

The Sage Group plc



# 2016 Notice of Meeting

## Annual General Meeting

Formal notice of the twenty-eighth Annual General Meeting of The Sage Group plc to be held on Tuesday 1 March 2016 is set out in this document. A Form of Proxy is enclosed for members who wish to use one. It should be returned so as to be with the Company's Registrars no later than 10.00am on 28 February 2016. Shareholders may also register their voting instructions online for the forthcoming Annual General Meeting by going to [www.sharevote.co.uk](http://www.sharevote.co.uk). They will be required to key in the three security numbers printed on the Form of Proxy to access the voting site. CREST members may appoint their proxy or proxies electronically via Equiniti (ID RA19).

**This notice is important and requires your immediate attention. If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your ordinary shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

## Notice of Meeting

Notice is hereby given that the twenty-eighth Annual General Meeting of The Sage Group plc will be held at North Park, Newcastle upon Tyne NE13 9AA at 10.00am on 1 March 2016 for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 16 (inclusive) will be proposed as ordinary resolutions and resolutions 17 to 19 (inclusive) will be proposed as special resolutions:

1. To receive and consider the Annual Report & Accounts for the financial year ended 30 September 2015.
2. To declare a final dividend recommended by the directors of 8.65 pence per ordinary share for the financial year ended 30 September 2015 to be paid on 4 March 2016 to members whose names appear on the register at the close of business on 12 February 2016.
3. To re-elect Mr D H Brydon as a director.
4. To re-elect Mr N Berkett as a director.
5. To re-elect Mr J W D Hall as a director.
6. To re-elect Mr S Hare as a director.
7. To re-elect Mr J Howell as a director.
8. To re-elect Mr S Kelly as a director.
9. To re-elect Ms I Kuznetsova as a director.
10. To re-elect Ms R Markland as a director.
11. To re-appoint Ernst & Young LLP as auditors to the Company.
12. To authorise the Audit and Risk Committee to determine the remuneration of the auditors to the Company.
13. To approve the Directors' remuneration report (excluding the Directors' remuneration policy set out on pages 77 to 82 of the Annual Report) for the financial year ended 30 September 2015, as set out on pages 74 to 92 of the Annual Report & Accounts 2015.
14. To approve the Directors' remuneration policy, the full text of which is contained in the Directors' remuneration report for the financial year ended 30 September 2015, as set out on pages 77 to 82 of the Annual Report & Accounts 2015.
15. That:
  - (a) the directors be authorised to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company:
    - (i) in accordance with article 7 of the Company's articles of association, up to a maximum nominal amount of £3,780,193 (such amount to be reduced by the nominal amount of any equity securities (as defined in article 8 of the Company's articles of association) allotted under paragraph (ii) below in excess of £3,780,193), and
    - (ii) comprising equity securities (as defined in article 8 of the Company's articles of association) up to a maximum nominal amount of £7,560,387 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Company's articles of association);
  - (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 31 March 2017; and
  - (c) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).
16. That:
  - (a) the rules of the Sage Save and Share Plan in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification (the "Plan"), the principal terms of which are summarised in the Appendix to this Notice of Meeting, be and are hereby approved and the directors of the Company be and are hereby authorised to adopt the Plan and do all acts and things which they consider necessary or expedient to give effect to the Plan; and
  - (b) the directors of the Company be and are hereby authorised to adopt further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against any limits on individual or overall participation in the Plan.
17. That:
  - (a) in accordance with article 8 of the Company's articles of association, the directors be given power to allot equity securities for cash;
  - (b) the power under paragraph (a) above (other than in connection with a rights issue, as defined in article 8 of the Company's articles of association) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £567,596;
  - (c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2017; and
  - (d) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

## Notice of Meeting continued

18. That in accordance with the Companies Act 2006 the Company be and is hereby granted general and unconditional authority to make one or more market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares in the capital of the Company on such terms and in such manner as the directors shall determine PROVIDED THAT:
- (a) the maximum number of ordinary shares which may be acquired pursuant to this authority is 107,913,441 ordinary shares in the capital of the Company;
  - (b) the minimum price which may be paid for each such ordinary share is its nominal value and the maximum price is the higher of 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 the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses);
  - (c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or, if earlier, at close of business on 31 March 2017 unless renewed before that time; and
  - (d) the Company may make a contract or contracts to purchase ordinary shares under this authority before its expiry which will be or may be executed wholly or partly after expiry of this authority and may make a purchase of ordinary shares in pursuance of such contract.
19. That a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.

