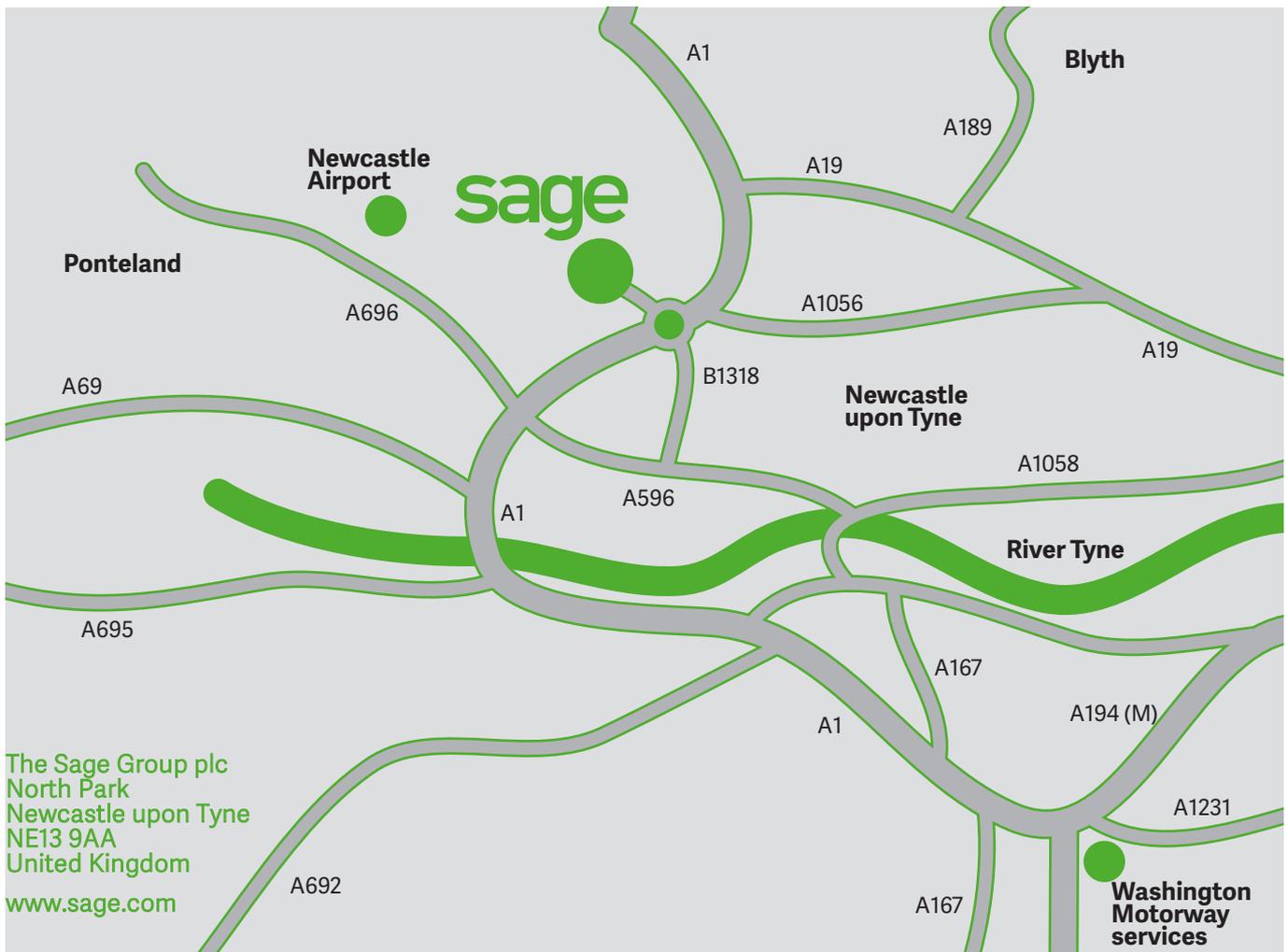


2018 Notice of Meeting

Annual General Meeting

Formal notice of the thirtieth Annual General Meeting of The Sage Group plc to be held on Wednesday 28 February 2018 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 10.30am on 26 February 2018. Shareholders may also appoint a proxy and register their voting instructions online for the forthcoming Annual General Meeting by going to 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). All proxy appointments must be received no later than 10:30am on 26 February 2018.



