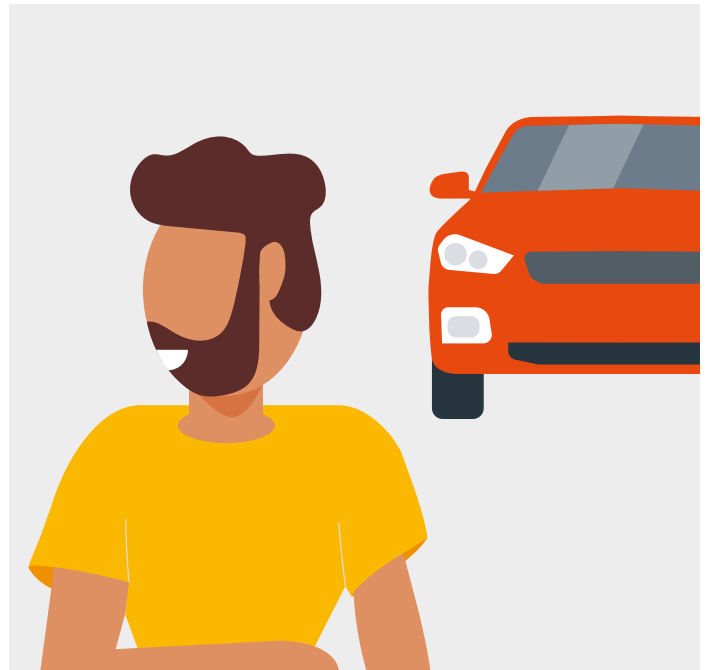


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## Sabre Insurance Group plc

Annual Report and Accounts 2020



SABRE INSURANCE GROUP PLC

We are a private motor insurer based in the UK, with a track record of market-leading underwriting performance and a diverse, multi-channel distribution strategy.

# We have delivered a resilient performance in a challenging year and are well positioned as we move through 2021.

HIGHLIGHTS

£173.2m

Gross written premium

£39.8m

Adjusted profit after tax

75.3%

Combined operating ratio

203%

Pre-dividend solvency coverage ratio

155%

Post-dividend solvency coverage ratio

16.0p

Dividend per share (excluding deferred 2019 special dividend)

KNOWLEDGE AND EXPERIENCE

An experienced senior leadership team supported by an expert and committed management group, delivering a track record of market-leading underwriting profitability.

**Our team**

The Group employs a team of c.160 individuals operating from a single owned site in Dorking, Surrey, supported by third party providers performing selected outsourced functions. The Group benefits from a claims team of over 75 employees with more than 600 years of collective experience.

**Flexibility**

Our streamlined operating model gives us flexibility in our business. We outsource certain areas where we can leverage partners' size, scale and expertise. This means we also benefit from a flexible pool of resources.

**Long-term growth**

The Group allows its gross written premium to increase or decrease in the short-term as market conditions allow, while achieving growth over the long-term, across the motor insurance cycle.

Our primary focus is maintaining our profitability, but we also anticipate growth across the insurance cycle. We believe that volume should be an output of disciplined profitable underwriting, and not a target.



>600

Years' combined experience in the claims team

c.281k

In-force policies

160

Employees

We have been able to support both staff and customers alike through this difficult period. This, along with the outstanding commitment of our colleagues and the agility of our business model, makes us confident in our future prospects and that we will be able to continue delivering good financial results, whilst being well positioned for growth at the right time.

**Read more** on performance in our Q&A with Geoff Carter, Chief Executive Officer, on page 06



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## What our leadership says

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## Our performance

**Key performance indicators** Page 18

## How to navigate the annual financial statements

The format of the annual financial statements for 2020 has been revised and is not consistent with that of 2019. For more information on these presentational differences, refer to Note 1.1 of the financial statements on page 103.

### Primary statements

The primary statements are included at the beginning of the annual financial statements and include note references to underlying detailed notes.

### Notes to the financial statements

The notes to the financial statements consist of insurance-specific, financial instrument-specific and risk management notes first followed by less significant notes thereafter.

### ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated and Company financial statements are included in the specific notes to which they relate and indicated with a blue border and headings on a white background.

### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and Company financial statements, are included in the specific notes to which they relate and are indicated with a red border and headings on a white background.

# Generating reliable returns for shareholders

Sabre possesses a number of competitive strengths which have enabled the Group to establish a track record of market-leading underwriting performance, controlled and attractive long-term growth and reliable cash generation.



**We focus on generating sustainable, long-term profitability through:**

**Disciplined** underwriting, targeting a combined operating ratio between 70-80%, so we know that, on average, every policy will generate profits, increasing the amount of capital available

**Seeking** growth only when market conditions are suitable, and never chasing increases in our top line at the expense of profitability

**Maintaining** efficient and cost-effective operations, with a strong weighting towards variable costs, which avoids the need to chase volume in order to feed our cost base

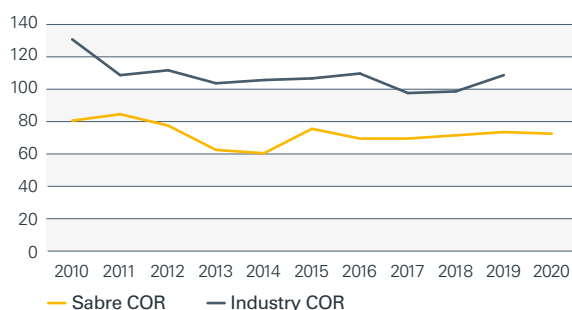
**Running** a diverse multi-channel distribution model, which does not rely on the strength of any one particular brand or retail pricing model, but which ensures our product is offered to the widest possible customer base

All of this means that we have achieved a...

### Historically market-beating Combined Operating Ratio

Driving the Group's consistent returns is the focus on high-quality underwriting and delivering consistent, industry-beating combined operating ratios, which represent claims and operating expenses as a proportion of our premium (so the lower this is, the more profitable the business).

Combined ratio over time (%)



**READ MORE:**  
Chief Executive  
Officer's review  
**10** →

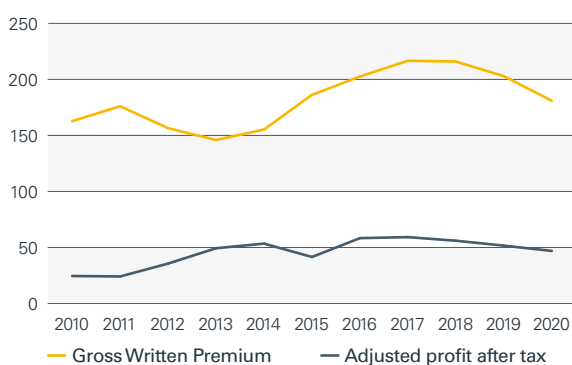
Which leads to...

### Continued profitability

Sabre has operated its core strategy for over 18 years, which has resulted in consistent and growing profitability over the long term.

Profit has shown some fluctuations, but due to the resilience of Sabre's business model and our relentless focus on sustainable profitability we have avoided more severe volatility regardless of market conditions.

Premium and profit over time (£'m)



**READ MORE:**  
Our business  
model  
**16** →

**The Group's focus on long-term profitability is supported by a tight control on risk and efficient use of capital. We manage risk through:**

**Prudent** use of reinsurance, which limits the amount Sabre has to pay on any one claim and reduces the capital required to be held by the business

**Operating** a low-risk investment portfolio, the primary purpose of which is to provide capital to support underwriting operations, rather than generating investment returns

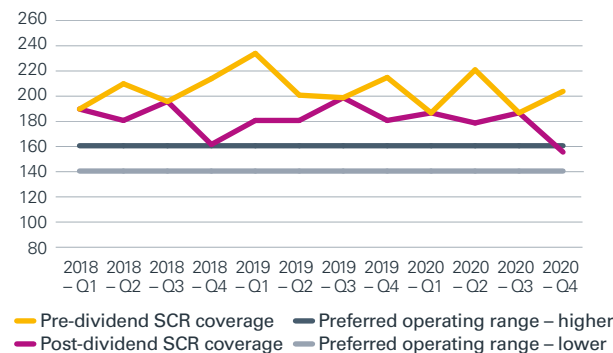
**Consistent** reserving for the cost of claims, to limit the risk of unexpected reserve increases

All of which means that we have maintained a...

**Robust capital position**

In order to ensure resilience of the business under most reasonably foreseeable scenarios, the Group holds significant excess capital. We have set a floor at 140% of our Solvency Capital Requirement (being the level of net assets we are required to hold under the UK's solvency regime), although we tend to operate well in excess of this, allowing maximum operational flexibility and consistent returns to shareholders.

Solvency coverage ratio over time (%)



**READ MORE:**  
Risk Committee report  
**58** →

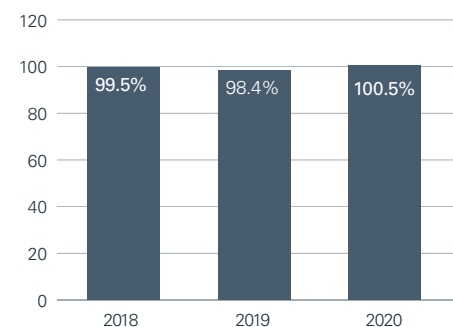
Our focus on the combined operating ratio, prudent risk management a robust capital position allows us to provide ongoing value to shareholders through a...

**Reliable dividend flow**

Sabre's core business is fundamentally capital generative. Some capital is used to fund future growth, with the majority of capital generated being returned to shareholders by way of an ordinary and special dividend. Since IPO, the Group's dividend payout ratio has remained above 98%\* of profit after tax.

\*Including the deferred 2019 special dividend as a distribution in respect of the 2019 result.

Dividend payout ratio (%)



**READ MORE:**  
Principal risks and uncertainties  
**20** →

## Strength into the future

Our technology-focused approach to providing insurance enables us to work alongside or compete with emerging players in the insurance market. We employ all of the following:

- Automated underwriting
- State of the art risk pricing
- Machine learning-enabled data lake
- Industry-leading data enrichment
- Use of Artificial Intelligence throughout the business
- Lightning-fast quote speeds
- Use of Application Programming Interface (“API”) links to specialist data websites
- Operating a scalable platform for growth

We hold a small share of a large market, providing plenty of opportunity to grow when conditions allow.

Sabre’s core model, maintaining strong operating margins against a background of changeable market conditions, allows the Group to grow strongly when market conditions allow, and limit volatility when market conditions are poor. The UK motor insurance market has historically shown cyclical, with periods of low prices followed by significant upwards corrections to premiums. We expect that such market pricing corrections are overdue, and that when this happens there is opportunity for significant growth, as Sabre will not need to apply significant price increases in-line with the market.

Beyond our core operations, we continue to investigate the value of engaging in the provision of adjacent lines of business, which if suitable could further underpin the consistency of returns and lead to further growth in the business.

We see four pillars driving our potential for growth in the future:

## Organic growth

1

### Optimising opportunities in our existing core book and exploiting our competitive edge

- This will remain the bedrock of our business, and we will continue to focus primarily on maintaining a combined operating ratio in our target range and allowing volumes to flex
- We have developed and have started to deploy state of the art web-based infrastructure which allows for integration into non-traditional systems; enhanced customer and broker self-service and fast/efficient/cost-effective product tests and launches
- This has been fully funded from existing resources and we expect to start to benefit from 2022
- We continue to see opportunities to further develop our sophisticated rating approach and work with InsurTech partners. We believe that the expected systemic increase in market pricing (the market ‘turn’) will be supportive of, and underpin, growth in the foreseeable future

2

### Product expansion, launching product variants or adjacent products

- We anticipate reviewing and potentially launching one or two new adjacent products each year over the medium term
- Any product launches will utilise our same pricing, claims handling and operational approach
- It is anticipated product launches would be into underserved or non-standard areas and will continue to target higher margin business

## Opportunistic growth

3

### Semi-organic growth, through importing teams or individuals with skills in complementary areas

- Where we identify attractive market opportunities, but feel we lack expertise, we will consider recruiting individuals or small teams
- May also work with limited ‘managing general agent’ (MGA) opportunities or InsurTech approaches, but only where we can exercise control of underwriting and pricing

4

### Acquisitions, where we see good value opportunities in areas that would complement our existing operations, bringing differentiated expertise

- We will remain very cautious in our approach here
- We guard our capital jealously
- Any potential acquisition would need to be low risk, complementary to our existing business, avoid undue distraction and be good value

We have an increasing focus on medium-term growth options but will not allow this to detract our attention from our core business or ability to generate a reliable flow of dividends.

# Throughout a challenging year, the wellbeing of our colleagues and customers has been our number one priority

**ANDY POMFRET**  
Chair



£39.8m

**Adjusted profit after tax**



**READ MORE:**  
Governance Report  
page 44

## Introduction

This is my first statement as the Chair of Sabre, although I have been on the Board for three years as a Non-executive Director. To say the least, it has been an interesting year to take on this role, when the whole year has been dominated by the COVID-19 pandemic. This has obviously affected everybody in the country (and indeed the wider world), and Sabre has responded by ensuring that staff can work from home and are able to maintain the levels of service that we believe are so important to the success of the business. Our primary concern during a difficult 2020 has been the wellbeing of our customers, staff and other stakeholders. When we wrote the commentary for our 2019 report and accounts none of us really believed that the COVID-19 pandemic would still be dominating the news now. So 2021 is starting with continuing disruption, although we are all hopeful that the vaccination programme will allow the return of some sort of normality later in the year.