By Order of the Board

**M J Robinson**

Secretary

Registered office:

North Park, Newcastle upon Tyne NE13 9AA

Registered in England

Company number 2231246

14 January 2016

## Explanatory notes

**Resolution 1** is to receive and consider the Annual Report & Accounts for the financial year ended 30 September 2015. The directors are required to present to the meeting the annual accounts and reports which are contained in the Annual Report & Accounts 2015.

**Resolution 2** recommends a final dividend of 8.65p per ordinary share be declared. The final dividend declared cannot exceed the amount recommended by the directors. An interim dividend of 4.45p per share was paid on 5 June 2015. The Board is proposing a final dividend of 8.65p per share, making a total dividend for the year of 13.1p per share.

**Resolutions 3 to 10** relate to the re-election of directors to the Board. In accordance with the recommendations of the UK Corporate Governance Code, all directors retire at the Annual General Meeting and those wishing to serve again submit themselves for re-election by the shareholders.

Mr D H Brydon has a contract for services with the Company for a fixed term of five years from 6 July 2012, terminable within that period by six months' notice from the Company or from him.

Mr N Berkett has a contract for services with the Company for a fixed term of three years from 5 July 2013, terminable within that period by six months' notice from the Company and one month's notice from him.

Mr J W D Hall has a contract for services with the Company for a fixed term of three years from 1 January 2014, terminable within that period by six months' notice from the Company and one month's notice from him.

Mr S Hare has a service contract with the Company, terminable on 12 months' notice from the Company or from him.

Mr J Howell has a contract for services with the Company for a fixed term of three years from 15 May 2013, terminable within that period by six months' notice from the Company and one month's notice from him.

Mr S Kelly has a service contract with the Company, terminable on 12 months' notice from the Company or from him.

Ms I Kuznetsova has a contract for services with the Company for a fixed term of three years from 6 March 2014, terminable within that period by six months' notice from the Company and one month's notice from her.

Ms R Markland has a contract for services with the Company for a fixed term of one year from 13 September 2015, terminable within that period by six months' notice from the Company and one month's notice from her.

**Resolution 3** relates to the re-election of Mr D H Brydon. Mr Brydon joined the Board in July 2012 and became Chairman on 1 September 2012. Mr Brydon also chairs the Nomination Committee. On appointment Mr Brydon met the independence criteria set out in the UK Corporate Governance Code. He is Chairman of the London Stock Exchange plc and of the Medical Research Council. Mr Brydon had a 20-year career with Barclays Group, during which time he was Chairman and Chief Executive of BZW Investment Management and acting Chief Executive of BZW, followed by 15 years with the AXA Group, including holding the posts of Chairman and Chief Executive of AXA Investment Managers and Chairman of AXA Framlington. He has also recently been Chairman of Royal Mail plc, the London Metal Exchange, Amersham plc, Taylor Nelson Sofres plc, Smiths Group plc and the ifs School of Finance and a Director of Allied Domecq plc and Scottish Power plc. He is a past Chairman of EveryChild.

**Resolution 4** relates to the re-election of Mr N Berkett. Mr Berkett joined the Board in July 2013 as a Non-executive Director. He is also Chairman of the Guardian Media Group, a non-executive director of Bank of Queensland Ltd and member of the Board of Trustees for the NSPCC. He has over 25 years' experience in a wide range of highly competitive consumer industries. Most recently, he was Chief Executive of Virgin Media Group from March 2008 to June 2013, having joined ntl, Virgin Media's predecessor, as Chief Operating Officer in September 2005. Before ntl he was Managing Director, Distribution, at Lloyds TSB plc (UK). His previous roles include Chief Operating Officer at Prudential Assurance Company Ltd UK, Head of Retail at St George Bank, Senior General Manager at the Australian division of Citibank Limited, Chief Executive at Eastwest Airlines Australia and Financial Controller at ICL Australia.