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 professional 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, 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 continued

Notice is hereby given that the thirtieth Annual General Meeting of The Sage Group plc will be held at North Park, Newcastle upon Tyne NE13 9AA at 10.30am on 28 February 2018 for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 15 (inclusive), 19 and 20 will be proposed as ordinary resolutions and resolutions 16 to 18 (inclusive) will be proposed as special resolutions:

1. To receive and consider the Annual Report & Accounts for the financial year ended 30 September 2017.
2. To declare a final dividend recommended by the directors of 10.20 pence per ordinary share for the financial year ended 30 September 2017 to be paid on 2 March 2018 to members whose names appear on the register at the close of business on 9 February 2018.
3. To re-elect Mr D H Brydon as a director.
4. To re-elect Mr N Berkett as a director.
5. To elect Mr D B Crump as a director.
6. To re-elect Mr J W D Hall as a director.
7. To re-elect Mr S Hare as a director.
8. To re-elect Mr J Howell as a director.
9. To elect Ms S Jiandani as a director.
10. To elect Ms C Keers as a director.
11. To re-elect Mr S Kelly as a director.
12. To re-appoint Ernst & Young LLP as auditors to the Company.
13. To authorise the Audit and Risk Committee to determine the remuneration of the auditors to the Company.
14. To approve the Directors' remuneration report (excluding the Directors' remuneration policy set out on pages 89 to 91 of the Annual Report & Accounts 2017) for the financial year ended 30 September 2017, as set out on pages 84 to 103 of the Annual Report & Accounts 2017.
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 £3,794,087 (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 £3,794,087); and
 - (ii) comprising equity securities (as defined in article 8 of the Company's articles of association) up to a maximum nominal amount of £7,588,173 (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 2019; 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) 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 £569,683;
 - (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 2019; and
 - (d) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.
17. 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 108,310,042 ordinary shares in the capital of the Company;
 - (b) the minimum price which may be paid for each such ordinary share (exclusive of all expenses) is its nominal value;
 - (c) the maximum price which may be paid for each such ordinary share (exclusive of all expenses) shall not be more than the higher of:
 - (i) an amount equal to 105 per cent. of the average of the middle market prices shown in the quotations for the ordinary shares in the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which that ordinary share is purchased; and
 - (ii) 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 an ordinary share on the trading venue where the purchase is carried out;
 - (d) 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 2019 unless renewed before that time; and
 - (e) 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.
18. That a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.

Notice of meeting continued

19. That:

- (a) the rules of The Sage Group plc 2017 Share Option Plan (the "**2017 SOP**"), the principal terms of which are summarised in Schedule A to the circular containing the Company's 2018 Notice of Annual General Meeting, incorporating the proposed amendments summarised in Schedule A, in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification, be and hereby are approved and the directors be and are authorised to adopt the amendments to the 2017 SOP and to do all acts and things that they consider necessary or expedient to give effect to the amended 2017 SOP; and
- (b) the Directors be and are hereby authorised to adopt further plans based on the 2017 SOP 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 the limits on individual or overall participation in the 2017 SOP.

20. That the Californian Operations related schedule to the Sage Group Restricted Share Plan (the "**Californian Plan**"), the principal terms of which are summarised in Schedule B to the circular containing the Company's 2018 Notice of Annual General Meeting, incorporating the proposed amendments summarised in Schedule B, in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification, be and is hereby approved and the directors be and are authorised to do all acts and things they consider necessary to implement and give effect to the Californian Plan.

By Order of the Board

V Bradin

Secretary

Registered office:

North Park, Newcastle upon Tyne NE13 9AA

Registered in England and Wales Company number 2231246

11 December 2017

Explanatory notes

Resolution 1 is to receive and consider the Annual Report & Accounts for the financial year ended 30 September 2017. The directors are required to present to the meeting the annual accounts and reports which are contained in the Annual Report & Accounts 2017.

Resolution 2 is to declare a final dividend of 10.20p per ordinary share. The final dividend declared cannot exceed the amount recommended by the directors. An interim dividend of 5.22p per share was paid on 2 June 2017. The Board is proposing a final dividend of 10.20p per share, making a total dividend for the year of 15.42p per share.

Resolutions 3 to 11 relate to the election and 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 election or re-election by the shareholders.

Mr D H Brydon has a contract for services with the Company for a fixed term of three years from 6 July 2017, 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 1 July 2016, terminable within that period by six months' notice from the Company and one month's notice from him.