I want to record my thanks to Patrick Snowball who, as Chair, successfully steered the Company through the IPO in 2017. He recruited me onto the Board as the Senior Independent Director in early 2018. He built a board at the time of the flotation that has worked successfully with the management team as the Company floated and became part of the FTSE 250 index. We all benefited from his huge experience and guidance and I believe he has left the Company ideally

positioned for the challenges that lie ahead. We all wish Patrick well in the future.

As this is my first statement as Chair I thought it may be useful to outline my own background. My last executive role was as the Chief Executive Officer of Rathbones for ten years (prior to that I was their CFO for five years). Rathbones is a quoted FTSE 250 investment management business which also has a banking licence. This executive experience gave me a good understanding of the issues that confront our CFO and Chief Executive Officer on a daily basis. My insurance experience has principally come from my non-executive roles where I was the Senior Independent Director and Audit Committee Chair for Beazley plc (a FTSE 250 insurance business) from 2003 until 2011. I currently act as a Non-executive Director or Chair of a number of other quoted and private businesses (full details are shown on page 48) however, having taken on the Chairmanship of Sabre, I will be standing down from two of these roles in the near future.

## Strategy

I believe Sabre's strategy is very clear and is explained in some detail on pages 14 and 15. Essentially, we use the skills and data that have been built up over many years to try to accurately price risks in the UK motor market. This disciplined pricing strategy leads to volumes going up and down in line with the insurance cycle and we have always made it very clear that gross written premium is not a figure that we target, rather it is an output



“We constantly look at how we can enhance the data that we use and the way we use it to price risks more accurately and to ensure that we remain profitable in what is a very competitive market in the UK.”



from our approach to pricing. There are no plans to change this approach, although we constantly look at how we can enhance the data that we use and the way we use it to price risks more accurately and to ensure that we remain profitable in what is a very competitive market in the UK. We are also looking at ways in which we can use our skill set in adjacent sectors of the market.

#### Dividends

As a result of this disciplined approach the Company has maintained a very substantial dividend pay-out since flotation with a policy to return 70% of profits to shareholders every year and, in addition, to return (by way of a special dividend) any further capital that we believe is in excess of that needed to keep our regulatory capital within our preferred range of 140-160%. This has meant that in 2019 and 2020 the yield on our shares has been 6.2% and 6.4% respectively, taking the total dividend paid over the average daily closing price across each year.

#### COVID-19

As a board we have all been impressed and reassured by the way the management have been able to adapt the working practices in the Company to cope with the pandemic; considerably more detail is given about this in the Chief Executive Officer's report but I would like to add my personal thanks to the management and all the staff who have coped so well with working from home. Given the current situation it looks as though working

from home may continue for some time yet. Looking back at 2020, the first lockdown in March led to a very substantial reduction in traffic and therefore a reduction in claims. Subsequent lockdowns have had a slightly reduced impact and traffic levels have returned to around 90% of "normal" pre-pandemic levels. As the Chief Executive Officer's report indicates, the various lockdowns have led to a dramatic decrease in the sale of new cars and new drivers entering the market which are two of the main drivers of people looking for new insurance. It is therefore very hard to predict how this will develop in 2021.

#### Brexit

No report covering 2020 would be complete without some mention of Brexit which, prior to the pandemic, was the issue dominating the domestic news. The deal that was finally done in the dying days of 2020 will, I'm sure, prove to be better than no deal at all, but there will be impacts, particularly on the availability of parts to undertake repairs and therefore we anticipate claims inflation will continue to be a significant factor during 2021. It is something the Board will be watching closely, and we expect that at some stage we will see the industry increasing prices to cover these inflationary costs.

#### Results

Turning to the results for 2020, they demonstrate the resilience of our strategy in a very difficult marketplace where the flow of information was changing throughout the year.

Profit after tax for the year was £39.8m, with gross written premium of £173.2m and a pre-dividend solvency capital ratio of 203%, which has allowed us to declare a final dividend for the year of 11.7p per share.

#### The Board

During the second half of the year the Board appointed two new Non-executive Directors. In September we welcomed Michael Koller who brings great experience and additional actuarial skills to the Board. In December we appointed Karen Geary who has substantial HR experience in a number of "tech" companies which we believe will be very useful to Sabre. We look forward to working with our new colleagues, hopefully on a face to face basis, during 2021.

Finally, I would like to reiterate my thanks to our staff, customers, suppliers, management and other stakeholders who have steered a course through one of the most challenging years I can remember. Let us hope that 2021 returns to some form of normality, and we can all concentrate on developing the business for the benefit of them, and our shareholders.

#### ANDY POMFRET

Chair

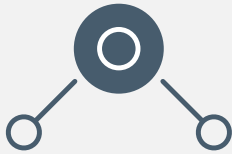
15 March 2021

## Underlying Market Conditions

At Sabre we live the UK motor insurance market every day, and knowledge of the underlying market is crucial to our success.

The market continues to undergo a great deal of change, across regulation, pricing, technology and distribution. Early recognition of negative trends and proactive corrective actions, and a cautious approach to potentially positive news, is at the heart of our prudent way of doing business.

### Cyclicality in the UK Motor Insurance Market



The UK private motor insurance market has historically exhibited pricing cyclicality driven by competitive dynamics, as well as social, economic and regulatory factors.

In times of lower competitive intensity, price levels tend to rise. However, pricing increases typically enhance industry profitability, resulting in industry participants reducing prices to increase volumes, and new entrants joining the market.

This increased competition can cause prices to fall, which can reduce underwriting profitability across the industry and may in turn lead market participants to reduce volumes or seek to exit the market, reducing competitive intensity and leading to prices rising again.

The pricing cycle can also be impacted by regulatory change, such as pricing intervention or restrictions on claimant activity.

### Current market conditions



Over the past three years, average insurance premiums across the market have decreased by approximately 5.6% across the period, whereas the underlying cost of claims has increased by around 7.5% to 8.0% per year. Because of this, we consider the market to be “soft” – we believe most policies currently sold by our competitors are under-priced. Historically, pricing has corrected following “soft” periods, creating “hard” market conditions.

As we increase our prices to cover our costs regardless of market prices, we have in the past not needed to adjust our prices upwards when the market hardens. As such, we have ceased growth or shrunk slightly under soft market conditions, and grown strongly when market conditions harden.

This is core to our strategy. As the gap between premium pricing and the costs of servicing policies increases, we expect the potential pricing correction to become more substantial.

### Drivers of cost inflation



Costs across the motor insurance industry continue to rise due to increases in:

- The costs of car parts
- The costs of hire vehicles
- Care costs for seriously injured people
- The frequency of thefts, and the value of vehicles stolen
- Industry levies, such as that paid to the Motor Insurance Bureau and into the Financial Services Compensation Scheme

- Care cost inflation, which is largely driven by wage inflation for care workers, could rise significantly as the potential pool of care staff from the EU decreases
- Whiplash reforms, due to be enacted on 31 May 2021 could have an inflationary or deflationary impact on costs
- We expect industry levies to continue to rise in-line with increases in the expected costs of compensating the victims of uninsured drivers

#### Will cost inflation increase or decrease?

It is impossible to project exactly how cost inflation will develop, however, we have identified several factors which will impact future costs.

- There is strong indication the costs of car parts will continue to rise
- The cost of hire vehicles is impacted by the time taken to carry out repairs. If parts availability reduces, costs could rise

#### What does cost inflation mean for Sabre?

Cost inflation is factored into our policy pricing – we charge an amount based on what we expect to pay out on the policy over the period of that policy (generally 12 months), factoring in this inflation. As all of the inflationary factors are market-wide, we expect that market price increases will reflect this inflation, but as discussed earlier, this is likely to come in “jumps” as the market turns from “soft” to “hard”.

# £13bn

**Value of the UK private motor insurance market**

# 27.5m

**Number of policies in 2020**

## Current Market Issues

### COVID-19

The outbreak of COVID-19 in Q1 of 2020 had a significant impact on all areas of life in the UK. For Sabre, the highest priority throughout was to ensure the wellbeing of our employees and customers, recognising the challenging circumstances faced by many.

#### Operational impact

When restrictions were first introduced, we immediately made provisions for all of our employees to work from home, unless it was absolutely necessary for them to come into the office. People used either their own hardware or were issued with computers, which allowed them to work remotely and securely. The office was adapted as a COVID-secure environment, which allowed small numbers of staff to return to the office on a voluntary basis, if they were unable to work from home. The cost of switching to a remote working environment was negligible. All staff were retained on full pay and no advantage was taken of any of the UK Government assistance schemes.

#### Business impact

The change in customer behaviour resulting from the restrictions had a severe, temporary impact on both:

- The income generated by the Group
- The costs of claims incurred by policyholders

Sabre tends to benefit from potential customers shopping around for the best deal following a change in circumstances, for example following the purchase of a new car or starting driving lessons. Restrictions on the ability to buy new cars, learning to drive or other lifestyle changes led to a significant, temporary reduction in the new business written by the Group. Also, heavy discounts offered by competitors on the basis that the costs of claims may be significantly lower reduced our competitiveness in the market. As a result, at the height of the first lockdown, weekly premiums were down by up to 40%.

The cost of claims was reduced during the period of lockdown, primarily due to fewer journeys being made by customers. Once we had collected sufficient data, we responded by reducing our prices to reflect the revised expected cost of providing cover. As such, we have attempted to maintain consistent margins throughout the pandemic. Whilst we have seen some short-term benefit to loss ratios, the fully-developed claims costs are not yet clear, and may not be for some time.

The net effect of the above is that while premium has reduced, a decrease in the cost of claims means that profitability has been largely preserved. We expect that the medium-term impact of the pandemic on the insurance market is that the switch of the UK motor insurance market from “soft” to “hard” may have been delayed by at least one year.

#### Financial impact

There has been very little impact of the pandemic on Sabre’s balance sheet or core solvency. Throughout, target margins have been maintained on policies written, which means that additional capital has continued to be generated by the business’s core operations. The investment portfolio remains extremely low risk, with zero exposure to equities, which means that capital strain caused by the economic recession and turbulence in the investment markets has been minimal. Continued reductions in the yields on low-risk bonds has impacted our ability to generate a return on our investment portfolio, however the core objective of the portfolio remains to maintain value, rather than generate income.

## Brexit

The transition period following the UK’s exit from the European Union ended on 31 December 2020. As expected, we have seen no immediate disruption to our business or our supply chain as a result of this, although we continue to monitor the potential inflationary impact on costs. We consider it likely that the reduction in the ease with which parts can be acquired from the European Union will lead to some cost inflation, either directly or through an increase in the time taken to obtain parts which can increase credit hire costs. We also remain cautious about the potential increase in care costs, which are a significant factor in the cost of settling personal injury claims.

#### READ MORE:

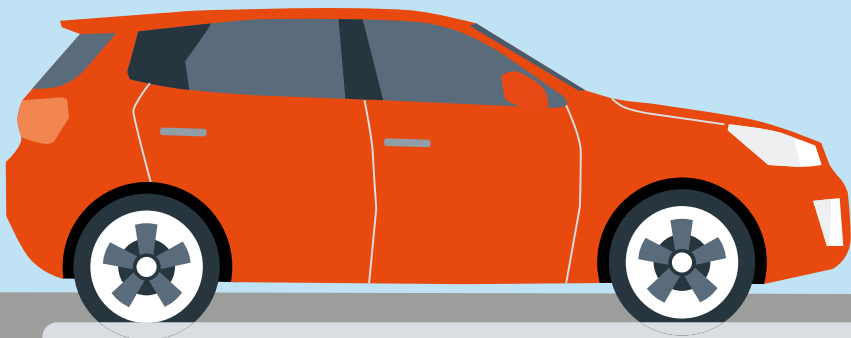
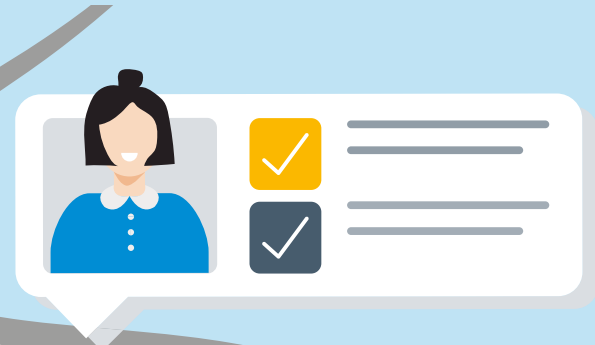
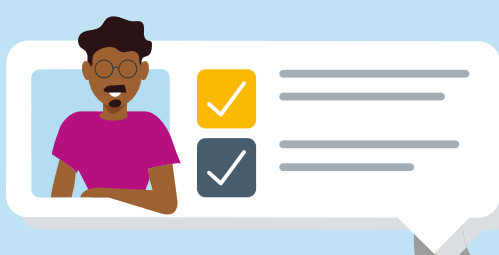
**How it affected our strategy:**  
Chief Executive Officer’s Review  
**10** ➔

**How we looked after our employees:**  
Corporate social responsibility  
**39** ➔

**How our finances were impacted by the pandemic:**  
Chief Financial Officer’s review  
**35** ➔

“The outstanding commitment of our colleagues has allowed Sabre to cope well with the recent turbulence”

**GEOFF CARTER**





## **INTERVIEW:**

**Geoff Carter**, *Chief Executive Officer*, reflects on a turbulent 2020 but how, with the dedication and flexibility of the Sabre staff, the business is set to emerge stronger.