**Resolution 5** relates to the re-election of Mr J W D Hall. Mr Hall joined the Board on 1 January 2014 as a Non-executive Director. He was Chief Executive of Dairy Crest Group plc from 2002 to 2006, prior to which his career was spent with Procter and Gamble, Mars and PepsiCo. He was a Non-executive Director of Mitchells & Butlers plc from July 2004 to January 2010, and Chairman from June 2008 to November 2009. He is currently the Senior Independent Non-executive Director of WH Smith plc and of First Group plc. On 5 December 2014 Mr Hall became Chairman of the Remuneration Committee.

**Resolution 6** relates to the re-election of Mr S Hare. Mr Hare joined Sage as Group Chief Financial Officer on 3 January 2014 and joined the Board on the same date. He has significant financial and operating experience as a CFO, most recently as Operating Partner at Apax Partners, where he was Co-Head of the Portfolio Support Group. Prior to joining Apax in 2009, he accumulated over 10 years' experience as CFO for three listed companies, most recently with Invensys, then a FTSE 100 company, from 2006 to 2009.

**Resolution 7** relates to the re-election of Mr J Howell. Mr Howell joined the Board in May 2013 as a Non-executive Director and became Chairman of the Audit Committee in November 2013. He is also Group Finance Director of Close Brothers Group plc, joining in February 2008, and previously held the same position at the London Stock Exchange Group plc from 1999. Jonathan has also been a non-executive director of EMAP plc and Chairman of FTSE International. The early part of his career was at PricewaterhouseCoopers where he qualified as a chartered accountant.

**Resolution 8** relates to the re-election of Mr S Kelly. Mr Kelly joined the Board on 5 November 2014 as Group Chief Executive Officer. He has served as Chief Executive Officer of two growth orientated public software companies, namely: NASDAQ listed Chordiant Software, Inc from 2001 to 2005; and then from 2006 to 2010, London Stock Exchange listed Micro Focus International plc. From 2010, Stephen was a founder investor and director in a number of successful SMEs. In 2012 he was appointed Chief Operating Officer for the UK Government responsible to the Minister for the Cabinet Office. In this role, Stephen was the most senior civil servant responsible for Efficiency & Reform, as well as promoting the government's positive SME agenda.

## Explanatory notes continued

**Resolution 9** relates to the re-election of Ms I Kuznetsova who joined the Board on 6 March 2014 as a Non-executive Director. She is currently the President, INTTRA Marketplace, for INTTRA, a Saas Company for ocean shipping. She is former Chief Commercial Officer and Executive Board member at CEVA Logistics, where she worked from 2012 until 2014. Prior to joining CEVA, Inna spent 19 years at IBM, where she held a number of different roles focusing on building and running strong organisations in sales, business development and marketing culminating as Vice-President, Marketing & Sales Enablement, IBM Systems Software and ISVs.

**Resolution 10** relates to the re-election of Ms R Markland who joined the Board in September 2006 as a Non-executive Director. She is also a non-executive director of Standard Chartered plc, a member of the Supervisory Board of Arcadis NV and an independent non-executive board member of Deloitte LLP. She was formerly Managing Partner, Asia for the international law firm Freshfields Bruckhaus Deringer. She is the Senior Independent Non-executive Director and was, until 5 December 2014, the Chairman of the Remuneration Committee.

Further biographical details of all directors are set out on pages 60 and 61 of the Annual Report & Accounts 2015.

The Nomination Committee, which is the Committee of the Board which considers the balance of the Board and the mix of skills, knowledge and experience of its members, has considered and approved the proposed re-election of Messrs Brydon, Berkett, Hall, Hare, Howell and Kelly, Ms Kuznetsova and Ms Markland. All the proposed appointees have been subject to a formal evaluation procedure in the last 12 months. Following that procedure the Chairman confirms the continuing commitment and effective contribution of Messrs Berkett, Hall, Hare, Howell and Kelly and of Ms Markland and Ms Kuznetsova to their roles and recommends their re-election. The Chairman further confirms that Ms Markland continues to demonstrate her independence as Senior Independent Non-executive Director and as a member of the Board. Ms Markland, the Senior Independent Director, also confirms Mr Brydon's continuing commitment and effective contribution in his role as Chairman.