Mr D B Crump has a service contract with Sage Software, Inc. ("SSI"), terminable on 12 months' notice from SSI or 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 2017, terminable within that period by one month's 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 2016, terminable within that period by six months' notice from the Company and one month's notice from him.

Ms S Jiandani has a contract for services with the Company for a fixed term of three years from 28 February 2017, terminable within that period by one month's notice from the Company and one month's notice from her.

Ms C Keers has a contract for services with the Company for a fixed term of three years from 1 July 2017, terminable within that period by one month's notice from the Company and one month's notice from her.

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

Resolution 3 relates to the re-election of Mr D H Brydon. Donald joined the Board in July 2012 and became Chairman on 1 September 2012. He is Chairman of the Nomination Committee. He is also Chairman of the London Stock Exchange and the Medical Research Council and was, until 1 September 2015, Chairman of the Royal Mail plc, and until 19 November 2013, Chairman of Smiths Group plc. Donald 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 fifteen 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 chaired the London Metal Exchange, Amersham plc, Taylor Nelson Sofres plc and the ifs School of Finance and is a past Chairman of EveryChild. He has also served as Senior Independent Director of Allied Domecq plc and Scottish Power plc.

Explanatory notes continued

Resolution 4 relates to the re-election of Mr N Berkett. Neil joined the Board on 5 July 2013 and is a member of the Audit & Risk and Remuneration Committees. He is also Chairman of the Guardian Media Group, Chairman of Tomorrow's People Trust Ltd. and was a board member at Bank of Queensland Ltd. 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 election of Mr D B Crump. Blair joined Sage in August 2016 in the newly created position of President, leading on sales and customer service across the Group and will be appointed to the Board with effect from 1 January 2018 as an executive director, as previously announced. Blair has significant leadership experience in the technology sector, joining Sage from Texas-based profit realisation company PROS Holdings, where he was Chief Operating Officer. Previously, Blair led Salesforce.com's Global Enterprise business, reporting into CEO Marc Benioff, and prior to this spent five years at Verizon Business, where he was appointed Group President. Blair was also at MCI Communications for 23 years, before its acquisition by Verizon in 2006. Blair has a strong background in sales, customer service and driving growth.

Resolution 6 relates to the re-election of Mr J W D Hall. Drummond joined the Board on 1st January 2014 and is the Senior Independent Director, Chairman of the Remuneration Committee and a member of the Audit & Risk and Nomination Committees. He is currently the Senior Independent non-executive director of WH Smith plc. Previously Drummond was Chief Executive of Dairy Crest Group plc from 2002 to 2006, prior to which the majority of his career was spent with Procter and Gamble, Mars and PepsiCo. Drummond was a Non-executive Director of Mitchells & Butlers plc from July 2004 to January 2010 and Chairman from June 2008 to November 2009.

Resolution 7 relates to the re-election of Mr S Hare. Steve joined the Board on 3 January 2014, having previously been Operating Partner and Co-Head of the Portfolio Support Group at the private equity firm Apax Partners, which he joined in 2009. Prior to this he built over 10 years' experience leading the finance function for three listed UK companies culminating as CFO for FTSE 100 company Invensys plc, the global technology-related business, from 2006 to 2009. Between 2004 and 2006 Steve was Group Finance Director for Spectris plc, the FTSE 250 precision instrumentation and controls company and from 1997 to 2003 he was with Marconi PLC, acting as CFO from 2001.

Resolution 8 relates to the re-election of Mr J Howell. Jonathan joined the Board on 15 May 2013 and became Chairman of the Audit & Risk Committee in November 2013. He is also a member of the Remuneration Committee. Jonathan is currently Group Finance Director of Close Brothers Group plc, joining in February 2008 and having previously held the same position at the London Stock Exchange Group plc since 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 Price Waterhouse where he qualified as a chartered accountant.

Resolution 9 relates to the election of Ms S Jiandani. Soni joined the Board on 28 February 2017 and is a member of the Nomination Committee. She is the former SVP Marketing of Cisco. During her 22 years at the company she was part of a team which was responsible for a number of successes and helped establish multi-billion dollar

revenue streams for the company in the Switching, Storage Networking and Server markets. She was also part of the teams that established start-ups which Cisco first funded and later acquired entering new adjacent markets and building successful businesses. Prior to joining Cisco, Soni was a marketing executive at UB Networks and prior to that she was with Excelan which was acquired by Novell.