### **If you had to summarise, how did 2020 go as a year?**

In last year's report and accounts I think I described 2019 as the most turbulent year I could recall for motor insurance – in retrospect I think I spoke too soon!

In our results session last year I said I didn't want to make all our commentary about the COVID-19 pandemic – sadly in many respects that was a rather ambitious comment as it turned out. COVID-19 has had an impact in almost all aspects of our operation, almost all year.

I'm saying that within the context of knowing that very many businesses, and certainly individuals, have had a much tougher time than us.

COVID-19 really has presented a colossal amount of unique and unprecedented challenges across new business volumes, claims spend development and of course how our staff were able to work. It is very likely many staff won't have been in the office for over 12 months from the start to end of this pandemic.

Having said that I'm really pleased with the way we have coped with the various challenges thrown at us. We've adapted our processes, we stayed very focused on our long-term strategy and I think the results we have produced are testament to the robustness of our strategy and our focus on executing it.

### **How did COVID-19 impact Sabre during 2020?**

The most obvious impact has been on our working processes. Following the announcement of the initial lockdown, we managed to get all our staff working from home within about 48 hours. The IT team did a fantastic job to reconfigure some kit which was due to be scrapped and allowed colleagues to take home work PCs and telephones. This gave everyone the ability to log remotely into our systems in an entirely

secure way via their home internet access. Colleagues did astonishingly well in adapting very quickly to this new way of working.

Aside from the operational challenges, our business model was also tested. Clearly traffic volumes have been well down at various times during the year with an obvious knock on impact to short-term claims frequency.

We were very thoughtful about the potential claims cost changes that might emerge from these changes in customer behaviour and as data became available, reflecting the likely lower claims costs in lower premiums for new and renewing customers. This, for us, seemed the most fair and logical way of supporting customers as well as ensuring the long-term success of the business.

This means at various points during the year we've reduced our prices substantially to reflect the likely reduced claims cost for policies written or renewed in that month, but underlying this we have ensured we fully covered claims and other cost inflation as we've gone through the year.

As you will see in our results, we have seen a short-term benefit in claims frequency leading to a slightly better than expected claims cost in this financial year. But we would caution that it may take some time for the full picture to emerge as legal firms and claims management companies start to revert to full operating efficiency and potentially present new claims.

The final significant area has been new business volumes. Sabre is a company that is at least partially dependent on "events" happening within people's lives, which prompts them to shop around for the best value insurance for their unique circumstances, which in turn drives our volumes. This could be the purchase of a new car, it could be a new young driver being added to a policy, a change of address or picking up some sort of conviction on their driving licence.



£39.8m

**Adjusted profit after tax**

£173.2m

**Gross written premium**

All of these issues drive people back into the market to compare prices and potentially come to us where, with our unique data and understanding, we are able to price their policy most fairly. Clearly, during the first lockdown car sales effectively dried up, it was impossible to have driving lessons or take a driving test and we saw some really material impacts on our business volumes. In subsequent lockdowns we've seen similar impacts although at less significant levels. After the first lockdown we saw volumes rapidly rebound. I would expect there to be a similar result as the third lockdown eases.

Unfortunately, the other issue is that we have seen some competitors chase the reduced volume in the market by failing to increase prices, in our view, sufficiently given underlying claims cost inflation. This really has exacerbated and extended the soft market conditions.

#### What were your highlights of the year?

One of my key highlights was the way our staff adapted to the new working processes across all areas of the business. Amongst many other successes our operational teams did not miss a beat in supporting customers with claims or underwriting queries and the actuarial team produced some fantastic analysis to understand the likely claims cost impact of the fast-moving environment.

I was also really pleased that we were able to put in a range of customer-supporting initiatives including changes to our normal underwriting criteria and supporting customers who were struggling to maintain premium payments.

It's also gratifying that we've been able to continue to develop the business, for example rolling out new rating factors, progressing new initiatives and developing our product offering, despite the challenges of being largely home-based.

Finally, I'm also pleased that we've been able to support staff through ongoing pay raises and bonuses as well as our investors through maintaining dividend payments throughout this period. This has all been achieved without furloughing staff or taking any sort of government support.

#### What were the lowlights of the year?

Aside from the difficulties faced by many of our customers, in many ways the most frustrating element has been the extension of the soft market conditions. In the first quarter we could see clear signs that market prices were starting to increase as we had anticipated.

I am very conscious that we are probably testing some of our investors' patience a little as we have shrunk every year since IPO, and whilst we are convinced this is the most effective and profitable long-term strategy, it is disappointing that we've had to grit our teeth for another year.

Clearly there is a concern that good financial results for 2020 may blind some competitors to the underlying reality of increased claims inflation that is not being matched by premium inflation and delay sensible actions being taken.

#### What are your current key focus areas?

Our key focus is to remain resolutely focused on executing our successful long-term strategy – we will continue to treat volume as an output not a target.

Underlying this is a tight focus on increasing premiums in-line with claims and other cost inflation to ensure we maintain our profitability. In 2020 we increased prices by well over 10% against a market backdrop of flat or perhaps even reduced pricing levels.

We believe this leaves us well positioned for the future, should our assumptions prove to be correct, as others need to increase prices to cover claims inflation, we will be able to broadly hold our prices, and benefit from becoming more competitive which should fuel growth. If emerging data shows we have been too cautious we have a fully funded position from which we can appropriately amend our prices.

Looking into 2021, we are focused on understanding the various moving parts that we see impacting the industry. If the key driver of market pressures in 2020 was externally (COVID-19) driven, in 2021 I see this being more industry self-inflicted or regulatory driven pressures.

#### What do you mean by industry self-inflicted or regulatory pressures?

If 2019 was turbulent and 2020 very challenging because of the pandemic, 2021 is likely to be all about the convergence of a range of radical or fundamental changes to various aspects of the car insurance market.

These include the long-awaited Ministry of Justice ("MOJ") (Whiplash) claims reforms; the continuation of claims inflation and the degree to which this is met by matched premium increases and perhaps most fundamentally for the long term is the FCA review of pricing practices. This effectively bans differential pricing between new and renewing business, a practice which Sabre does not operate.

Alongside this, we are aware that reinsurance pricing continues to increase rapidly and the MIB and FSCS levies are also likely to be on a significant upswing over the next few years. We continue to cover all of these in our pricing assumptions.

In our view there has been nothing to suggest that underlying claims inflation in the region of 7.5-8.0% will not continue and that premium inflation has certainly lagged this for at least 12 to 18 months.

#### But why do you say industry self-inflicted pressures?

In my view the weaker competitors in the Industry have a long track record of shooting themselves in the foot by overestimating benefits of regulatory changes and underestimating the potential cost increases from less obvious aspects of the change. For example, on MOJ reforms whilst it is possible to calculate around a £30 per policy cost reduction this assumes no change in behaviour from claimant lawyers and claims management companies which we believe to be an optimistic view.

On the FCA pricing review there are still some question marks over when this will be implemented and we have a concern that some competitors may operate something of an aggressive growth strategy to build their portfolios as much as possible before these changes come into force.

Hopefully this will not be the case but we have it in our minds as a potential scenario. Whilst almost all logic would suggest premium inflation should kick in during the early part of 2021 we would, sadly, not be surprised if this is held back until later in the year.

We will continue to treat volume as an output and not chase this as a target; for us the most important thing is to retain our strong foundations for medium and long-term growth.

#### **Your thoughts on your 2020 results?**

I am pleased with the results for 2020. A GWP drop of 12% was pretty much in line with our expectations following the first lockdown, although the second lockdown had a slightly bigger impact on volumes than we might have assumed. Conversely our loss ratio turned out slightly better than expected. Taken as a whole this has resulted in a very solid profit and our ability to continue to pay an attractive and well supported dividend to our shareholders.

#### **What developments are on the horizon?**

Gratifyingly we have continued to roll out innovative new rating factors – which I am certainly not going to talk about in any more detail!

Whilst the launch of our new partnership with Saga has inevitably been delayed, we now hope this will be live fairly early in Q2.

We have been offered the opportunity to support many managing general agent (“MGA”) and scheme-based businesses which would have provided easy ways for us to grow. As we look at these opportunities we are only prepared to move forward if we are convinced they will deliver enhanced returns for our shareholders.

We also reviewed many InsurTechs during the year, but we have several key hurdles which any such opportunities have to clear. The first of these is that we must be able to deploy our sophisticated rating structure; the second is there must be a clear and differentiated customer angle and the third is there must be a sensible and cost-effective integration plan. During the year we agreed to support our first InsurTech partner – Caura.

We continue to develop our van and small commercial vehicle offering and we are also actively reviewing other adjacent product areas. These may not result in product launches, but we are certainly looking at opportunities to grow the base of the business into the medium term.

We note the decision by some manufacturers to phase out conventionally powered vehicles, and are well-placed to provide accurate risk-based pricing for policies covering electric and hybrid vehicles.

Our key focus will always remain on organically and profitably growing the existing core business at the appropriate time in the cycle

#### **What is your outlook for 2021?**

I am very positive about the future. Whilst I can see it being a bumpy start and a challenging first half of 2021, due to the factors I have outlined earlier. Our pricing actions over the last two years have left us well positioned to maintain our profitability and take advantage of growth opportunities at the right time.

The third, and hopefully final lockdown, will clearly impact premium levels in early 2021 and continue to impact 2022 as these premiums earn through. After the 1st lockdown volumes rebounded strongly and I would anticipate a similar impact in 2021 as car sales pick up and new drivers enter the market.

I am confident that in 2021 we will maintain our profitability and therefore be able to continue to support an attractive dividend, possibly by utilising our robust capital range as we earn through lower premium levels. As we look further into 2021 and 2022 we will expect growth opportunities to begin to arise, although this will be largely driven by market dynamics and how quickly some competitors respond to the issues we have discussed.

#### **Do you have any final thoughts?**

In closing I would like to thank all of my colleagues for their extraordinary commitment in these unique times to maintain our service to customers and ensuring the business’s success.

I would also like to thank many of our long-term investors for their ongoing support and we look forward to continuing to reward them with attractive dividends and then allowing them to benefit from our growth in the near future.

Finally, there have been some Board changes this year as a result of succession plans. I would like to re-iterate my thanks to our former Chair, Patrick Snowball for his invaluable help and support. I look forward to continuing to work with Andy Pomfret and our new and existing Non-executive Directors in developing the business.

**GEOFF CARTER**  
Chief Executive Officer  
15 March 2021

# A resilient strategy to deliver profitable and controlled long-term growth

## Our key business principles

Strong returns and cash generation

Market-leading underwriting performance

Controlled and attractive growth across the cycle

These principles manifest in our five strategic priorities which are explored in more detail over the next two pages



**Disciplined underwriting**



**Risk management**



**Controlled growth**



**Operations**



**Distribution**



## Disciplined underwriting

**Sabre operates a sophisticated, actuarially-driven pricing strategy utilising an agile proprietary module. Each risk is individually modelled and priced using Sabre’s advanced pricing algorithm, built upon years of data collection and expert analysis.**

We maintain a robust and extensive claims management operation, combined with counter-fraud expertise, to ensure that we operate an efficient, transparent and fair process.

We hold a unique and extensive catalogue of claims data, compiled from more than 18 years of successful, consistent underwriting. This allows us to price accurately across the UK motor insurance market. Our proprietary data is further enhanced through the use of third-party validation and enrichment.



## Risk management

**We seek to maintain a conservative approach to risk management, through focusing on allowing acceptable underwriting risk while minimising other risks within the business.**

We maintain sufficient capital to allow operational resilience and meet regulatory requirements under all reasonably foreseeable outcomes. Our target is to hold 140 to 160% of our Solvency Capital Requirement.

We manage our underwriting risk through maintaining absolute discipline in pricing and focusing on our core strength of underwriting UK motor business.

Exposure to individually large claims is managed through prudent use of reinsurance. In exchange for a proportion of our income, a panel of high-quality reinsurers takes the cost of any individual loss over £1m.

We keep our operations simple, which makes the monitoring of key risk issues straightforward. We hold considerable invested assets to back our underwriting, but do so in very low-risk assets, primarily government backed.



Remaining focused on our core principles has allowed us to deliver a strong financial result and ensure the business remains well positioned for future opportunities and challenges”

**Geoff Carter**  
Chief Executive Officer



## Controlled growth

**Throughout its history, Sabre has grown where market conditions allow, without compromising profitability.**

The UK motor insurance market is historically cyclical, with periods of low pricing (“soft” market) followed by market price increases (“hard” market).

Sabre aims to underwrite at a broadly consistent margin, irrespective of market conditions. As claims costs are generally inflationary, we will increase our prices year-on-year to cover that cost.

Sabre becomes more competitive when the insurance market hardens.

We aim to enter any market upturn from a position of strength, where we are able to grow without generating excess operational or capital strain.

Volume is an output from disciplined underwriting, and we will not allow it to become a target.



## Operations

**Non-core operations are outsourced, while expertise is retained in-house.**

Generally, volume-dependent administrative tasks are outsourced, allowing maximum operational flexibility.

Our team consists of talented people making good decisions every day. We invest in our people, making sure that they have the appropriate training and skills to work consistently well and apply Sabre’s core values in everything they do.

We invest in innovative technology, such as software robotics and artificial intelligence, to allow our staff to focus on the complex, technical issues.

As we grow, further automation will allow staff costs to remain relatively stable.