**Resolutions 11 and 12** relate to the re-appointment of the auditors and determination of their remuneration. Ernst & Young LLP was appointed by the Board to fill the casual vacancy following PricewaterhouseCoopers LLP's resignation with effect from 9 January 2015 and the appointment was approved by shareholders at the 2015 Annual General Meeting. Resolution 11 is proposed to approve the re-appointment of Ernst & Young LLP, following the recommendation of the Audit and Risk Committee. Resolution 12 authorises the Audit and Risk Committee to determine the auditors' remuneration. Further details of the external audit are set out on page 72 of the Annual Report & Accounts 2015.

**Resolution 13** is to approve the Directors' remuneration report on pages 74 to 92 of the Annual Report & Accounts 2015.

Section 439 of the Companies Act 2006 requires that the Directors' remuneration report for the financial year be put to a vote of shareholders at the Annual General Meeting. This vote is advisory and the directors' entitlement to receive remuneration is not conditional on it.

**Resolution 14** is to approve the Directors' remuneration policy, the full text of which is contained in the Directors' annual remuneration report for the financial year ended 30 September 2015, as set out on pages 77 to 82 of the Annual Report & Accounts 2015.

Following approval of the Company's remuneration policy by shareholders at the 2014 AGM, the Company is asking shareholders to approve the new remuneration policy to take account of a review undertaken by the Remuneration Committee in 2015.

Once the Directors' remuneration policy is approved, the Company will not be able to make a remuneration payment to a current or future director or a payment for loss of office to a current or past director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company.

**Resolution 15** will be proposed to enable the directors to renew their existing powers to allot ordinary shares in the capital of the Company without the prior consent of shareholders for a period expiring at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 31 March 2017.

Paragraph (a)(i) of resolution 15 will allow the directors to allot ordinary shares up to an aggregate maximum nominal amount of £3,780,193 (representing 33.3% of the nominal value of the Company's issued share capital, excluding shares held in treasury, on 5 January 2016, the latest practicable date prior to the publication of this document).

In accordance with the institutional guidelines issued by the Investment Association ("IA"), paragraph (a)(ii) of resolution 15 will allow directors to allot, including the ordinary shares referred to in paragraph (a)(i) of resolution 15, further of the Company's ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £7,560,387 (representing approximately 66.6% of the Company's existing issued share capital, excluding shares held in treasury, on 5 January 2016, the latest practicable date prior to the publication of this document). The directors have no present intention of exercising this authority. However, if they do exercise the authority, the directors intend to follow best practice as regards its use as recommended by the IA.

As at 5 January 2016, the latest practicable date prior to the publication of this document, the Company holds 39,522,431 shares in treasury, which represents approximately 3.53% of the total ordinary share capital in issue.

**Resolution 16** will allow the directors to implement a global "all-employee" share option plan which will give participating employees the opportunity to acquire ordinary shares in the capital of the Company. The exercise price for options granted may not be less than 80% of the market value of an ordinary share at the date of invitation (or at the date of grant in the case of French employees) or, in the case of US employees, may not be less than 85% of the market value of an ordinary share at the date of grant. In any 10 year period, the number of ordinary shares which may be issued under this plan, and any other employees' share plan, may not exceed 10% of the issued share capital of the Company from time to time.

Further details of the principal terms of the plan are summarised in the Appendix to this Notice of Meeting.

**Resolution 17** will allow the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. If approved, the resolution will authorise the directors to issue shares in connection with a rights issue or other pre-emptive offer and otherwise to issue shares for cash up to an aggregate maximum nominal amount of £567,596 (representing approximately 5% of the issued ordinary share capital of the Company, excluding shares held in treasury, on 5 January 2016, the latest practicable date prior to the publication of this document), which includes the sale on a non-pre-emptive basis of any shares the Company holds in treasury for cash. The directors do not have any present intention of exercising this authority and do not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non-pre-emptive basis in any rolling three-year period without prior consultation with the relevant investor groups.