Resolution 10 relates to the election of Ms C Keers. Cath joined the Board on 1 July 2017 and is a member of the Remuneration Committee. She started her retail career with Thorn EMI and, after marketing and business development roles at Sky TV, Avon and Next, joined the BT Group in 1996, holding a number of commercial roles, including Marketing Director O2, Chairman of Tesco Mobile and Customer Director O2. Cath is a non-executive director of the Royal Mail group, TalkTalk Telecom Group plc and Liverpool Victoria Friendly Society Limited (LV=) and is the Chairman of Ustwo digital product and games studio. She was a non-executive director of Home Retail Group Limited from September 2011 to September 2016.

Resolution 11 relates to the re-election of Mr S Kelly. Stephen became Chief Executive of Sage on 5 November 2014. He has over 30 years' leadership experience in the technology sector having led successful businesses in California, New York and Europe. Stephen is unique having served as Chief Executive Officer of two high growth, US & UK public companies NASDAQ listed Chordiant Software, Inc. from 2001 to 2005 and London Stock Exchange listed Micro Focus International plc. from 2006 to 2010, where the company achieved a 7-fold increase in market value over the 4 years. In 2012 he was appointed Chief Operating Officer for the UK Government. Stephen was the most senior Executive responsible for the UK Government's Efficiency & Reform Program Digital, Commercial, IT, Major Projects and SME strategies. The program improved services to UK citizens whilst saving the UK taxpayer over £14bn in 13/14 (compared with 2010 base year). Stephen has a passion for Small & Medium Businesses and acted as an angel investor for multiple start-ups.

Further biographical details of all directors are set out on pages 64 and 65 of the Annual Report & Accounts 2017.

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 election of Mmes Jiandani and Keers and Mr Crump and the re-election of Messrs Brydon, Berkett, Hall, Hare, Howell and Kelly. The Board believes that the skills and experience of each director, as outlined in their biography, will be of benefit to the Board and the Company. In particular, the new appointees have been selected for their depth and breadth of understanding in the areas of technology and product marketing, which were identified by the Board as being of strategic importance. All the directors standing for re-election 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 to their roles and recommends their re-election. Mr Hall, in his role as Senior Independent Director, also confirms Mr Brydon's continuing commitment and effective contribution in his role as Chairman.

Resolutions 12 and 13 relate to the re-appointment of the auditors and determination of their remuneration. Resolution 12 is proposed to approve the re-appointment of Ernst & Young LLP, following the recommendation of the Audit and Risk Committee. Resolution 13 authorises the Audit and Risk Committee to determine the auditors' remuneration. Further details of the external audit are set out on pages 80 and 81 of the Annual Report & Accounts 2017.

Explanatory notes continued

Resolution 14 is to approve the Directors' remuneration report (excluding the Directors' remuneration policy on pages 89 to 91 of the Annual Report & Accounts 2017) as set out on pages 84 to 103 of the Annual Report & Accounts 2017.

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 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 2019.

Paragraph (a)(i) of resolution 15 will allow the directors to allot ordinary shares up to an aggregate maximum nominal amount of £3,794,087 (representing approximately 33.3% of the nominal value of the Company's issued share capital, excluding shares held in treasury, on 1 December 2017, 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 £7,588,173 (representing approximately 66.6% of the Company's existing issued share capital, excluding shares held in treasury, on 1 December 2017, 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 1 December 2017, the latest practicable date prior to the publication of this document, the Company holds 38,503,265 shares in treasury and Employee Benefit Trust, which represents approximately 3.4% of the total ordinary share capital in issue.

Resolution 16 will allow the directors to allot equity securities for cash without first being required to offer such shares to existing 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 2019. 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 £569,683 (representing approximately 5% of the issued ordinary share capital of the Company, excluding shares held in treasury, on 1 December 2017, 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 most recent Statement of Principles, and its template resolutions published in May 2016, and may, if considered appropriate, seek authority by way of an additional resolution at future Annual General Meetings to issue shares for cash on a non pre-emptive basis up to an amount equal to a further 5% of the issued share capital of the Company, provided that such additional authority is used only in accordance with the Pre-Emption Group's Statement of Principles.

This resolution will be proposed as a special resolution.