## Distribution

**Brokers account for approximately 62% of the gross written premium in 2020, with the remainder being sold through our direct brands, Insure 2 Drive and GoGirl.**

The vast majority of motor insurance policies originate through price comparison websites.

Broker relationships allow us to leverage their well-established brands, customer relationships and retail pricing capabilities,

as well as providing privileged access to certain customer groups.

Operating our own direct brands ensures that we can offer our products to those customers not served by traditional brokers, while allowing us a direct line of sight to customer and price comparison site data.

# Creating value through experience

## OUR INPUTS

- 1 Long-standing management
- 2 Experienced senior and operational team
- 3 Market-leading proprietary data
- 4 Strong broker relationships
- 5 Analysis and pricing expertise

## OUR CHANNELS

### INDIRECT DISTRIBUTION

The Group has established a broad network of almost **1,000** insurance brokers across the UK over the course of more than **20** years.

### DIRECT DISTRIBUTION

**GoGirl**  
Launched in 2011 to appeal to young female drivers.

**Insure2Drive**  
Launched in 2010 as a general motor insurance product.

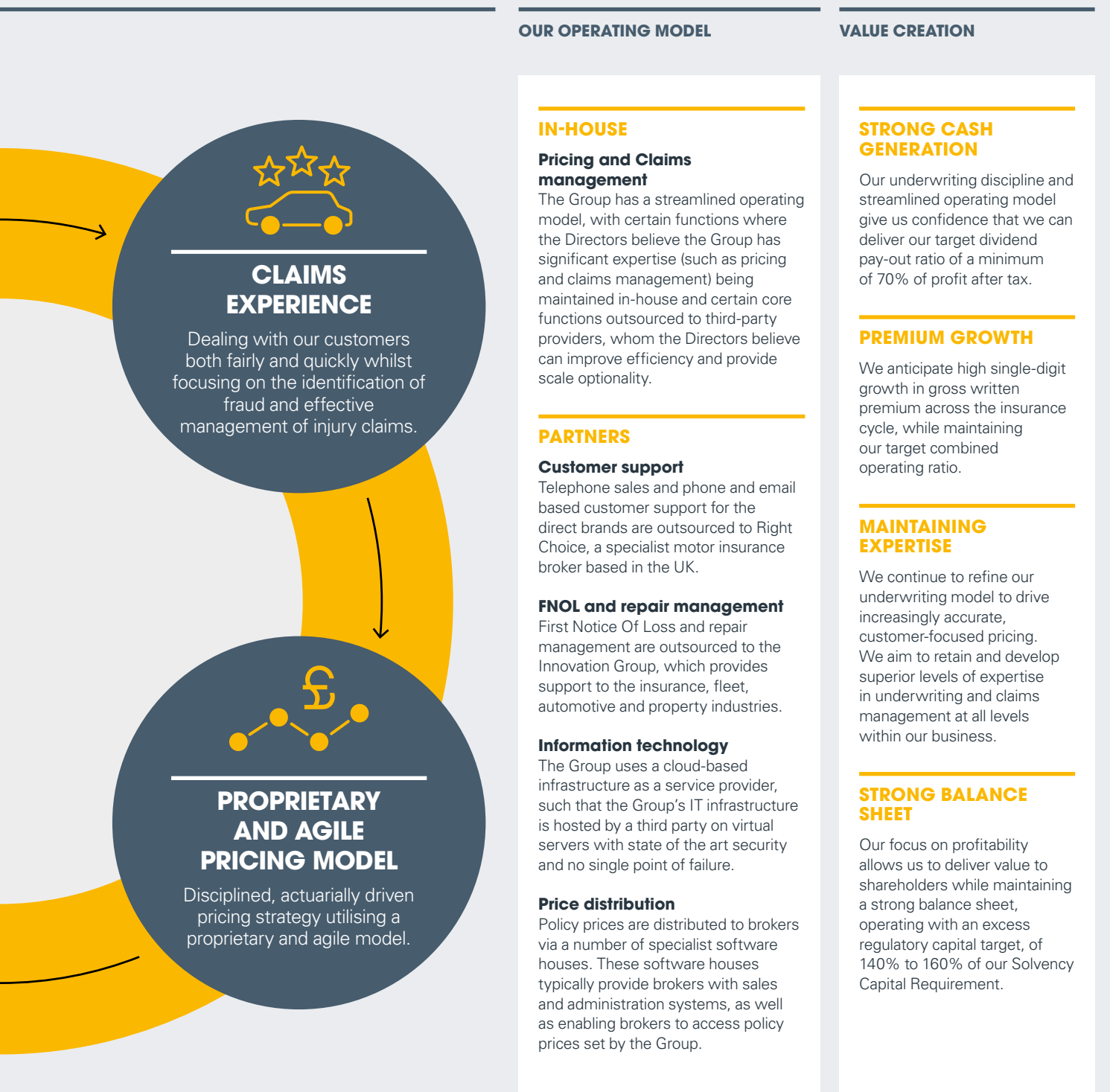
### PRICE COMPARISON WEBSITES ("PCWs")

PCWs are websites that enable customers to **obtain and compare quotes** from a wide variety of insurers and brokers.

We work with all of the major PCWs.

## HOW WE MANAGE RISK





## OUR OPERATING MODEL

### IN-HOUSE

#### Pricing and Claims management

The Group has a streamlined operating model, with certain functions where the Directors believe the Group has significant expertise (such as pricing and claims management) being maintained in-house and certain core functions outsourced to third-party providers, whom the Directors believe can improve efficiency and provide scale optionality.

### PARTNERS

#### Customer support

Telephone sales and phone and email based customer support for the direct brands are outsourced to Right Choice, a specialist motor insurance broker based in the UK.

#### FNOL and repair management

First Notice Of Loss and repair management are outsourced to the Innovation Group, which provides support to the insurance, fleet, automotive and property industries.

#### Information technology

The Group uses a cloud-based infrastructure as a service provider, such that the Group's IT infrastructure is hosted by a third party on virtual servers with state of the art security and no single point of failure.

#### Price distribution

Policy prices are distributed to brokers via a number of specialist software houses. These software houses typically provide brokers with sales and administration systems, as well as enabling brokers to access policy prices set by the Group.

## VALUE CREATION

### STRONG CASH GENERATION

Our underwriting discipline and streamlined operating model give us confidence that we can deliver our target dividend pay-out ratio of a minimum of 70% of profit after tax.

### PREMIUM GROWTH

We anticipate high single-digit growth in gross written premium across the insurance cycle, while maintaining our target combined operating ratio.

### MAINTAINING EXPERTISE

We continue to refine our underwriting model to drive increasingly accurate, customer-focused pricing. We aim to retain and develop superior levels of expertise in underwriting and claims management at all levels within our business.

### STRONG BALANCE SHEET

Our focus on profitability allows us to deliver value to shareholders while maintaining a strong balance sheet, operating with an excess regulatory capital target, of 140% to 160% of our Solvency Capital Requirement.

## CLAIMS EXPERIENCE

Dealing with our customers both fairly and quickly whilst focusing on the identification of fraud and effective management of injury claims.

## PROPRIETARY AND AGILE PRICING MODEL

Disciplined, actuarially driven pricing strategy utilising a proprietary and agile model.

# Measuring our performance

## GROSS WRITTEN PREMIUM

£'000

£173.2m

2020	173,235
2019	197,040
2018	210,017

### Definition

The Group's GWP comprises all premiums in respect of policies underwritten in a particular financial period regardless of whether such policies relate in whole or in part to a future financial period. The ability to underwrite policies and generate premium is a key measure of the Group's implementation of its strategy, and the Directors believe this measure is an appropriate quantification of how successful the Group is at achieving its strategy.

### Aim

To maintain growth in GWP when this can be done without compromising the underwriting profitability or broader efficiency of the Group.

### Performance

See CFO's review pages 34 to 37.

## NET LOSS RATIO

%

48.6%

2020	48.6
2019	51.5
2018	48.5

### Definition

Net loss ratio measures net insurance claims, less claims handling expenses, relative to net earned premium expressed as a percentage.

Net claims incurred is equal to gross claims incurred less claims recovered from reinsurers. Net earned premium ("NEP") is equal to Gross Earned Premium ("GEP") less reinsurance premium ceded during the same period in respect of which NEP is measured. GEP is equal to the sum of GWP and the movement in the unearned premium reserve for a particular period.

### Aim

To maintain our underwriting discipline such that our loss ratio remains broadly consistent, contributing to a COR of 70-80%.

### Performance

See CFO's review pages 34 to 37.

## EXPENSE RATIO

%

26.7%

2020	26.7
2019	21.9
2018	22.1

### Definition

The Group's expense ratio is a measure of total expenses (which comprises commission expenses and operating expenses), and claims handling expenses, relative to NEP, expressed as a percentage.

### Aim

To minimise operating expenditure within the business and optimise the efficiency with which we do business in order to allow for achievement of a COR of 70-80%.

### Performance

See CFO's review pages 34 to 37.

## COMBINED OPERATING RATIO

%

75.3%

2020	75.3
2019	73.4
2018	70.6

### Definition

The Group's combined operating ratio (COR) is the ratio of total expenses (which comprises commission expenses and operating expenses), and net insurance claims relative to NEP, expressed as a percentage.

### Aim

Sabre seeks to achieve a COR of 70-80% on all business underwritten. Accordingly, the loss and expense ratios need to be managed to ensure they contribute to the preferred level of profitability.

### Performance

See CFO's review pages 34 to 37.

### How our KPIs link to Directors' remuneration

Directors' and senior management remuneration focuses on:

- Profit after tax
- Return on capital
- Total shareholder return

- Personal performance assessments
- Customer service

These performance metrics are directly linked to the Group's performance as measured by the Key Performance Indicators (KPIs).

### Reconciliation to IFRS Measures

A reconciliation between IFRS and non-IFRS measures is given on pages 148-149.

### How our KPIs link to Sabre's strategy

Sabre's strategic priorities are outlined on pages 14 to 15 of this report. The most fundamental of these is underwriting profitability, and as such Sabre's KPIs focus on measures of profitability, specifically loss ratio, expense ratio, combined operating ratio and adjusted profit after tax. As the Group is focused on managing risk, maintaining an appropriate solvency coverage is important,

so Solvency Coverage Ratio is considered a KPI. The Group monitors its growth, and intends to grow when market conditions allow, as such the level of gross written premium forms a KPI. Effective deployment of capital is also considered an overarching element of Sabre's strategy, which is measured through Return on Tangible Equity.

#### ADJUSTED PROFIT AFTER TAX £'000

£39.8m

2020	39,762
2019	45,711
2018	50,069

##### Definition

The Group's adjusted profit after tax measures profit from operations, net of tax, adjusted to offset the effect of amortisation of intangible assets and exceptional expenses excluding tax which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions).

##### Aim

This is a function of Sabre's other KPIs and we intend to deliver sustainable profit growth over the medium term.

##### Performance

See CFO's review pages 34 to 37.

#### SOLVENCY COVERAGE RATIO %

203%

2020	203
2019	214
2018	213

##### Definition

The Group is required to maintain regulatory capital at least equal to its SCR. The SCR is calculated based upon the risks presented by the Group's operations and the various elements of its balance sheet. The Group's solvency coverage ratio is the ratio of the Group's regulatory capital in a particular period to its SCR for the same period, expressed as a percentage. Solvency coverage ratio is stated before the final dividend declared in respect of 2020.

##### Aim

To maintain a post-dividend solvency ratio in the range of 140–160%. Taking into account specific foreseeable requirements for capital.

##### Performance

See CFO's review pages 34 to 37.

#### RETURN ON TANGIBLE EQUITY %

36.0%

2020	36.0
2019	41.6
2018	54.4

##### Definition

The ability to generate profits while maintaining capital at an appropriate level is an important part of the Group's strategy, and the Directors believe that Return on Tangible Equity is an appropriate quantification of how successful the Group is in achieving this strategy. Return on Tangible Equity is measured as the ratio of the Group's adjusted profit after tax to its average tangible equity over the financial year, expressed as a percentage.

##### Aim

To make efficient use of the capital available to the business and achieve broadly consistent returns year-on-year.

##### Performance

See CFO's review pages 34 to 37.

#### PROFIT BEFORE TAX £'000

£49.1m

2020	49,122
2019	56,479
2018	61,864

##### Definition

Profit before tax as presented on an IFRS basis represents the Group's total income, less expenditure, before any tax charges or any other comprehensive income.

##### Aim

Through careful management of expenses and skilled underwriting, we intend to deliver sustainable profit growth over the medium term.

##### Performance

See CFO's review pages 34 to 37.

# Principal Risks and Uncertainties

## RISK MANAGEMENT

Effective risk management is central to Sabre's strategy, and is integral to delivering sustainable long-term growth for its investors. The Board is responsible for prudent oversight of the Group's business and financial operations, ensuring that they are conducted in accordance with sound business principles and with applicable laws and regulations, and to ensure fair customer outcomes. This includes responsibility to articulate and monitor adherence to the Board's appetite for exposure to all risk types. The Board also ensures that measures are in place to provide independent and objective assurance on the effective identification and management of risk and on the effectiveness of the internal controls in place to mitigate those risks.

The Board has set a robust risk management strategy and framework as an integral element in its pursuit of business objectives and in the fulfilment of its obligations to shareholders, regulators, customers and employees.

