fraudulently or dishonestly.

## Employment policy

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. This includes, where practicable, the continued employment of those who may become disabled during their employment, and the provision of training and career development and promotion opportunities, where appropriate. Please refer to page 40 for further details.

## Engagement with colleagues

The Group has continued its policy of colleague involvement by making information available and consulting, where appropriate, with colleagues on matters of concern to them. Colleagues regularly receive updates on the financial and economic factors affecting the Group, and conversely the Group regularly seeks feedback from colleagues, including through pulse surveys. Many colleagues participate in Sage's share option schemes and a long-term Performance Share Plan. Further details of colleague engagement and how the Directors have had regard to colleague interests and the effect of that regard on principal decisions taken by the Board during the year (including the role of our Board Associate) are provided on pages 38 to 40, 82, 90, 91 and 95.

## Engagement with other stakeholders

Details of engagement with stakeholders including suppliers, customers and others in a business relationship with Sage and information on how the Directors have had regard to their interests and the effect of that regard on principal decisions taken by the Board during the year are provided on pages 9, 14, 15, 27 and 92 to 93.

## Major shareholdings

As at 30 September 2021, Sage had been notified, in accordance with the DTRs, of the following interests in its ordinary share capital<sup>1</sup>:

Name	Ordinary shares	% of capital <sup>2</sup>	Nature of holding
BlackRock, Inc.	64,021,267	5.90	Direct and Indirect
Lindsell Train Limited	54,140,022	5.01	Direct
FIL Limited	55,288,722	5.1	Direct and Indirect
Aviva plc & its subsidiaries	37,536,359	3.43	Direct and Indirect

Notes:

1. In the period from 30 September 2021 to the date of this report, we received no further notifications.
2. % as at date of notification. The DTRs require notification when the % voting rights (through shares and financial instruments) held by a person reaches, exceeds or falls below an applicable threshold specified in the DTRs.

**Information provided to Sage under the DTRs is publicly available via the regulatory information service and on Sage's website at [sage.com](https://www.sage.com).**

### Share capital

Sage's share capital is as set out on page 228. Sage has a single class of share capital which is divided into ordinary shares of 1<sup>4/77</sup> pence each.

### Rights and obligations attaching to shares

#### Voting

In a general meeting of Sage, the provisions of the Companies Act 2006 apply in relation to voting rights, subject to the provisions of the articles of association and to any special rights or restrictions as to voting attached to any class of shares in Sage (of which there are none). In summary:

- On a show of hands, each qualifying person (being an individual who is a member of Sage, a person authorised to act as the representative of a corporation or a person appointed as a proxy of a member) shall have one vote, except that a proxy has one vote for and one vote against a resolution if the proxy has been appointed by more than one member and has been given conflicting voting instructions by those members, or has been given discretion as to how to vote; and
- On a poll, every qualifying person shall have one vote for every share which they hold or represent.

No member shall be entitled to vote at any general meeting or class meeting in respect of any shares held by them if any call or other sum then payable by them in respect of that share remains unpaid. Currently, all issued shares are fully paid.

#### Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the Annual General Meeting to be held on 3 February 2022 will be set out in the Notice of Annual General Meeting.

#### Dividends and distributions

Subject to the provisions of the Companies Act 2006, Sage may, by ordinary resolution, declare a dividend to be paid to the members, but no dividend shall exceed the amount recommended by the Board.

The Board may pay interim dividends, and also any fixed rate dividend, whenever the financial position of Sage, in the opinion of the Board, justifies its payment. All dividends shall be apportioned and paid pro-rata according to the amounts paid up on the shares.

### Liquidation

If Sage is in liquidation, the liquidator may, with the authority of a special resolution of Sage and any other authority required by the statutes (as defined in the articles of association):

- Divide among the members in specie the whole or any part of the assets of Sage; or
- Vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit.

### Transfer of shares

Subject to the articles of association, any member may transfer all or any of his or her certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion, decline to register any instrument of transfer of a certificated share which is not a fully paid share (although not so as to prevent dealings in shares taking place on an open and proper basis) or on which Sage has a lien.

The Board may also decline to register a transfer of a certificated share unless the instrument of transfer is: (i) left at Sage's Registered Office, or at such other place as the Board may decide, for registration; and (ii) accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his or her right to transfer the shares.

The Board may permit any class of shares in Sage to be held in uncertificated form and, subject to the articles of association, title to uncertificated shares to be transferred by means of a relevant system and may revoke any such permission. Registration of a transfer of an uncertificated share may be refused where permitted by the statutes (as provided in the articles of association).