Resolution 17 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 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 an ordinary share on the trading venue where the purchase is carried out, 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 108,310,042 shares which is equivalent to approximately 10% of the Company's issued share capital, excluding shares held in treasury, as at 1 December 2017, 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 2019 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 17, 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 2017, the Company did not purchase any of its own shares. In the period from 1 October 2017 to 1 December 2017 (being the latest practicable date prior to the publication of this document), 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 1 December 2017 (being the latest practicable date prior to the publication of this document) was 9,780,171. The proportion of issued share capital, excluding shares held in treasury, that they represented at that time was 0.90% and the proportion of issued

Explanatory notes continued

share capital that they will represent if the full authority to purchase shares, existing and being sought, is used is 0.89%.

This resolution will be proposed as a special resolution.

Resolution 18 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 2017. 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 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.

This resolution will be proposed as a special resolution.

Resolution 19 is to approve certain amendments to The Sage Group plc 2017 Share Option Plan (the "**2017 SOP**"). The 2017 SOP was adopted by the Board in the summer of 2017 at the same time as the acquisition of Intacct Corporation to allow Intacct employees to exchange the share options that they held under Intacct's legacy share option plan for equivalent awards over shares in the Company. The Board's current intention is to limit the use of the 2017 SOP to Intacct employees although if appropriate it may expand its use to a wider group of below Board employees.

Shareholder approval is now being sought for the 2017 SOP for two principal reasons:

1. In order to allow the Company to grant awards to employees in the United States that benefit from the Incentive Stock Option regime (which is approved by the IRS), the 2017 SOP must be approved by shareholders; and
2. Without shareholder approval, the Company may only satisfy options granted under the 2017 SOP with shares that the Company's employee benefit trust has purchased in the market. The Board believes that it is in the best interests of shareholders that the Board should have the flexibility to satisfy awards by either issuing new shares or transferring shares from treasury, as well as using "market purchase shares", depending on the particular requirements of the business.

A summary of the principal terms of the 2017 SOP is set out in Schedule A to this notice.

Resolution 20 Californian securities law states that shareholder approval is needed for plans under which Californian employees may be offered shares in the Company. Resolution 20 therefore proposes that a new schedule to the Sage Group Restricted Share Plan be established, providing for awards to be granted under that plan to eligible employees resident in California ("**Award(s)**"). No changes are being contemplated to the Sage Group Restricted Share Plan. A summary of the principal terms of the Californian Plan is set out in Schedule B to this notice.

Recommendation

The directors believe that the proposals in all resolutions to be put to the meeting 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

V Bradin
Secretary

11 December 2017

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 10.30am on 26 February 2018. 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. 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 10.30am on 26 February 2018. 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 (excluding public holidays in England and Wales).
- (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 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) Copies of the The Sage Group plc 2017 Share Option Plan and the Sage Group Restricted Share Plan including its Californian Operations related schedule will be available for inspection at the offices of Deloitte LLP, Company Secretarial Department, 2 New Street Square, EC4A 3BZ during normal business hours on any weekday (public holidays excepted) from the date of this notice until the close of the Annual General Meeting and will be available at the Annual General Meeting (for at least 15 minutes prior to and during the meeting).
- (vii) Only those members registered in the register of members of the Company as at 6.30pm on 26 February 2018 or, in the event that this meeting is adjourned, in the register of members as at 6.30pm 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 6.30pm on 26 February 2018 or, in the event that this meeting is adjourned, in the register of members after 6.30pm 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.
- (viii) 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.
- (ix) 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.
- (x) 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.
- (xi) As at 1 December 2017 (being the last practicable date prior to the publication of this document) the Company's issued share capital consists of 1,120,704,595 ordinary shares, carrying one vote each, of which 38,503,265 are held in treasury and 899,088 are held in an Employee Benefit Trust. Therefore, the total exercisable voting rights in the Company as at 1 December 2017 are 1,081,302,242.
- (xii) 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.

Notes continued

- (xiii) 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.
- (xiv) 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.
- (xv) 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 16 January 2018, 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.
- (xvi) 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. 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.
- (xvii) 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 (excluding public holidays); 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.
- (xviii) 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.

SCHEDULE A

SUMMARY OF THE PRINCIPAL TERMS OF THE SAGE GROUP PLC 2017 SHARE OPTION PLAN

The Sage Group plc 2017 Share Option Plan (the "2017 SOP") is a discretionary share option plan which will be administered by the Board of Directors or a committee appointed by the Board, and references in this summary to the Board should be read accordingly.