The Group's risk management framework is proportionate to the risks that we face. Our assessment of risk is not static; we continually reassess the risk environment in which the Group operates and ensure that we maintain appropriate mitigation in order to remain within our risk appetite. Management recognises that risks must be identified, monitored and mitigated appropriately, to ensure their negative impacts on the Group are minimised, whilst accepting that some elements of risk are core to the operation of the Group, and as such it is important to identify and accept only the risks which generate a positive return for the Company. To do this, risk is managed in the first line of defence by Management and reviewed and tested by the second lines of defence – the Risk and Compliance functions, and third line of defence – Internal Audit. Further information regarding the management of risk by the Group, can be found in the Risk Committee Report on pages 58 and 59.

## RISK APPETITE

The Board recognises that it is both necessary and desirable for the Group to accept and assume a level of risk in pursuing its strategy, but notes that this must be maintained within acceptable limits. The Group generally is risk averse and operates the business to take advantage of its good utilisation of its operational resources and its strong ability to price risks at a consistently profitable level. The Group does not tolerate risks which impact the Group's key objectives of the preservation of capital and the reliable and

consistent performance of the Group. Whilst developing its risk appetite, Management considers its stakeholders, including customers, employees, regulators, shareholders and suppliers.

The Group has adopted a straightforward risk appetite reflective of its continued strategic focus on generating returns through underwriting activity while limiting exposure to all other areas of risk. The Group's risks are summarised below:

Risk area	Risk appetite
<b>Strategic, Governance, Regulatory and Compliance</b>	<p><b>Governance</b></p> <p>The Group aims to operate a simple governance structure, with clear reporting lines and direct accountability. The Group complies fully with the Senior Managers and Certification Regime ("SMCR") and Solvency II ("SII") rules which provide for an adequate framework to manage the firm's risk in this regard. In following these rules, the Group ensures that those setting strategy are fit and proper and that the Board is sufficiently effective and diverse.</p> <p><b>Compliance</b></p> <p>Sabre aims for complete compliance with all rules and regulations, while minimising the cost to the business of non-value-add regulatory activities. Key regulatory measures, such as SII, SMCR, Insurance Distribution Directive and Treating Customers Fairly ("TCF") including the consideration of vulnerable customers are monitored closely by the Board. Sabre ensures adequate time and resources are dedicated to the resolution of upcoming and emerging regulatory issues to ensure there is minimal risk of non-compliance.</p> <p><b>Internal Audit</b></p> <p>Sabre outsources its internal audit function, to enable the Company to benefit from a variety of subject matter experts. The Annual Internal Audit plan intends to cover all areas of the business within a three-year period. Outstanding audit actions will be reported to the Audit Committee who will review on a case by case basis, however it is expected that all internal audit actions points are completed by their deadline.</p>

Risk area	Risk appetite
Insurance	<p><b>Underwriting</b></p> <p>The Group acknowledges that accepting underwriting risk is core to its business. The Group does, however, aim to ensure that the only material risk accepted by the firm is “pure” pricing risk and that this risk is kept within an acceptable tolerance. Underwriting risk is managed in particular with reference to the Group’s pricing and claims management activity, and through prudent use of reinsurance.</p> <p><b>Reserving</b></p> <p>The Group recognises that the reserves held in respect of incurred claims require a significant degree of judgement, and aims in all circumstances to hold reserves in accordance with the appropriate accounting or regulatory framework. The Group aims to calculate its reserves on a consistent basis over time.</p> <p><b>Pricing</b></p> <p>Pricing is based on the clear objective to achieve a positive margin at all stages of the insurance cycle such that the target combined ratio is better than 80%, although ideally it will be closer to 75%. Sabre will tolerate a lower level of written premiums if market competition conditions dictate prices that are lower than those required by Sabre. The volume of business will be constrained by pricing policy to remain within:</p> <ul style="list-style-type: none"> <li>– The Solvency II capital requirement</li> <li>– The operational capacity available to effectively manage and service the business and the consequent claims volumes arising therefrom</li> </ul> <p><b>Reinsurance</b></p> <p>The Board will determine the levels of risk retention (reinsurance limits) based on an assessment of the risk frequencies (with reference to the Model and other analysis) and will determine the acceptability of the reinsurer based on a strong credit quality and a diversification of the exposure amongst a panel of reinsurers. Advice from the reinsurance broker will also be considered.</p> <p>In general terms Sabre will operate a reinsurance strategy that is prudent and defensive by maintaining an attachment point that is lower than the theoretical optimum level so as to protect against higher than predicted frequencies of large losses and thus a large cumulative loss pattern. Sabre will consider the credit rating of insurers on its panel and intends to maintain a portfolio of an average of no worse than A+.</p> <p><b>Claims management</b></p> <p>Sabre’s claims management function is designed to minimise any risk associated with claims handling, for example improperly compensated claimants, claims fraud and unnecessary delays in claims payments. Sabre manages this risk primarily through providing a robust internal claims training programme and ensuring that overcapacity within the claims team is minimised. Sabre outsources only those operations which are deemed as routine, and are therefore low-risk.</p>
Operations	<p>In general, the Group attempts to minimise operational risk across the business through close monitoring of key risk areas including IT and systems, people, regulatory exposure, outsourcing, financial crime, taxation and accounting. The Group aims to comply fully with all applicable laws and regulations, including General Data Protection Requirements (“GDPR”). Supply chain management is seen as key to ensuring operational risk is minimised, particularly where processes are outsourced to a third party. The risk of fraud or error is considered to be pervasive across all business areas, and as such all processes are developed in such a way as to minimise exposure to such risks.</p> <p><b>IT/Systems</b></p> <p>Sabre has a zero-tolerance attitude to risk with regard to the security of sensitive customer and company data, and considers maintaining the integrity of the Group’s policy and claims data as paramount. As such, the Group is prepared to invest in the ongoing enhancement of IT security protocols throughout the business.</p> <p><b>Counterparty</b></p> <p>The Group minimises counterparty risk where possible and monitors the stability and performance of brokers closely. Sabre does acknowledge that in allowing brokers credit terms, there will always be some residual degree of counterparty default risk. Sabre also accepts a degree of default risk on its direct instalment policies, however the rate of default must remain acceptable in the context of the interest rate applied to such policies. The Group aims to hold all material exposures with strongly rated counterparties and to diversify such exposure where possible. Primarily, this relates to the Group’s management of its exposure to reinsurers.</p>

CONTINUED

Risk area	Risk appetite
<b>Finance and Capital</b>	<p><b>Financial crime</b> Sabre dedicates considerable resource to the monitoring and rebuttal of fraudulent claims, although this is done on a risk/reward basis. Sabre undertakes processes to ensure that transactions are not undertaken with sanctioned or politically exposed individuals and has no appetite to take risk in this regard. The Group has zero tolerance for internal financial crime.</p> <p><b>Taxation</b> Sabre always seeks to pay the correct, fair amount of tax. If in doubt, Sabre will generally take the lower risk/higher-tax approach, where the difference is not significant. In the case of significant technical challenges with regard to taxation, Sabre will engage appropriate external tax specialists. Sabre's taxation policy is published on the Group's website and approved by the Board on an annual basis. Processes are designed to minimise the risk of error in the Group's reporting and payment of both direct and indirect taxes.</p> <p><b>Accounting</b> Sabre maintains straightforward and transparent accounting systems and invests in sufficient resources within the Finance Team to ensure the accuracy and consistency of financial reporting.</p> <p><b>Capital management</b> The Group's primary capital requirement is to ensure that the Group's assets outweigh its liabilities at all times, that these liabilities can be met through sufficient liquid reserves and that this is the case under all reasonably foreseeable scenarios. This will generally be achieved by the Group adhering to its Solvency Capital Requirement ("SCR"). The Group's policy is to ensure that at all times and under all reasonably foreseeable scenarios, the Group's net assets on a Solvency II basis exceed its SCR. This applies equally to any regulated subsidiary of the Group. It is the current view of management and the Board that this is achieved through maintaining a Solvency Capital Ratio of at least 140% at all times. All material decisions and all distributions of capital should be made having considered the impact on the Group's Solvency Capital Ratio.</p> <p><b>Investment management</b> The Group's investment approach is to maintain suitable levels of liquidity; to preserve the capital; and to invest in low risk stable investments that attract a coupon that is sufficient to meet any deterioration in the capital value. Proper regard is given to the credit standing of custodians and counterparties. The investment approach is to maintain good liquidity; to preserve the capital and to invest in low risk stable investments that attract a yield that is sufficient to provide a reasonable return on the required capital. Investment guidelines are set to ensure that the Group's investment manager adheres to the Group's investment policy, which expands upon these core guidelines.</p>
<b>People</b>	<p>People are core to Sabre's business, and management are mindful of the need to maintain a safe and comfortable work environment. Sabre manages staff in a manner which minimises the risk of employee dissatisfaction through the payment of fair wages and the provision of a healthy work-life balance. Sabre invests in the careful vetting of new employees and carries out continual random and targeted background checks on employees.</p> <p>Sabre has a relatively small senior management team and does not hire employees into positions where little value would be added to the business. Therefore, there is some key-person risk at the higher levels of the Sabre structure. There are succession plans in place for key personnel within the Group.</p>

## ASSESSMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Directors confirm that they have undertaken a robust assessment of the principal risks and uncertainties that the Group faces – this includes those that threaten the business model, future performance, solvency or liquidity of the Group.

Set out in the table below is an overview of the principal risks we believe could threaten our strategy, performance and reputation and the actions we are taking to respond to and mitigate those risks.

All such risks are appropriately captured in the existing risk framework, therefore there have been no significant changes to the risk profile of the Group in 2020.

All risks have been reconsidered in the context of the COVID-19 pandemic.

Particular risk issues considered by the Directors during the year include:

- COVID-19 outbreak
- The impact of climate change on our business and operations
- The continued risks around the United Kingdom's exit from the European Union
- The outcome of the FCA's review of market pricing
- Legal reform around small personal injury claims
- The planned withdrawal of LIBOR (2022)

Each of these issues has been incorporated into the narrative of the table below.

Having given both new and evolving risks due consideration, the Directors continue to consider insurance activity to present the most material risk to the Group, in particular the estimation risk of reserving and the ability to price premiums correctly.

### Strategic, Governance, Regulatory and Compliance

Key elements	Description	Mitigation
<b>Strategy</b>	The Board must set an appropriate strategy which delivers value to stakeholders while maintaining the financial and operational stability of the Group. Management must implement this strategy in a timely and effective manner. Failure to set and execute an appropriate strategy could result in deterioration in the value of the business and misalignment between management and the Board.	The Group operates appropriate corporate governance, as described in the Governance Report on pages 50 to 53. Through this, the Board maintains oversight of management and the Group's performance and financial position.
<b>Regulatory</b>	The Group is subject to a number of regulatory regimes, including prudential regulation by the Prudential Regulation Authority ("PRA") and conduct regulation by the Financial Conduct Authority ("FCA"). This regulation dictates elements of the Group's operational activity such as the manner in which customers are treated and the recruitment and development of employees. The FCA continues to focus on fair market pricing which, while well managed through the Group's risk appetite, nonetheless increases conduct risk for the Group. Failure to comply fully with prevailing regulation can lead to monetary or other sanctions which may impair the Group's ability to function.	The Group has an extremely low appetite for accepting any risk other than that which relates to the underwriting of its insurance policies, and therefore its decision-making reflects this in relation to conduct risk and other regulatory matters. The Group operates a simple risk framework which is approved by the Board. The Group monitors legal and regulatory developments in the UK and closely monitors its exposure to regulatory risk. The Group culture ensures the interests of our customers and their fair treatment are paramount.
<b>Legal</b>	The Group operates within the UK and is therefore primarily subject to the requirements of UK law. Further to those regulatory and data protection laws discussed separately, the Group is exposed to employment law, Companies Act legislation and tax law. Non-compliance with laws can result in financial sanctions or impair the Group or the Group's Directors' ability to operate effectively.	The Group has established a robust risk and control framework and sets the clear objective to minimise the risk of non-compliance with all laws and regulations.