The directors are aware of the Pre-Emption Group's Statement of Principles, as updated in March 2015, and may, if considered appropriate, seek authority at future Annual General Meetings to issue shares for cash on a non-pre-emptive basis up to an amount equal to 10% of the issued share capital of the Company, provided that such authority is used only in accordance with the Pre-Emption Group's Statement of Principles.

**Resolution 18** will be proposed to continue to enable the Company to purchase its own shares in accordance with the Companies Act 2006 on such terms and in such manner as the directors determine, subject to the following:

- the price which may be paid for each ordinary share will not be less than the nominal value of the share and will not exceed the higher of 5% above the average of the middle market quotations for prices of the ordinary shares of the Company (as derived from the London Stock Exchange Daily Official List) for the five business days before the purchase is made and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003, in each case exclusive of any expenses payable by the Company;
- the maximum aggregate number of shares that may be purchased pursuant to this authority shall be limited to 107,913,441 shares which is equivalent to approximately 10% of the Company's issued share capital, excluding shares held as treasury, as at 5 January 2016, the latest practicable date prior to publication of this document; and
- the authority will remain in force until the conclusion of the next Annual General Meeting of the Company but will terminate on 31 March 2017 if the Annual General Meeting has not been held by that date.

The Company may agree before the authority terminates to purchase ordinary shares where the purchase will or may be executed after the authority terminates (either in whole or in part). The Company may complete such a purchase even though the authority has ended.

The power given by the resolution will only be exercised if the directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and, accordingly, that the purchase is in the interests of shareholders. The directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits.

A listed company may hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the company in accordance with the Companies Act 2006. Shares held in treasury in this manner will be available for resale by the company or may be transferred for the purpose of or pursuant to an employees' share scheme. Accordingly, if the directors exercise the authority conferred by resolution 18, the Company will have the option of holding those shares in treasury, rather than cancelling them. Your Board will have regard to any guidelines published by any of the investor groups in force at the time of any such purchase, holding or resale of treasury shares.

In the 12 months ended 30 September 2015, the Company purchased 3,457,020 of its shares in accordance with the authority given by shareholders at the Annual General Meeting on 3 March 2015 (and, prior to 3 March 2015, in accordance with the previous similar authority given by shareholders). The Company currently holds these shares in treasury and may use them to satisfy requirements under certain of its employee share plans, as authorised by shareholders. In the period from 1 October 2015 to 5 January 2016, the Company did not purchase any of its own shares.

The total number of options to subscribe for ordinary shares and awards to be satisfied by newly issued ordinary shares under other long-term incentive plans of the Group that were outstanding at 5 January 2016 (being the latest practicable date prior to the publication of this document) was 17,453,305. The proportion of issued share capital, excluding shares held in treasury, that they represented at that time was 1.62% and the proportion of issued share capital that they will represent if the full authority to purchase shares, existing and being sought, is used is 2.02%.

**Resolution 19** will be proposed to allow the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. A resolution in the same terms was passed at the Annual General Meeting in 2015. The notice period required by the Companies Act 2006 for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of shareholders as a whole and noting also the recommendations of the UK Corporate Governance Code 2014 with which the Company would intend to comply. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

### Recommendation

The directors believe that the proposals in resolutions 1 to 19 are in the best interests of shareholders as a whole and, accordingly, they unanimously recommend that you vote in favour of all the resolutions.

By Order of the Board

**M J Robinson**  
Secretary

14 January 2016

## Appendix

### SUMMARY OF THE RULES OF THE SAGE SAVE AND SHARE PLAN (THE "PLAN")

#### Overview

The Plan is a global "all-employee" share option plan which will give participating employees the opportunity to acquire ordinary shares in the Company ("Shares") using savings of up to £500 per month or such other amount permitted under the relevant legislation governing UK "tax-approved" savings-related share option plans from time to time (the "UK Savings Limit"). Where the employee saves in a currency other than sterling, the maximum monthly savings permissible will be the local currency equivalent of the UK Savings Limit as determined by the Board.

Where practical, the Plan has been designed to satisfy the requirements of local "tax-approved" regimes (such as Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 for UK employees, section 423 of the Internal Revenue Code for US employees and Schedule 12A to the Irish Taxes Consolidation Act 1997 for Irish employees) so that options granted under it will offer beneficial tax treatment to the participant and the member of the Group employing the participant.