Form of award

Awards granted under the 2017 SOP will be in the form of options ("Options") granted over ordinary shares in the Company ("Shares").

The exercise price per Share for an Option will normally be equal to the prevailing market value of a Share (as determined by the Board) on the grant of the Option.

However, where an Option is being granted in respect of incentive awards that the eligible employee has forfeited or exchanged as a consequence of the Company acquiring that eligible employee's employer (a "Rollover Option"), the Board may set the exercise price of the Rollover Option at a discount to reflect the inherent gain in the original incentive award. When the Board decides to grant Rollover Options, it may grant the Options on terms that replicate the terms of the original incentive award.

As an alternative to granting an Option, the Board may grant a right to a cash amount relating to the value of a number of notional Shares (a "Cash Option"). References to Shares in this summary includes notional shares to which a Cash Option relates.

Eligibility

It is intended that any employee of the Company or any of its subsidiaries will be technically eligible to participate in the 2017 SOP at the discretion of the Board.

It is not the current intention of the Board that executive directors of the Company will be granted Options and in any event Options could only be granted to executive directors of the Company if the Company's shareholder-approved directors' remuneration policy authorised the grant of Options to executive directors of the Company. The current directors' remuneration policy does not allow for the grant of Options to the current executive directors.

Tax-qualifying Options

Options granted under the 2017 SOP may include Options which are intended to satisfy the requirements of section 422 of the US Internal Revenue Code (known as the Incentive Stock Option or "ISO" regime), as amended from time to time ("ISO Options"). The provisions of the 2017 SOP as summarised in this Schedule A apply equally to ISO Options other than where required by the applicable tax legislation.

Grant of Options

Ordinarily Options may only be granted within the six week period following announcement of the Company's results for any period, the approval of the 2017 SOP by shareholders or the Company's admission to trading on a stock exchange. However, the Board may grant Options at other times in exceptional circumstances. If Options cannot be granted in any of these periods due to regulatory restrictions, they may be granted within the six week period following the lifting of the restriction.

Individual limit

A participant may not be granted an Option (other than an Option granted to facilitate the recruitment of the participant (a "Recruitment Option") or a Rollover Option) in respect of any financial year of the Company over Shares with a market value (as determined by the Board) in excess of 300% of his annual base salary.

In addition, to comply with US tax laws, the 2017 SOP also contains a limit that a participant may not be granted an Option over more than 50 million Shares in respect of a financial year of the Company.

Overall limits

Until the 2017 SOP is approved by shareholders, Options may only be satisfied with Shares purchased in the market. Following shareholder approval, Options may be granted over newly issued Shares, treasury Shares or Shares purchased in the market.

In any 10 year period, the number of Shares which may be issued under the 2017 SOP and under any other employee share plan adopted by the Company may not exceed 10 per cent. of the issued ordinary share capital of the Company from time to time.

Also, in any 10 year period, the number of Shares which may be issued under the 2017 SOP and under any other discretionary employee share plan adopted by the Company may not exceed five per cent. of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise. However, Shares issued to satisfy awards granted prior to the Company's admission to trading on the London Stock Exchange will not count towards these limits.

In addition, to comply with US tax laws, the 2017 SOP also contains a limit that no more than 50 million Shares may be used to satisfy Options granted to eligible employees who are US taxpayers.

Performance conditions

Unless the Board determines otherwise, Options will be subject to the satisfaction of a performance condition which will determine the proportion (if any) of the Option that will vest. The period over which any performance conditions will be assessed will be, unless the Board determines otherwise, at least three years in length.

A performance condition may be amended or substituted if an event occurs which causes the Board to consider an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy.

Vesting and exercise

Options subject to a performance condition will normally vest as soon as practicable following the end of the performance period to the extent that the performance condition has been satisfied. Options not subject to a performance condition will usually vest on the third anniversary of the grant date (or on such other date as the Board determines). Alternatively, Options may be granted (with or without performance conditions) in tranches so that different tranches of Shares subject to the Option vest on different dates. To the extent that Options vest, they are then normally exercisable until the tenth anniversary of the grant date, or such earlier date as the Board determines).

Settlement of Options

Before Shares have been delivered, the Board may decide to pay a cash amount equal to the value of some or all of the Shares the participant would otherwise have received less the exercise price otherwise payable.