CONTINUED

## Insurance

Key elements	Description	Mitigation
<b>Pricing</b>	Failure to price risks effectively can result in worse than expected loss ratios or significant unexpected changes in volumes of business written. This includes appropriate estimation of the increasing cost of claims, through both historical trends, such as repair costs, and emerging considerations such as climate change and the impact of legal reforms. The ongoing behavioural changes resulting from COVID-19 related restrictions present a particular challenge in estimating the future cost associated with motor insurance policies.	<p>The Group operates a highly sophisticated pricing model which is built upon fully tested scientific principles. The model is updated only when sufficient data has been collected and analysed to support such a change.</p> <p>Management continually monitors the market for pricing developments, but prioritises maintenance of strong margins over the volume of business written.</p> <p>Expected behavioural changes, such as a reduction in miles driven due to travel restrictions, are projected and built into the Group's pricing models.</p> <p>Changes in the costs of claims settlements which could relate to climate change are captured in our normal-course reviews of policy pricing.</p>
<b>Claims management</b>	A consistent approach to the management of claims is essential for the accurate pricing of policies based upon claims experience and is key to limiting the indemnity cost of such claims.	The Group ensures that all claims employees are appropriately trained in the "Sabre way" of managing claims, ensuring a fair outcome for both the claimant and the Group. Sabre ensures that the projected volume of claims which will be handled by the business is not in excess of the capacity of skilled claims handlers available to the Claims Team.
<b>Reserving</b>	Inappropriate estimation of the ultimate cost of claims incurred can lead to corrections in future periods which could have a detrimental impact on the Group's capital position and profitability. Further, incorrect reserving can lead to errors in the pricing of new policies due to a poor view of the profitability of business already written. Estimates made in relation to inflationary, or potentially inflationary, factors such as legal reform, climate change and the UK's departure from the EU are equally relevant to reserving.	There is a consistent and cautious approach to reserving with a risk margin held above the actuarial best estimate. The Group's actuarial function analyses and projects historical claims development data and uses a number of actuarial techniques to both test and forecast claims provisions. In addition, external actuaries assess the adequacy of the Group's reserves. The Group also commissions an additional independent actuarial review on a triennial basis.
<b>Large losses</b>	A small number of random very large claims could have a significant impact on the short-term profitability and capital position of the Group.	Reinsurance is purchased on an excess-of-loss basis to limit the impact of individually large losses and catastrophic events.
<b>Reinsurance</b>	Should reinsurance become unavailable at an acceptable cost, the Group's profit would become considerably more volatile and its capital position would suffer.	The Group ensures that pricing decisions are taken on the basis that the gross loss ratio should be preserved in the long term, such that reinsurers achieve satisfactory returns through their relationship with Sabre. This ensures the greatest possible appetite for reinsurers to renew with Sabre. Sabre maintains an open and transparent relationship with all reinsurers on its panel.
<b>Insurance market exposure</b>	The Group operates solely within the UK motor insurance market. The ability to sell policies at an appropriate margin is therefore impacted by new entrants offering discounted policies or irrational behaviour by existing participants.	The Group monitors the impact of its pricing decisions on the volume of business written and has close relationships with key broker partners and other industry bodies. The Group's strategy to maintain profitability over volume dictates that extreme corrective action will not be taken during any short-term reductions in market prices caused by competitor activity.

## Operations

Key elements	Description	Mitigation
<b>IT systems and infrastructure</b>	<p>The Group operates bespoke IT systems and is reliant on the accurate recording, storage and recall of data. Failure of these systems could result in the business being unable to price or process new business, or manage claims effectively. IT systems are supported by a third party and hosted in external data centres. This creates a dependency on these suppliers.</p> <p>The move to remote working as a result on travel restrictions presents an additional layer of risk.</p>	<p>The Group operates a small number of key systems which are overseen by a highly experienced team of bespoke systems specialists. A robust backup and recovery plan is in place to ensure continuity of systems in the event of local system failure.</p> <p>The Group has sought to avoid any identifiable single points of failure, and maintains continuity solutions for all key services.</p> <p>All system and operational changes implemented in response to COVID-19 are fully risk-assessed. Due to the structure of the Group's IT platform, remote working presents a very limited level of additional risk.</p>
<b>IT security</b>	<p>Loss of data, including personal data, could lead to significant financial or reputational detriment. Theft of the Group's Intellectual Property could impact the ability of the Group to compete in the market. This is an area of increasingly complex regulation, including the General Data Protection Requirements ("GDPR"). As with the considerations around IT Infrastructure, the temporary move to remote working presents a potential for increased risk in IT security.</p>	<p>The Group addresses issues such as the GDPR proactively, establishing working groups which report to the Executive Committee where required. The Group takes a zero-tolerance approach to the risk of loss of personal data or its own Intellectual Property and has a framework of system-level and other operational controls to ensure it is appropriately safeguarded.</p> <p>The Group's remote working capability has been implemented in such a way that the flow of data is unchanged, with staff having limited, remote access to virtual machines.</p>
<b>Outsourcing</b>	<p>The use of outsourced functions in routine operations, such as customer services, exposes the Group to the practices and procedures prevalent at the outsourced operation.</p>	<p>The Group monitors its outsourced operations closely, through regular audits and monitoring of key performance metrics.</p>
<b>Distribution</b>	<p>While the Group accesses the market through almost all brokers within the UK, much of its business is written through a relatively small number of large brokers. It is therefore particularly exposed to the failure of those brokers.</p>	<p>The Group monitors its exposure to its broker partners on a continual basis and continually reviews the financial stability and solvency of its larger brokers.</p>

## Finance and Capital

Key elements	Description	Mitigation
<b>Interest rate</b>	<p>The Group invests primarily in Government-backed securities and other fixed-interest securities and is therefore exposed to the impact of interest rate movements on the value of these investments. The valuation and creditworthiness of such assets can be impacted by macro-economic factors, such as political uncertainty, economic factors driven by the COVID-19 pandemic and the ongoing impact of the UK's exit from the EU.</p>	<p>The investment portfolio is relatively short term, limiting the impact of interest rate movements on the valuation of invested assets. The maturity profile of these investments is designed to match the pattern of outgoing claims payments, such that on a Solvency II basis the impact of any movement in interest rates is mitigated by a converse movement in the value of claims liabilities, which are discounted on the regulatory balance sheet.</p> <p>The appointment of a new investment manager has been made alongside a revision to the investment guidelines which will continue the strategy of low risk bonds with appropriate duration matching against our liabilities.</p>

CONTINUED

**Finance and Capital** continued

<b>Default</b>	<p>The Group is exposed to counterparty default risk in four main areas: investment assets, amounts due from customers, amounts due from brokers and amounts due from reinsurers. Failure to recover funds due from counterparties could result in write-offs which would reduce profit and damage the Group's capital position. Similarly, excess exposure to poorly rated counterparties can increase Sabre's capital requirement.</p> <p>The creditworthiness of the Group's counterparties has been considered in the context of the economic uncertainty caused by the COVID-19 pandemic. We have not identified any material deterioration in the quality of our financial assets and receivables.</p>	<p>The Group invests primarily in Government-backed securities and a diverse selection of highly-rated corporate bonds, which carry a very low risk of default.</p> <p>The Group operates a robust programme of credit control and performs due diligence on broker partners as relationships are entered into and continually through the life of those relationships.</p> <p>The financial security of reinsurers is considered when selecting panel members and reviewed on a regular basis.</p>
<b>Liquidity</b>	<p>Inadequate monitoring of liquidity could result in the inability to meet liabilities as they fall due.</p>	<p>The Group maintains sufficient cash reserves at all times to meet its best estimate of short-term liabilities and monitors this position continually. While the Group considers its investment portfolio to be actively traded and therefore liquid, it ensures that the maturity of its investment portfolio is matched to its ongoing cash requirement.</p>
<b>Capital management and solvency position</b>	<p>If the Group fails to maintain adequate solvency capital, this could result in regulatory intervention which may limit profitability or the ability of the Group to distribute capital. Some issues impact primarily on the Solvency position but do not affect the trading result of the Group. The emerging issue of the withdrawal of LIBOR is the most relevant example. This may impact the valuation of the Group's technical provisions, although the timing and effect (if any) are unknown.</p>	<p>The Group has strong governance in place to monitor its solvency position on a continual basis, including forecast solvency and scenario testing, primarily as part of the Group's Own Risk and Solvency Assessment ("ORSA") process. The Group ensures that key elements of judgement, such as reserving, are reviewed by the Audit and Risk Committee and undergo appropriate independent scrutiny.</p>
<b>Financial crime</b>	<p>Financial crime, whether internal or external, could result in material loss of assets and significant reputational risk. Financial crime can include misappropriation of assets or fraudulent activity designed to misrepresent the financial performance or position of the Company. We do not consider that the temporary move to home working has significantly increased our exposure to financial crime.</p>	<p>Ownership and management of operational risks sit with the first line business functions. While substantial internal controls are in place to mitigate the risk of financial crime, the Group considers its culture and "tone from the top" to be key in raising awareness of external crime and limiting the risk of occurrence of internal financial crime.</p>

## People

Key elements	Description	Mitigation
<b>Employees</b>	The quality of our employees is central to the success of Sabre, and the potential loss of employees or the inability to recruit quality employees may have an adverse impact on the performance of the Group.	<p>The Group seeks to attract, retain and develop its employees by:</p> <ul style="list-style-type: none"> <li>– Running training programmes for those joining the Group</li> <li>– Creating a hardworking and enjoyable workplace</li> <li>– Half yearly appraisals</li> <li>– Annual pay reviews</li> <li>– Appointment of a Non-executive Director responsible for employees' views</li> </ul> <p>Prior to 2020, the Chief Executive Officer held regular lunches with employees. Following the temporary move to remote learning, the Group has attempted to maintain employee engagement through remote team sessions and Chief Executive Officer presentations.</p>

The Group regularly reviews emerging and ongoing systemic risks, which could have an impact on the Group. During the year the Group identified, reviewed and monitored emerging and ongoing systemic risks and sees the below risks as notable.

## Ongoing Systemic Risks

Key elements	Description	Mitigation
<b>Climate change</b>	The risk of climate change could have a negative impact on the earnings or financial position of the Group. For example, there could be an impact on the cost of claims in the long-term. Further information on this can be found in the CSR Report on page 38.	The Group has appointed the Chief Financial Officer to oversee the management of this risk and its impact on the Company is reviewed at least annually at the Group's Risk Committee. We have sought to integrate the consideration of climate risks within the Group's decision-making processes and continue to improve the clarity and usefulness of our disclosures around climate change. Further information on the Group's considerations relating to the environment and climate change can be found on page 43 of this report.
<b>Brexit</b>	The risk of economic and/or political uncertainty as a result of the United Kingdom leaving the European Union.	As a UK only insurer, the Group believes that Brexit has not had a significant impact on the Group. We continue to monitor the impact of Brexit across the business, particularly on costs such as replacement parts and long-term care. Our Brexit considerations are discussed further on page 9.
<b>Impact of COVID-19</b>	The global outbreak of COVID-19 presents operational, market, counterparty and insurance risk to the Group.	The Directors continue to monitor these risks closely and take all appropriate steps to manage the impact on policyholders, employees and other stakeholders. This is discussed in more detail in the Chief Executive Officer's Report.

# Viability Statement

The Board considers the Group's financial status and viability on a regular basis as part of its programme to monitor and manage risk. In accordance with provision 30 of the UK Corporate Governance Code 2018, the Directors have assessed the Group's prospects and viability for the three-year period to 31 December 2023, taking into account the Group's current position and the potential impact of the principal risks. The assessment period of three years has been chosen as it is in-line with our business planning horizon. This is consistent with the time horizon projected for most scenarios assessed through the Group's Own Risk and Solvency Assessment ("ORSA") process. The cyclical nature of the motor insurance market means that projecting for periods longer than three years creates material uncertainty; however, we do review longer-term strategic developments and emerging risks over longer time periods. The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months to 31 March 2022 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

## Assessing Viability

In making their assessment, the Board took into account the potential impact of the principal risks that could prevent the Group from achieving its strategic objectives. The assessment was based on the Group's ORSA, which brings together management's view of current and emerging risks, with scenario-based analysis and reverse stress testing to form a conclusion as to the financial stability of the Group. Consideration was also given to a number of other individual risks and events. In the Board's estimation these events would not plausibly occur to a level of materiality that would endanger the Group's viability. The assessment also included consideration of any scenarios which might cause the business to breach its solvency requirements which are not otherwise covered in the risk-based scenario testing.

## Conclusion

Based on the consolidated financial impact of the sensitivity analysis and associated mitigating internal controls and risk management actions, as described in detail for each principal risk, the Directors concluded that the Group will be able to operate within

its solvency capital appetite and maintain sufficient liquid investments and cash reserves to meet its funding needs over the Viability Period.

## Consideration of long-term viability

The assessment of principal risks facing the Group and robust downside sensitivity analysis leads the Board to a reasonable expectation that the Group will remain viable, continue in operation and meet its liabilities as they become due over the Viability Period through to 31 December 2023.

## The impact of the UK's exit from the European Union

On 31 December 2020, the Brexit transition period ended. At this point, the EU-UK Trade Cooperation Agreement became provisionally effective, allowing for some reduction in the friction and costs of cross-border trade. Sabre operates only in the UK, with its exposures to this transition being primarily linked to potential increases in costs associated with insurance claims. Cost inflation is a constant feature and consideration in the pricing of insurance policies, therefore "expected" cost increases are priced in to insurance premiums. As long as such cost pressures apply evenly across the UK insurance market, all market participants should increase prices and as such this will not significantly impact the Group's ability to operate. While current evidence suggests our policy pricing appropriately reflects cost inflation, we have modelled significant unexpected increases in claims costs and reductions in our policy volumes. In both cases, the scenarios modelled are far in excess of the stresses which we might reasonably expect this risk to present.

## The impact of COVID-19

COVID-19, and the related response by the UK Government, had a material impact on the Group's income and expenditure in 2020, although the impact on overall profitability and balance sheet valuation was not significant. The below considers the future long- and short-term impacts.

## Impact on the 2020 financial position and result

The solvency position of the Group and its operating subsidiary was largely unaffected by the outbreak of COVID-19 in the UK. Because the impact on the Group's solvency position was minimal, and the Group did not

need to utilise the significant excess capital position held entering 2020. Because of this, and the resilience of the Group's capital generation, the Group was able to pay dividends during 2020.

The regulatory capital position of the Group and its operating entity is highly correlated to the size of the in-force book. Therefore, financial scenarios which result in a shrinkage in the size of the business involve an inherent reduction in the Solvency Capital Requirement, which we saw in 2020, albeit offset by some increase in market risk as a result of the new investment portfolio.

The Group's investment portfolio consists of diverse, highly-rated bonds, predominantly Government-backed. This portfolio proved to be extremely resilient during the market turmoil of 2020 with little negative movement in market value. A small number of bonds have been placed under watch, but their impact on the portfolio is immaterial to the Group's Solvency position.