## Repurchase of shares

Sage obtained shareholder authority at the last Annual General Meeting held on 4 February 2021 to buy back in the market up to 109,355,465 ordinary shares (the "Buyback Authority"). Under the terms of the Buyback Authority, the minimum price which must be paid for each ordinary share is its nominal value and the maximum price is the higher of an amount equal to 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for ordinary shares on the trading venue where the purchase is carried out (in each case exclusive of expenses). The Buyback Authority was used during FY21 to buy back, under two share buyback programmes, a total of 57,286,992 ordinary shares of 1<sup>477</sup> pence each in Sage, as explained further below. Share repurchases are used from time to time as a method to control the Group's leverage and decisions are made against strict price, volume and returns criteria that are agreed by the Board and regularly reviewed.

On 4 March 2021 Sage announced that a capital return of up to £300m would be executed via a share buyback programme (the "First Share Buyback Programme"). The First Share Buyback Programme commenced on 4 March 2021 and ended on 3 September 2021. A total number of 45,418,600 ordinary shares of 1<sup>477</sup> pence each in Sage were repurchased as part of the First Share Buyback Programme and are held in treasury. The aggregate amount of the consideration paid by Sage under the First Share Buyback Programme was £299,999,986.76 and the average price paid per ordinary share was £6.6052.

On 3 September 2021 Sage announced that a further capital return of up to £300m would be executed via a new share buyback programme (the "Second Share Buyback Programme"). The Second Share Buyback Programme commenced on 6 September 2021 and is expected to end no later than 24 January 2022. A total number of 11,868,392 ordinary shares of 1<sup>477</sup> pence each in Sage were repurchased as part of the Second Share Buyback Programme between 6 September and 30 September 2021 and are held in treasury. The aggregate amount of the consideration paid by Sage for these shares was £87,398,319.95 and the average price paid per ordinary share was £7.3640.

Both the First and the Second Share Buyback Programmes (together the "Share Buyback Programmes") are consistent with the Group's disciplined approach to capital allocation and reflect its medium-term leverage objectives, strong ongoing cash generation and the sale proceeds from disposals completed in FY21. Please refer to page 98 of the Governance Report for further information on disposals completed in FY21 and page 97 for Board considerations setting out why share buyback was the chosen method of capital return.

All repurchases of ordinary shares under the Share Buyback Programmes were carried out in accordance with Chapter 12 of the Listing Rules and those provisions of Article 5(1) of Regulation (EU) No. 596/2014 (as incorporated into UK domestic law by the European Union (Withdrawal) Act 2018) and the Commission Delegated Regulation (EU) 2016/1052 (as incorporated into UK domestic law by the European Union (Withdrawal) Act 2018) dealing with buyback programmes.

A total number of 57,286,992 ordinary shares of 1<sup>477</sup> pence each in Sage were repurchased during FY21 as part of the Share Buyback Programmes and are held in treasury, to be utilised to meet obligations arising from share option programmes, or other allocations of shares, to colleagues or directors. The aggregate amount of the consideration paid by Sage was £387,398,306.71 and the average price paid per ordinary share was £6.7624. The shares purchased during FY21 represent approximately 5.11% of the called-up share capital of the Company, as at 30 September 2021.

In the period from 1 October 2021 until 12 November 2021, further ordinary shares of 1<sup>477</sup> pence each in Sage were repurchased using the Buyback Authority, as part of the Second Share Buyback Programme. Please see page 48 of the Strategic Report and page 238 of the financial statements for further information. Information on transactions in own shares is also publicly available via the regulatory information service and on Sage's website at [sage.com](http://sage.com).

## Amendment of Sage's articles of association

Any amendments to Sage's articles of association may be made in accordance with the provisions of the Companies Act 2006 by way of special resolution. Sage's articles of association were last amended at the Annual General Meeting held on 4 February 2021.

## Appointment and replacement of Directors

Directors shall be not less than two and no more than 15 in number. Directors may be appointed by Sage by ordinary resolution or by the Board. A Director appointed by the Board holds office until the Annual General Meeting and is then eligible for election by the shareholders, in accordance with Sage's articles of association.

The Board may from time to time appoint one or more Directors to hold employment or executive office for such period (subject to the provisions of the Companies Act 2006) and on such terms as they may determine and may revoke or terminate any such appointment.