Alternatively, the Board may settle the exercise of an Option by delivering to the participant for nil cost a reduced number of Shares. The Shares delivered would have a market value (as determined by the Board) at the date of exercise equal to the amount by which the market value (as so determined) of the Shares in respect of which the Option is exercised exceeds the aggregate exercise price otherwise payable.

SCHEDULE A continued

Malus and clawback

In the event of a material misstatement of the Company's audited results, serious reputational damage or significant financial loss to a member of, or business unit in, the Company's group (the "Group"), the participant's gross misconduct or such other similar circumstances determined by the Board occurring within six years of the grant date, the Board may, prior to the sixth anniversary of the grant date:

- (i) Reduce the number of Shares subject to the Option or impose further conditions on the Option (if the Option has not been exercised); or
- (ii) Require the participant to repay some or all of the value he received on the exercise of his Option.

These malus and clawback provisions will not apply to Rollover Options unless the Board determines otherwise on grant.

Cessation of employment

Ordinarily, unvested Options will lapse on the date the participant ceases to hold office or employment with a member of the Group. However, if a participant ceases to hold office or employment because of his death or disability or for any other reason at the Board's discretion (a "Good Leaver"), any unvested Option he holds will usually vest as soon as practicable after cessation. However, other than in the case of death, the Board retains the discretion to allow the Option to continue and vest at the originally anticipated vesting date.

The extent to which an Option held by a Good Leaver vests will be determined by reference to the extent to which any performance condition has been satisfied (as determined by the Board in the event of vesting before the end of the original performance period).

If the Board determines it appropriate, the extent to which an Option vests will also be reduced to take account of the proportion of the performance period that has elapsed at the date of cessation (in the case of an Option subject to a performance condition) or the proportion of the period from grant to the originally anticipated vesting date that has elapsed at the date of cessation (in the case of an Option not subject to a performance condition). Where Rollover Options are granted, they may be time pro-rated by reference to the performance or vesting period that applied to the incentive award in respect of which the Option was granted.

To the extent an Option vests in these circumstances, it may normally be exercised for a period of six months (12 months in the event of death) from the date of vesting. ISO Options will normally be exercisable for 3 months from the date of vesting (12 months in the case of death or disability).

If a participant ceases to hold office or employment while holding a vested Option, that Option (unless cessation is due to summary dismissal, in which case it will lapse on cessation) may normally be exercised for a period of six months (12 months in the event of death, and for ISO Options only, disability) from the date of cessation.

In relation to Rollover Options only, for the purposes of the above "leaver" rules, providing services as a consultant to a member of the Group counts as holding office or employment with a member of the Group, unless the Board determines otherwise at the time of grant.

Corporate events

In the event of a takeover of the Company, unvested Options will vest at that time.

In these circumstances, unvested Options will vest to the extent determined by the Board, taking into account the extent to which any performance condition has been satisfied (as determined by the Board based on all factors it considers appropriate) and, if the Board determines it appropriate, the proportion of the performance period

(or vesting period in the case of an Option that is not subject to a performance condition) that has elapsed. Where Rollover Options are granted, they may be time pro-rated by reference to the performance or vesting period that applied to the incentive award in respect of which the Option was granted.

If other events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Board, may materially affect the current or future value of Shares and the Board determines that it is not appropriate or practicable to adjust Options, the Board may determine that Options will vest on the same basis as in the event of a change of control.

To the extent that an Option vests, the Board will determine the length of time during which that Option (and any vested Option) may be exercised.

Alternatively, the Board may, with the consent of the acquirer, permit or require Options to be exchanged for equivalent awards in the acquiring company (or some other company).

Adjustment of Options

In the event of a variation of the Company's share capital, 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 number of Shares subject to an Option, any exercise price and/or any performance condition attaching to an Option and the overall and individual limits on the number of Shares that may be made subject to an Option required by US tax laws may be adjusted.

Amendment and termination of the 2017 SOP

The Board may at any time amend the rules of the 2017 SOP or the terms of any Option.

However, following the approval of the 2017 SOP by shareholders, the approval of the Company's shareholders in a general meeting will be required for any 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 or cash comprised in an Option and the impact of any variation of the Company's share capital to become effective.

Nevertheless, any minor amendment 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.

The 2017 SOP will usually terminate on 25 July 2027 (the tenth anniversary of its adoption by the Board) but the rights of existing participants will not be affected by any termination.