The Group's Expected Credit Loss ("ECL") provision has also remained stable throughout the year, but management is continuously monitoring the credit quality of the counterparties that it is exposed to.

The Group continuously assessed its Solvency Capital Requirement during 2020. The Group achieved a solvency coverage ratio of 203% at year end, exceeding the target ratio of 140% to 160% and did not drop below this range throughout the year. Refer to Note 2.7 of the financial statements for detail on capital management.

The liquidity position of the Group is outlined in Note 6 of the Financial Statements. The short-term liabilities of the Group remain adequately covered by the liquid assets. We continue to monitor the liquidity of our assets and the financial markets, to ensure cash outflows are appropriately matched. All of the Group's cash and cash equivalents are invested in highly liquid money markets and bank deposits.

## Short-term impacts

Through the course of 2020, the short-term impacts of COVID-19 on the Group's performance have become clear. These are:

Risk	Scenario						
	Reserve Strengthening	Reinsurer failure	Short-term significant drop in premium	Long-term drop in premium	Increase in expenses	Drop in income and above-expected claims costs	Investment valuations and cash flow
Pricing	✓		✓	✓		✓	
Claims management	✓						
Reserving	✓					✓	
Large losses	✓						
Reinsurance		✓					
Insurance market exposure			✓	✓			
IT systems and infrastructure					✓		
IT security					✓		
Outsourcing					✓		
Distribution			✓	✓			
Default			✓				
Interest rate							✓
Liquidity							✓
Capital management	✓	✓	✓	✓	✓	✓	✓
Financial crime					✓		
Employees					✓		
Climate change				✓			
Brexit	✓				✓		
COVID-19			✓	✓			

- Operationally, the business moved quickly to remote working. This added little cost (and in some cases reduced expenditure) and there have been no detrimental effects on operations since remote working was initiated in 2020.
- Claims costs have generally reduced during those periods during which travel has been restricted. This adds an element of estimation uncertainty to pricing, in that we price policies to a fixed margin and hence must estimate the total cost of claims across the policy period.
- Heavy price discounting by our competitors, partly as a result of the above, has at points during 2020 negatively impacted Sabre's competitiveness. Along with this, the "events" which often drive business towards Sabre, such as learning to drive or buying a new car, occur far less regularly. These factors combined appear to have reduced Sabre's revenue by 20-40% in those months where lockdown was most extreme.

We therefore see the most material risk in the short term as being a significant, short-term, drop in premium. We have therefore modelled this as part of our viability assessment.

### Medium and long-term impacts

The medium and long-term effects of COVID-19 will be defined by two things – how long it takes for the UK to return to "normal", and whether the future steady-state is similar to pre-COVID. The key considerations relate to the impact on the overall size of the UK motor insurance market. We see arguments for the size of the market increasing due to a less favourable attitude to public transport, or

shrinking should people not return to the same level of travel as pre-COVID-19. In any case, we see any structural change in the market to be gradual and do not expect this to have any material impact on the viability period which we are assessing.

### Viability and going concern due to COVID-19

The Group and its operating entity have considered various stress scenarios related to the pandemic. These risk scenarios indicate that the pandemic will not change the going concern status of the Group and its operating subsidiary. The Group trades from a robust capital position and is expected to remain well capitalised under all reasonable financial and operational stress scenarios.

### The impact of climate change

We discuss the impact of climate change in detail on page 43 to 44 of this report. We have assessed the short-term risks to the business as being minimal. Given the geographical diversity of the Group's policyholders within the UK and the Group's reinsurance programme, it is highly unlikely that a climate event will materially impact Sabre's ability to continue trading. More likely is that the costs associated with the transition to a low-carbon economy will impact the Group's indemnity spend, as electronic vehicles are currently relatively expensive to fix. We expect that this is somewhat, or perhaps completely, offset by advances in technology reducing the frequency of claims, in particular bodily injury claims which are generally far more expensive than damage to vehicles. These changes in the costs of claims are gradual and as such reflected in our claims experience and fed into the pricing of our policies. However, if the propensity to travel by car decreases overall

this could impact the Group's income in the long term, but this is not expected to be material within the viability period of three years. We do not consider it plausible that such a decrease would be as severe as the scenarios that we have modelled as part of our viability testing exercise.

### Scenarios modelled and link to principal risks

The table above shows some of the key scenarios modelled as part of our viability testing exercise, and the risks to which they most closely relate. Some detail on the types of stresses modelled in each scenario is given below:

- Reserve strengthening: An instantaneous 20% increase in net reserves
  - Reinsurer failure: The instantaneous failure of the two reinsurers with which we hold the largest recoverable positions
  - Significant short-term drop in premium: A 50% drop in premium for a period of three months
  - Long-term drop in premium: 20% annual shrinkage in premium over the viability period
  - Increase in expenses: A 10% inflation in operational expenditure
  - Drop in income and above-expected claims costs: 10% shrinkage and 10% increase in net loss ratio
  - Investment valuations: 25% decrease in the market value of the corporate bond portfolio
- We have also modelled worst-case scenarios which combine these events.

## Fair, risk-based pricing and reliable returns

### Our Purpose

To provide motor insurance, available to the widest possible range of drivers, based upon a fair, risk-based pricing model that is consistent across all customers. Generate reliable returns and return this to shareholders, or reinvest in the business in order to increase future returns.



### Shareholders

#### Underwriting performance

Delivering consistent and attractive returns on capital.

#### Risk management

Minimise volatility in result and maximise available capital.

#### Growth

Increasing value and absolute returns over time.

#### Operations

Enhancing operational efficiency and minimising cost.

#### Distribution

A flexible distribution model allows protection of bottom-line throughout the market cycle and responds to emerging customer demand.



### Employees

#### Underwriting performance

Stable business model allows for long-term, rewarding careers.

#### Risk management

Job security in a supportive, culturally sensitive environment.

#### Growth

Over time, internal opportunities to develop and grow with the business.

#### Operations

Skills-based operations allow for fulfilling employment. Conformity with best practice.

#### Distribution

Broker-led distribution retains technical skills in-house.



### Customers

#### Underwriting performance

Provide a quote for almost all potential customers, based upon the expected cost to us in providing that policy, irrespective of the individual's shopping or behavioural habits.

#### Risk management

Certainty that cover will be honoured and that the Group will retain the means to settle any claims which fall due. Comfort that we operate in line with all applicable laws and regulations.

#### Growth

Over time, scale benefits allow lower prices without sacrificing margin.

#### Operations

Efficient, consistent service from our claims and front-end administrative units, along with effective operational controls to allow for fast, accurate transactions.

#### Distribution

Obtaining a Sabre quote is easy, whether through a broker's branch, Price Comparison Website or direct through our brands, meaning almost everyone has access to a Sabre policy.

**Section 172 (1) statement**

This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f), and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

**Stakeholders and our Board**

Sabre aims to provide high-quality motor insurance at a fair price, while making attractive returns for its shareholders under any market conditions. This can only be achieved through engagement with, and consideration of, all stakeholders including our employees, customers, suppliers and regulators.

The consideration of stakeholder needs is not new to Sabre, however this year we are taking the opportunity to explain in more detail how we, and in particular our Board, engage with stakeholders, and how stakeholder needs are at the core of our decision-making.

**Stakeholder engagement**

The Board recognises that the needs and relevance of different groups of stakeholders can vary over time, and as such the Board seeks to understand the needs and priorities of each stakeholder as part of its decision-making. This is integral to the way the Board operates.

Page 38 of the Strategic Report set out who our stakeholders are and how our strategy impacts them. We further discuss how we engage with our key stakeholders, and our own employees, on pages 39 to 45 of the Strategic Report.

**Listening to the needs of stakeholders**

Our Board interacts with stakeholders through direct engagement as well as through information provided by management.

Key engagement activities include:

- Appointing a Non-executive Director, Ian Clark, to be responsible for direct employee engagement, which involves meeting with employees at all levels within the business throughout the year in order to discuss their concerns, ambitions, and views on the business
- Engaging with shareholders, at the regular management roadshows, attendance at investor conferences and through meetings with the Chair and engagement with the Remuneration Committee Chair
- The Board and management allow time for informal discussions with shareholders before and after the Group's AGM. This is an opportunity to interact with smaller, non-institutional shareholders


- Regular supervisory meetings between individual Board members and the Group's regulatory supervisory team, which facilitates wider discussion of the issues facing the insurance industry as a whole, as well as Company-specific matters

- Regular reports from executive management to the Board on customer service, including complaints root-cause analysis and whether customer service metrics have been met

- Supporting local and national charities

**Embedding stakeholder interests within our culture**

Through informed discussion at Board level, our Executive Team carries forward stakeholder consideration into and throughout the business. Sabre operates a culture of openness and transparency, with management at all levels working amongst their operational teams, ensuring that the tone from the top is well embedded in the day to day operations of the Company.



**Partners**

**Underwriting performance**  
Cash-positive business makes Sabre a reliable counterparty.

**Risk management**  
Certainty of liquidity to meet debts as they fall due.

**Growth**  
Become an increasingly valuable trading partner over time.

**Operations**  
Make timely, accurate payments to all suppliers.

**Distribution**  
Fair, consistent terms with our distribution partners.



**Regulators**

**Underwriting performance**  
Only underwrite business that will meet our target margins and generate appropriate regulatory capital.

**Risk management**  
Maintain capital headroom. Minimise conduct risk and ensure full compliance with legal and regulatory landscape.

**Growth**  
Grow when the market allows, without sacrificing profitability or capital security.

**Operations**  
Ensure accurate, timely reporting and close monitoring of regulatory risk areas.

**Distribution**  
Broker audits and on-boarding processes ensure a fully compliant customer journey.



**Society**

**Underwriting performance**  
Providing access to insurance to as wide a group as possible, reducing the risk of uninsured drivers.

**Risk management**  
Financial stability and strong balance sheet present lowest possible systemic risk.

**Growth**  
Increasing employment in the local community, while monitoring our impact on the environment.

**Operations**  
Ensuring efficient use of resources and managing the Group's impact on our local environment. Supporting local charities.

**Distribution**  
Making our product available as widely as possible, at a fair price to all.

**Environment**  
Minimising any adverse on the environment or contribution towards climate change through an increased focus on sustainable working.

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### Ensuring stakeholder interests are taken into account

The Board take their responsibilities under Section 172 of the Companies Act very seriously. The Board is aware that the Directors of the Company must act in good faith, and in ways that promote the success of the Company for the benefit of its members, and in doing so have regard to:

- The likely consequences of any decision in the long term
- The interests of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company maintaining a reputation for high standards of business conduct, and
- The need to act fairly as between members of the Company

The adjacent table demonstrates where further information on how the Board has met these responsibilities is disclosed:

### Long-term Results

<b>Strategy</b>	pages 14 to 15
<b>Chair's Letter</b>	pages 6 to 7
<b>Market Context</b>	pages 8 to 9
<b>Chief Executive Officer's Review</b>	pages 10 to 13
<b>Business Model</b>	pages 16 to 17
<b>KPIs</b>	pages 18 to 19
<b>Principle Risks and Uncertainties</b>	pages 20 to 27
<b>CFO's Report</b>	pages 34 to 37
<b>Viability Statement</b>	page 28
<b>Audit Committee Report</b>	pages 54 to 57
<b>Risk Committee Report</b>	pages 58 to 59

### Employees

<b>Business Model</b>	page 16
<b>Chief Executive Officer's Review</b>	pages 10 to 13
<b>Employees section of the CSR Report</b>	pages 39 to 41
<b>Board Principle Decisions</b>	page 33
<b>Chair's Governance Letter</b>	pages 46 to 47
<b>Remuneration Committee Report</b>	pages 62 to 67
<b>Directors' Remuneration Report</b>	pages 67 to 76
<b>Employee Designated NED</b>	page 39

### Stakeholders

<b>Strategic Priorities</b>	pages 14 and 15
<b>Chief Executive Officer's Review</b>	pages 10 to 13
<b>Business Model</b>	page 16
<b>CSR Report</b>	pages 38 to 45

### Community and Environment

<b>Chief Executive Officer's Review</b>	pages 10 to 13
<b>CSR Report</b>	pages 38 to 45
<b>Directors' Report</b>	pages 82 to 92

### Reputation

<b>Strategy</b>	pages 14 to 15
<b>Chief Executive Officer's Review</b>	pages 10 to 13
<b>Governance Report</b>	pages 50 to 53

### Fairness for Shareholders

<b>Strategy</b>	pages 14 to 15
<b>Governance Report</b>	pages 50 to 53
<b>Remuneration Committee Report</b>	pages 62 to 67
<b>Directors' Remuneration Report</b>	pages 67 to 76

### Key Board decisions during the financial year ending 31 December 2020

The Board recognises the importance of making decisions in a manner which ensures that all of the Group's stakeholders are treated consistently and fairly. This can be demonstrated through the below key decisions, which were made by the Board during the financial year ending 31 December 2020.

#### Response to the COVID-19 pandemic

In March 2020, the global COVID-19 pandemic hit the UK, resulting in a period of great uncertainty for many businesses. The Group was due to release its 2019 results on 24 March 2020. The Board decided that due to the release of the Government Guidelines, which began the full lockdown in England on 23 March 2020, it was appropriate to delay the release of the financial results. This action was in-line with a request from our regulators to delay reporting until such time as any emerging issues could be resolved. This short delay enabled the Directors to give more time to modelling the results for the upcoming financial year, and to be able to provide further assurance that the Company was able to continue as a going concern.