Under the articles of association, at every Annual General Meeting of Sage, every Director who held office on the date seven days before the date of the Notice of Annual General Meeting, shall retire from office (but shall be eligible for election or re-election by the shareholders). Sage may by special resolution (or by ordinary resolution of which special notice has been given) remove, and the Board may by unanimous decision remove, any Director before the expiration of his or her term of office. The office of Director shall be vacated if: (i) he or she resigns; (ii) he or she has become physically or mentally incapable of acting as a director and may remain so for more than three months and the Board resolves that his or her office is vacated; (iii) he or she is absent without permission of the Board from meetings of the Board for six consecutive months and the Board resolves that his or her office is vacated; (iv) he or she becomes bankrupt or makes an arrangement or composition with his or her creditors generally; (v) he or she is prohibited by law from being a director; or (vi) he or she is removed from office pursuant to the articles of association.

### **Powers of the Directors**

The business of Sage will be managed by the Board which may exercise all the powers of Sage, subject to the provisions of Sage's articles of association, the Companies Act 2006 and any ordinary resolution of Sage. Authority is sought from shareholders at each Annual General Meeting to grant the directors powers, in line with institutional shareholder guidelines and relevant legislation, in relation to the issue and buyback by the Company of its shares.

### **Shares held in the Employee Benefit Trust**

The trustee of The Sage Group plc. Employee Benefit Trust has agreed not to vote any shares held in the Employee Benefit Trust at any general meeting. If any offer is made to shareholders to acquire their shares the trustee will not be obliged to accept or reject the offer in respect of any shares which are at that time subject to subsisting awards, but will have regard to the interests of the award holders and will have power to consult them to obtain their views on the offer. Subject to the above the trustee may take action with respect to any offer it thinks fair. The trustee has waived its right to dividends on the shares held in the trust.

### **Significant agreements**

The following significant agreements contain provisions entitling the counterparties to exercise termination or other rights in the event of a change of control of Sage:

- Under the terms of the £350m 1.625 per cent guaranteed Notes due 25 February 2031 issued by the Company and guaranteed by Sage Treasury Company Limited, a Noteholder has the right to require the Company to redeem or repay its Notes on a change of control of the Company where at the time of the occurrence of the change of control: (i) the Notes then in issue carry, on a solicited basis, an investment-grade credit rating which is either downgraded to non-investment grade or withdrawn (so long as the Notes are not upgraded or reinstated to an investment-grade rating by the relevant rating agency, or a replacement investment-grade rating of another rating agency on a solicited basis is not obtained, in each case within a set period of time, and the relevant rating agency confirms that its rating decision resulted, in whole or in part, from the occurrence of the change of control), or (ii) the Notes then in issue carry a non-investment grade credit rating from each rating agency then assigning a credit rating on a solicited basis or no credit rating from any rating agency on a solicited basis. Under the terms of the Notes, "change of control" is defined as: (i) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), other than a holding company (as defined in Section 1159 of the Companies Act 2006, as amended) whose shareholders are or are to be substantially similar to the pre-existing shareholders of the Company, shall become interested (within the meaning of Part 22 of the Companies Act 2006, as amended) in (x) more than 50 per cent. of the issued or allotted ordinary share capital of the Company or (y) shares in the capital of the Company carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Company; or (ii) Sage Treasury Company Limited ceases to be a direct or indirect subsidiary of the Company;
- Under a note purchase agreement dated 20 May 2013 relating to US\$150m senior notes, Series F, due 20 May 2023 and US\$50m senior notes, Series G, due 20 May 2025 between Sage Treasury Company Limited and the note holders and guaranteed by the Company, on a change of control of the Company, the Company will not take any action that consummates or finalises a change of control unless at least 15 business days prior to such action it shall have given to each holder of notes written notice containing and constituting an offer to prepay all notes on a date specified in such offer which shall be a business day occurring subsequent to the effective date of the change of control which is not less than 30 days or more than 60 days after the date of the notice of prepayments. Where a holder of notes accepts the offer to prepay, the prepayment shall be 100% of the principal amount of the notes together with accrued and unpaid interest thereon

and shall be made on the proposed prepayment date. No prepayment under a change of control shall include any premium of any kind;