Rights relating to the Options

Options are not transferable (other than on death). No payment will be required for the grant of an Option. Options will not form part of pensionable earnings.

SCHEDULE B

The Californian Operations schedule to the Sage Group Restricted Share Plan: Summary of terms

Operation

The Remuneration Committee (the "Committee") will supervise the operation of the Californian Plan in respect of the employees of the Company.

Eligible employees

Any Californian resident employee of the Company, or any of its US subsidiaries, is eligible to participate in the Californian Plan, subject to the discretion of the Committee. Non-executive and Executive directors of the Company are not eligible to participate in the Californian Plan. Awards will ordinarily be granted to executive directors and senior managers within the Group.

Grant and vesting of Awards

Awards may only be granted shares using purchased in the market and not by shares issued or transferred from treasury by the Company for this purpose.

Awards will be granted by the Committee in the form of conditional share awards.

An Award may be granted at any time that the Committee believes is appropriate, other than during a 'close period' as a result of the application of the EU Market Abuse Regulation.

Awards are not transferable (other than on death) and will lapse if the participant becomes bankrupt or attempts to transfer, mortgage, encumber or charge the Award.

The vesting of Awards will take place at the end of a "Restricted Period" determined by the Committee at the date of grant of an Award. Vesting is also subject to continued employment with the Company and the participant not being on notice of termination of employment with the Company (either given or received). Vesting is also not permitted during a prohibited period arising as a result of the application of the EU Market Abuse Regulation.

Dividend equivalents

Participants will receive an amount equal to the total dividends paid or payable in respect of vested Award shares, by reference to record dates from the date of grant until vesting. Payment may be made in cash or shares.

Individual limit

The aggregate market value of shares subject to Awards granted to an eligible employee under the Californian Plan in any year will not exceed 300 per cent. of that person's annual salary (as at the date of grant). The Committee has discretion to exceed this limit, if it considers this appropriate.

Market value will be determined by reference to the Company's mid-market share price on the dealing day prior to the relevant date.

Vesting and Taxation

Vesting of Awards will be conditional upon the participant paying any taxes and employee social security contributions (or similar liabilities) due. Awards will be delivered as specified by the Committee in a manner that complies with the requirements of Section 409A of the US Treasury Code.

The shares in respect of which the Award has vested must be transferred to the participant as soon as practicable following vesting. Shares transferred on the vesting of Awards will rank *pari passu* with existing shares. Participants will have no shareholder rights prior to vesting.

Cessation of employment

Awards held by a 'good leaver' (i.e. someone whose employment is terminated by reason of death, ill-health, injury or disability, evidenced to the satisfaction of the Committee) will vest at the end of the Restricted Period, pro-rata to the time elapsed between the date of grant of the Award and the date of cessation of employment. The Committee also has discretion to permit vesting of good leavers' Awards on another basis, including full vesting immediately at the time employment ceases.

If a participant ceases employment in any circumstances other than the good leaver circumstances described above then all their Awards (vested and unvested) will lapse on such cessation unless and to the extent the Committee considers that there are exceptional circumstances which permit vesting of all or part of an Award on such terms it thinks fit.

Corporate events

If a change of control event occurs, such as a takeover, court sanctioned scheme of arrangement or voluntary winding up, an Award will vest, pro-rata to the time elapsed between the date of grant and the change of control event. The Committee has discretion to take into account any other factors it believes to be relevant in determining the extent to which an Award will vest. The Committee may therefore permit vesting on an alternative basis, including but not limited to, full vesting.

Variation of share capital

In the event of a variation of share capital such as a capitalisation issue or offer by way of rights subdivision, a consolidation or a reduction, or any other variation which the Committee believes justifies an adjustment to Awards, the number and/or nominal value of shares subject to an Award may be adjusted by the Committee (subject to confirmation from an appropriate independent professional that the adjustment is fair and reasonable).

Amendments

Amendments to the rules of the Californian Plan may be made at the discretion of the Board or the Committee. No amendment will be made which would adversely and materially affect the existing rights of a participant unless it is made with the participant's written consent or with the written consent of a majority of the participants affected by the amendment.

General

Awards and any other rights granted pursuant to the Californian Plan are non-pensionable.

Note: This Schedule B summarises the main features of the Californian Plan, but does not form part of it, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules of the Californian Plan.

The directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules of the Californian Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Schedule B.