#### Savings contracts

Under the Plan, employees will be required to make regular savings in accordance with a savings contract (a "Savings Contract").

Where employees are saving in a currency other than sterling, the Board may allow employees to make a "top-up payment" from their own funds at the end of the Savings Contract where the amount of their savings would otherwise be insufficient to exercise their option in full.

#### Eligibility

Any employee (including an executive director) of the Company and any of its subsidiaries which participates in the Plan who is selected by the Board may apply for an option on any occasion on which invitations to apply for options are issued.

Where "tax-approved" options are granted in Ireland, the UK and US the Board is required to invite all employees in that country who have been in employment for a minimum period determined by the Board.

#### Exercise price

The proceeds of the Savings Contract can be used to exercise an option to acquire Shares at an exercise price set at the date of invitation. For all options other than those granted to US participants, the exercise price may not be less than 80% (or such other percentage as may be permitted by the relevant UK legislation) of the market value of a Share at the date of invitation (or grant date, in the case of French employees). The exercise price for options granted to US participants may not be less than 85% of the market value of a Share on the date the option is granted.

When calculating the market value of a Share for setting the exercise price, only share prices within the six week period following the approval of the Plan by the Company's shareholders, the announcement of the Company's results for any period, any day on which changes to UK legislation affecting employee share schemes are proposed or made, any day on which a new UK Savings Contract is announced or comes into effect or on any day on which the Board determines that exceptional circumstances exist may be used. However, if restrictions apply on dealing in Shares during these periods, share prices in the period of six weeks following the relevant restriction being lifted may be used.

#### Exercise of options

Ordinarily, an option may be exercised within six months (three months in the case of US "tax-approved" options) of the date the Savings Contract matures.

#### Cessation of employment

If an employee dies whilst holding an option, the participant's personal representatives will normally have up to a year from the date of the participant's death to exercise the option.

Options may also be exercised early for a period of up to six months (three months in the case of options granted to US employees) from the date the employee ceases employment because of his injury, disability, redundancy or retirement, the sale of the entity that employs the participant out of the Group or, provided the option has been held for at least three years, any other reason apart from summary dismissal.

If a participant ceases employment with the Group in any other circumstances, any option held by the participant will lapse on the date on which the participant ceases employment.

#### Corporate events

Options may be exercised early in the event of a change of control or winding-up of the Company. Alternatively, options may be exchanged (with the agreement of the acquiring company) for equivalent options over shares in the acquiring company. Options will be exchanged (or will lapse) in the event of an internal reorganisation of the Group.

#### Overall Plan limits

In any 10 year period, the number of Shares which may be issued under the Plan and under any other employees' share plan adopted by the Company may not exceed 10% of the issued share capital of the Company from time to time.

Shares held in treasury will be treated as newly issued for the purpose of this limit until such time as institutional investor representative bodies determine otherwise.

Options granted to US employees will also be subject to an additional limit. The number of Shares which may be used to satisfy options granted to US employees may not exceed 11 million Shares. Any newly issued or treasury Shares used to satisfy options granted to US employees will also be counted towards the "10% in 10 years" dilution limit set out above.

These limits may be adjusted in the event of a variation of the Company's share capital or similar events (see "Adjustments").

#### Amendments

The Board may amend the Plan or the terms of any option at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of eligible employees or participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares subject to an option and any adjustment made in respect of a variation of capital. Any amendment to the Plan or an option (so far as it relates to an option which has been granted under a "tax-approved" regime) would be in accordance with the relevant tax legislation.

However, any minor amendment to the Plan to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Board without shareholder approval.



### Adjustments

In the event of any variation of the Company's share capital, or in the case of any options other than those granted to UK participants, any demerger, delisting, special dividend, rights issue or other event, which may, in the Board's opinion, affect the current or future value of Shares, the Board may make such adjustments as it considers appropriate to the number of Shares subject to an option, the exercise price applicable to an option or the limits on the maximum number of Shares that may be used in connection with the Plan. Any adjustment to a "tax-approved" option may only be made in accordance with the requirements of the applicable tax legislation.