- Under a note purchase agreement dated 26 January 2015 relating to €55m senior notes, Series H, due 26 January 2022, €30m senior notes, Series I, due 26 January 2023 and US\$200m senior notes, Series J, due 26 January 2025 between Sage Treasury Company Limited and the note holders and guaranteed by the Company, on a change of control of the Company, the Company will not take any action that consummates or finalises a change of control unless at least 15 business days prior to such action it shall have given to each holder of notes written notice containing and constituting an offer to prepay all notes on the date specified in such offer which shall be a business day occurring subsequent to the effective date of the change of control which is not less than 30 days or more than 60 days after the date of notice of prepayments. Where a holder of notes accepts the offer to prepay, the prepayment shall be 100% of the principal amount of the notes together with accrued and unpaid interest thereon and any applicable net loss and, in each case, including the deduction of any applicable net gain and shall still be made on the proposed payment date. No prepayment under a change of control shall include any premium of any kind;
- Under the terms of the note purchase agreements above, "control" is defined as per section 450 of the Corporation Tax Act 2010, and a "change of control" occurs if any person or group of persons acting in concert gains control of the Company;
- Under a dual tranche US\$719m and £135m five-year multi-currency revolving credit facility agreement dated 7 February 2018 between, amongst others, Sage Treasury Company Limited and the facility agent, and guaranteed by the Company, on a change of control, if any individual lender so requires and after having consulted with Sage Treasury Company Limited in good faith for not less than 30 days following the change of control, the facility agent shall, by not less than 10 business days' notice to Sage Treasury Company Limited, cancel the commitment of that lender and declare the participation of that lender in all outstanding loans, together with accrued interest and all other amounts accrued under the finance documents, immediately due and payable, whereupon the commitment of that lender will be cancelled and all such outstanding amounts will become immediately due and payable. In respect of this revolving credit facility agreement, "control" is defined as per section 840 of the Income and Corporation Taxes Act 1998;

- The platform reseller agreement dated 31 January 2015 relating to the Company's strategic arrangements with Salesforce.com EMEA Limited contains a change of control right enabling Salesforce to terminate the agreement in the event there is a change of control in favour of a direct competitor of Salesforce.com EMEA Limited. The agreement contains post-termination requirements upon Salesforce to support a transition for up to a specified period. In respect of the platform reseller agreement with Salesforce.com EMEA Limited, "change of control" occurs where a corporate transaction results in the owners of the subject entity owning less than 50% of the voting interests in that entity as a result of the corporate transaction; and
- All of Sage's employee share plans contain provisions relating to a change of control of The Sage Group plc. Outstanding awards and options may vest and become exercisable on a change of control, subject, where applicable, to the satisfaction of any applicable performance conditions and time pro-rating.

### Branch

The Group, through various subsidiaries, has a branch in France. Further details are included in note 19 on pages 238 to 240.

### Financial risk management

The Group's exposure to and management of capital, liquidity, credit, interest rate and foreign currency risk are shown in note 14.6 to the financial statements. Our approach to risk management generally and our principal risks can be found in note 14.6 and on pages 50 to 64.

### Disclaimer

The purpose of this Annual Report and Accounts is to provide information to the members of Sage. The Annual Report and Accounts has been prepared for, and only for, the members of Sage, as a body, and no other persons. Sage, its Directors and employees, agents or advisors do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The Annual Report and Accounts contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and Accounts and Sage undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report and Accounts should be construed as a profit forecast.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts, including the Directors' Remuneration Report and the financial statements of the Group and Sage, in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Sage financial statements in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("EU"). 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 Sage and the Group and of the profit or loss of the Group and Sage for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether, for the Group and Sage, IAS in conformity with the requirements of the Companies Act 2006 and, for the Group, IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that Sage will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain Sage's transactions and disclose with reasonable accuracy at any time the financial position of Sage and the Group and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group's financial statements, Article 4 of the International Accounting Standards Regulation. They are also responsible for safeguarding the assets of Sage and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Directors' statement

The Directors as at the date of this report, whose names and functions are listed in the Board of Directors' section on pages 70 to 71, confirm that:

- To the best of their knowledge, the Group and Sage's financial statements, which have been prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006 and, for the Group, IFRS as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU and IFRS issued by the IASB, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- To the best of their knowledge, the Directors' Report and the Strategic Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Each Director as at the date of this report further confirms that:

- So far as the Director is aware, there is no relevant audit information of which Sage's auditors are unaware; and
- The Director has taken all the steps that he or she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Sage's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

In addition, the Directors as at the date of this report consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess Sage's and the Group's position, performance, business model and strategy.

By Order of the Board



**Vicki Bradin**  
Company Secretary

16 November 2021

The Sage Group plc.  
Company number 02231246