### Termination

The Plan will terminate on the 10th anniversary of its approval by shareholders but the rights of existing participants will not be affected by any termination.

### Benefits not pensionable

Participants have no rights to pension in respect of Plan benefits.

### Options not transferable

Options granted under the Plan are not transferable other than to the participant's personal representatives in the event of death.

### Satisfying options

Options may be satisfied using newly issued Shares, Shares held in treasury or Shares purchased in the market.

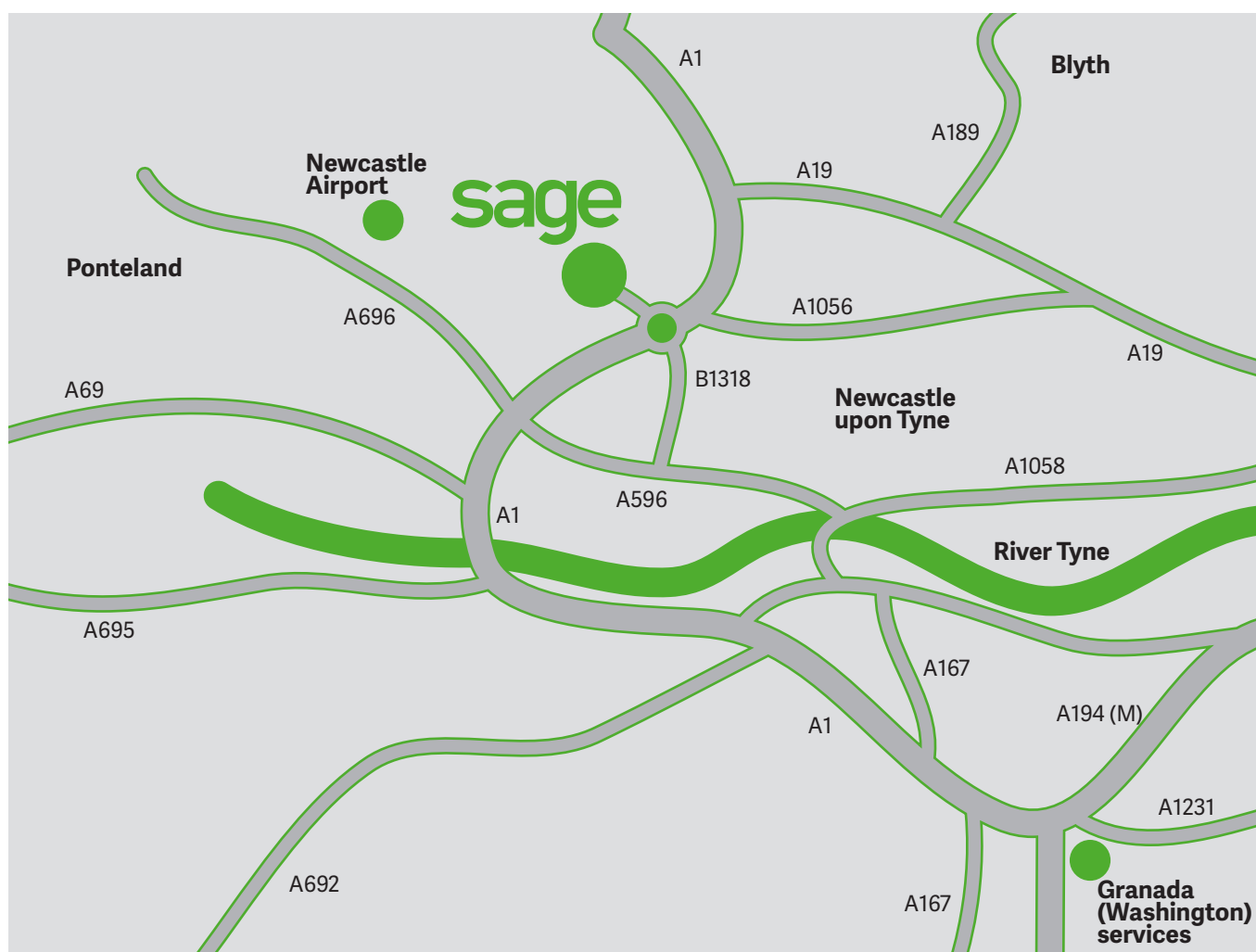
## Notes

- (i) A member entitled to attend and to speak and vote at the meeting may appoint one or more proxies to exercise all or any of his/her rights to attend and to speak and vote instead of him/her. A proxy need not also be a member. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- (ii) To be valid, a Form of Proxy and any power of attorney or other authority (if any) under which it is signed (or a duly certified copy thereof) must be lodged with the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA no later than 10.00am on 28 February 2016. The completion and return of a Form of Proxy will not prevent a member who wishes to do so from attending and voting in person. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. As an alternative to completing a hard copy Form of Proxy, a member can appoint a proxy electronically by visiting [www.sharevote.co.uk](http://www.sharevote.co.uk). For security purposes, you will need to provide your voting ID, task ID and shareholder reference number (which are shown under your name on the Form of Proxy). Full instructions are given on the website. The proxy appointment and instructions should reach the Company's Registrars not later than 10.00am on 28 February 2016. CREST members may appoint a proxy through the CREST electronic proxy appointment service (please see note (xv) below). You must inform the Company's Registrars in writing of any termination of the authority of a proxy.
- (iii) If you do not have a Form of Proxy and believe you should have one, or if you require additional forms, please contact the Company's Registrars, Equiniti, on 0371 384 2859. Non-UK callers should dial +44(0) 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday.
- (iv) Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided that they do not do so in relation to the same shares.
- (v) Copies of the service contracts and terms of appointment of the directors and the rules of the Sage Save and Share Plan are available for inspection at North Park, Newcastle upon Tyne, NE13 9AA during normal business hours on any weekday (public holidays excepted) and will be available at the Annual General Meeting (for at least 15 minutes prior to and during the meeting).
- (vi) Only those members registered in the register of members of the Company as at 6.00pm on 28 February 2016 or, in the event that this meeting is adjourned, in the register of members as at 6.00pm on the day two days before the time of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00pm on 28 February 2016 or, in the event that this meeting is adjourned, in the register of members after 6.00pm on the day two days before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (vii) If you return paper and electronic proxy instructions, those received last by the Registrars before the latest time for receipt of proxies will take precedence. You are advised to read the website terms and conditions of use carefully. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged.
- (viii) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated (the "Relevant Member"), have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (ix) The statement of the rights of shareholders in relation to the appointment of proxies in notes (i), (ii) and (iii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
- (x) As at 5 January 2016 (being the last practicable date prior to the publication of this document) the Company's issued share capital consists of 1,118,656,849 ordinary shares, carrying one vote each, of which 39,522,431 are held in treasury. Therefore, the total exercisable voting rights in the Company as at 5 January 2016 are 1,079,134,418.
- (xi) It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting or relating to any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual reports and accounts were laid. The Company may not require the members requesting such website publication to pay its expenses in complying with section 527 or 528 of the Companies Act 2006 and it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.

- (xii) A member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the Companies Act 2006. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xiii) In accordance with section 311A of the Companies Act 2006, the contents of this notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting, the total voting rights members are entitled to exercise at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice can be found at [www.sage.com](http://www.sage.com).
- (xiv) Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (i) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 18 January 2016, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.
- (xv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of that meeting by using the procedures described in the CREST Manual, which is available at [www.euroclear.com](http://www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (xvi) Except as provided above, members who have general queries about the Annual General Meeting should use the following means of communication (no other methods of communication will be accepted): calling our shareholder helpline on 0371 384 2859, Non-UK callers should dial +44(0) 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday; or writing to the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA. You may not use any electronic address provided either in this notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- (xvii) All resolutions will be put to vote on a poll. This will result in a more accurate reflection of the views of shareholders by ensuring that every vote is recognised, including the votes of all shareholders who are unable to attend the meeting but who appoint a proxy for the meeting. On a poll, each shareholder has one vote for every share held.

## How to get to the Annual General Meeting

The twenty-eighth Annual General Meeting of The Sage Group plc will be held on Tuesday 1 March 2016 at 10:00am.



The Sage Group plc  
North Park  
Newcastle upon Tyne  
NE13 9AA  
United Kingdom  
[www.sage.com](http://www.sage.com)