Since the COVID-19 pandemic, the Board and Management have concentrated on ensuring the wellbeing and safety of its employees, customers and other stakeholders, and ensured that the Group remained operationally effective. The Board has provided support and guidance to Management, to ensure that the Government's health and safety guidelines and measures have been adhered to by the Group and its employees to help prevent the spread of the COVID-19 virus.

Management had to adapt the Group's ways of working in a matter of weeks. This included the roll out of new technology, allowing employees to work successfully and securely from home. For the remainder of the year, employees were able to work from home, and were invited to return to work in the office in-line with Government guidance, for a short period in September 2020, where the Group operated a "two team" system to limit the total number of people in the office at any one time.

Although the COVID-19 pandemic does not fundamentally impact the Group's strategy, the Board remain cognizant of the impact of the virus, and continues to monitor it closely. The Board determined that there was no need for the Group to accept Government assistance, or furlough employees, during the financial year ending 31 December 2020, and that it was able to maintain dividend in line with shareholder expectations.

The Group sought to support employees by continuing to pay bonuses and award pay rises. Additionally the Group allowed considerable extra flexibility in working practices. The Board further decided that the Group would endeavour to support its smaller suppliers during the pandemic. For example, by reducing the impact of the office closure on the Group's facilities provider by using the time to operate deep cleaning session of the office and continuing to pay full cleaning fees despite the largely empty office. The Group also ensured that it continued its support of its charities, and the wider insurance industry charity initiatives, and made donations to support this. Further information can be found on page 42.

The Board carefully considered the impact of the pandemic on our customers and concluded that support could be offered in a number of ways. Primarily, new and renewing policy prices were adjusted to reflect expected reductions in traffic volumes (and hence expected reductions in claims costs). On our direct business, allowances were made to ensure that customers were not charged for adjustments to their policies caused by the pandemic, for example where they were temporarily unemployed, or wanted to adjust their expected mileage due to restrictions on travel. Where customers purchased their policies through monthly payments, we made special provision such as payment holidays for those customers affected by the restrictions.

The Board also confirmed that the Group would fully support the ABI customer initiatives.

#### Dividend

The Group's dividend policy states that an ordinary dividend will be paid based on 70% of the year's profit after tax, with the potential for additional capital to be distributed by way of a special dividend as appropriate. The Board assesses whether to pay a special dividend on an annual basis once the result for the year is known. This decision is made primarily based upon the financial position of the Group, as demonstrated through its SCR coverage ratio, as well as projected capital needs and the wider economic and market backdrop. The Board considers this to meet the overriding need of all shareholders, customers, staff and our regulators, for the Company to remain a solvent, viable trading entity under all reasonably foreseeable circumstances. The Board also makes a secondary consideration of the expectation of shareholders, understanding that many of the Group's investors hold stock in order to benefit from the strong dividend flow.

During 2020, the Board made the decision in April to pay only the ordinary dividend, and defer payment of the special dividend until a

later date. This decision was made during the early stages of the COVID-19 pandemic's impact on the UK. The Board determined that the primary need of stakeholders to remain financially secure required holding additional capital during a period of considerable uncertainty. The Board did, however recognise the expectation of shareholders that excess capital would be distributed by the Group, so a reasonable solution was considered to pay the ordinary dividend, and defer the special. The Board also elected to tell shareholders what the dividend would have been, had the pandemic not hit, and to make a clear statement that this was a deferral and not a cancellation of the dividend.

In July, the wider economic impact of the pandemic was much better understood and the Group had generated significant additional capital. As such, the Board elected to pay the deferred dividend along with the 2020 interim.

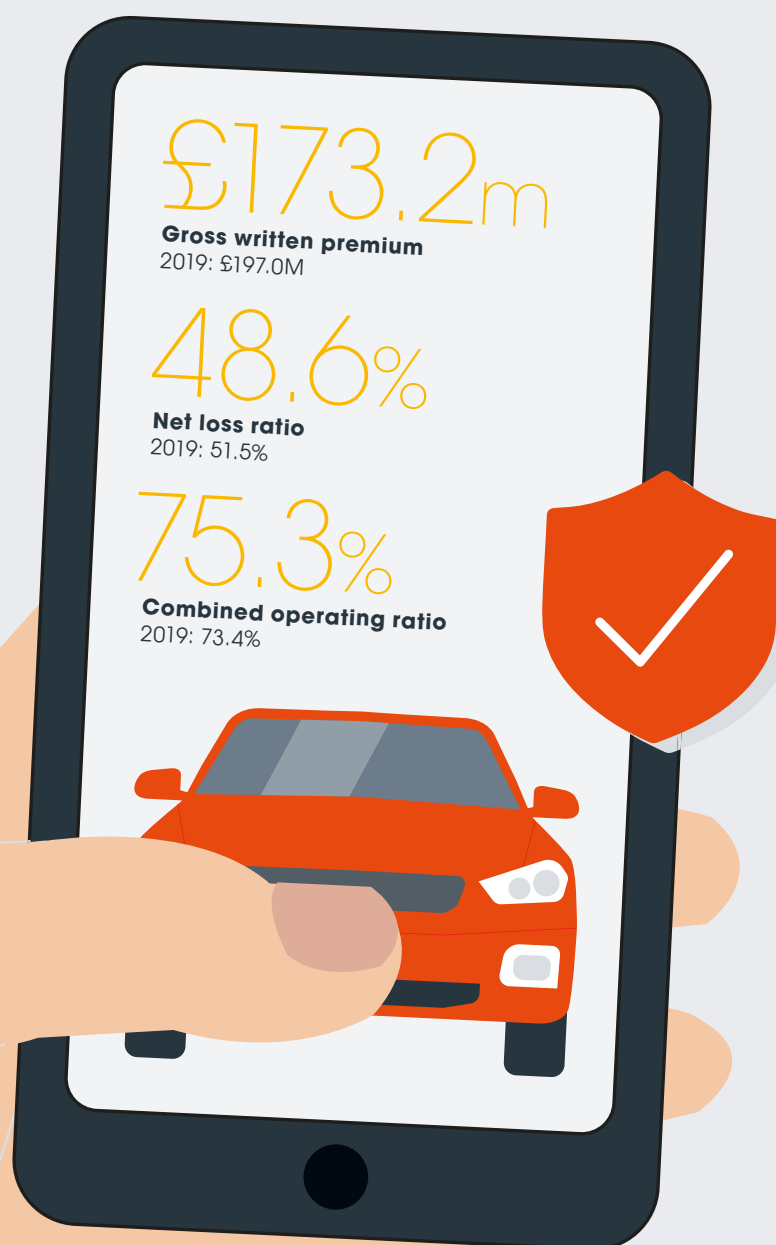
#### Strategy

The Group's strategy is well documented within this report, and has changed little in the past two decades. This Board does, however, review the Group's strategy against its best understanding of the needs of key stakeholders. In September 2020, the Board held its annual "Strategy day", at which the existing strategy was assessed primarily against the needs of shareholders, customers, staff and our regulators. The Board concluded that the needs of our key stakeholders were well met through the current strategy, which remained in-line with that disclosed at IPO. The Board did consider whether continued market softness should drive a change in strategy, however concluded that the current, focused approach was likely to give the best long-term result for shareholders as well as the best prices for customers and the best level of customer service. The Board approved management's proposal that complementary and parallel lines of expansion could help reduce volatility in the performance of the Group, and therefore concluded that these options should continue to be investigated, to the extent that they do not draw focus from the key operations of the Group.

# Strong trading through an uncertain market

## ADAM WESTWOOD

Chief Financial Officer



## HIGHLIGHTS

	2020	2019
Gross written premium	£173.2m	£197.0m
Net loss ratio	48.6%	51.5%
Expense ratio	26.7%	21.9%
Combined operating ratio	75.3%	73.4%
Adjusted profit after tax	£39.8m	£45.7m
Profit after tax	£39.8m	£45.7m
Solvency coverage ratio (pre-dividend)	203%	214%
Solvency coverage ratio (post-dividend)	155%	180%
Return on opening SCR	66.9%	74.9%
Return on tangible equity	36.0%	41.6%

2020 was a year defined by unprecedented events, which presented new challenges across the industry and provided a real test of the Group's strategy.

The year started much like any other, with Sabre applying price increases to cover the cost of claims and other inflation, which has been relatively high for some time. Those familiar with the Group will be aware that this approach has been designed to preserve long-term profitability, but has generated some shrinkage in past years as Sabre's prices have become, temporarily, less competitive. During Q1, before it became clear that the coronavirus outbreak would become a global pandemic, there were early signs that the UK motor insurance market was turning, with prices appearing to harden and our premium recovering. This, however, was cut short by the introduction of restrictions on travel in the UK.

The impact of these restrictions cannot be overstated and the tragic loss of life, health and civil liberties overshadows the modest net impact on a Company such as Sabre. The financial impact of the restriction can be summarised as follows:

- Fewer cars on the road generally led to fewer accidents and hence a lower cost of claims
- Because of the above, insurers including Sabre discounted premiums to reflect expected savings, reducing the premium available in the market
- Fewer “events”, such as the purchase of new vehicles and learning to drive occurred. Such events have an impact on revenue for Sabre

Throughout, we have balanced potential loss of income against the cost of miscalculating the impact of restrictions, and continued to err on the side of caution.

The net effect of these temporary changes to the market were that while current year claims performance was strong, the Group lost some market share.

While the Group has a considerable variable element to its cost base, it is nonetheless exposed to an element of fixed cost. We disclosed in the 2019 report that a one-off accrual release positively impacted that year’s expense ratio. As a result of this, and the reduction in top-line premium, there is an increase in the expense ratio for 2020. This means the combined ratio has increased year-on-year, despite the reduction in net loss ratio.

The net result of this is that profit after tax has fallen to £39.8m for the year, with the Group well placed to grow earnings in the medium term.

We will continue to focus on delivering an ordinary dividend of 70% of Adjusted Profit After Tax (“PAT”), and return excess capital to shareholders as appropriate. The Board has elected to pay a year-end dividend of 11.7p per share, consisting of an ordinary dividend of 6.8p and a special dividend of 4.9p. Including the ordinary interim dividend of 4.3p already paid in respect of 2020, this takes the total dividend paid in respect of 2020 to 16.0p per share. The Group also paid a dividend of 5.2p in August 2020, which while technically a 2020 dividend, represented the deferred special dividend in respect of 2019.

The Group’s return on tangible equity was 36.0% for 2020, a reduction from 41.6% in 2019. The decrease is primarily a result of the reduction in adjusted profit after tax.

Our Solvency capital remains strong, with a pre-dividend SCR ratio of 203%, with little impact from the market turmoil we have seen during the year.

The Group has continued to generate significant capital through normal trading activity during the year and paid two dividends, the final dividend in respect of 2019 and an interim dividend in respect of 2020, which included the deferred special dividend in respect of 2019.

## Revenue

	2020	2019
Gross written premium	£173.2m	£197.0m
Gross earned premium	£185.8m	£203.7m
Net earned premium	£165.7m	£183.2m
Other technical income	£2.2m	£1.2m
Customer instalment income	£4.6m	£4.1m
Interest revenue calculated using the effective interest method	£1.4m	£0.1m
Net investment gains through profit or loss	–	£2.3m
Fair value gains on debt securities through OCI	£2.4m	–

Continuing the theme from 2019 results, we have continued to price our policies according to observed and expected increases in underlying costs, to maintain profitability. While this led to Sabre apparently pricing ahead of the market in 2019, it did appear that in early 2020 market pricing was catching up, as sales volumes began to recover. This recovery was halted abruptly when the restrictions on travel were introduced. As discussed in my introduction, these restrictions led to a significant reduction in the amount of new business available within the market. Further, Sabre’s cautious approach to discounting prices means that potential business was lost to more aggressive price reductions introduced by other firms. This strategy means that, while there may have been a short-term dip in income, the chances of under-pricing policies and building a problem for the future are significantly reduced.

The level of other technical income and instalment income remains broadly proportionate to the amount of direct business written, notwithstanding that instalment income is earned over the life of a financed policy while other income is generally recognised upfront. The year-on-year increase in other technical income is a result of a change in classification for certain premium refunds, which were previously classified as a reduction within other technical income but are now classified within premium.

From 1 January 2020, the Group applied IFRS 9 for the first time. Also in January, on the appointment of Goldman Sachs Asset Management as the Group’s investment manager, the fixed income investments held by the Group were classified at fair value through Other Comprehensive Income. This means that, because the Group’s strategy is to hold these assets to maturity, the profit and loss account is no longer exposed to short-term fluctuations in market value. Instead, an “effective interest” amount is credited to the profit and loss account, which represents the net income earned on each bond.

Goldman Sachs Asset Management will work with management to explore opportunities to increase yield moderately, while maintaining a simple, low-risk and largely buy-and-hold investment strategy.

## Operating expenditure

	2020	2019
Gross claims incurred	£104.0m	£110.3m
Net claims incurred	£88.1m	£102.0m
Current-year loss ratio	51.2%	62.8%
Prior-year loss ratio	-2.6%	-11.2%
Financial-year loss ratio	48.6%	51.5%
Net operating expenses	£44.3m	£40.1m
Expense ratio	26.7%	21.9%
Combined operating ratio	75.3%	73.4%

The year’s underwriting result is best explained in terms of the current-year loss and prior-year loss ratios, and the expense ratio, which together make up the combined ratio.

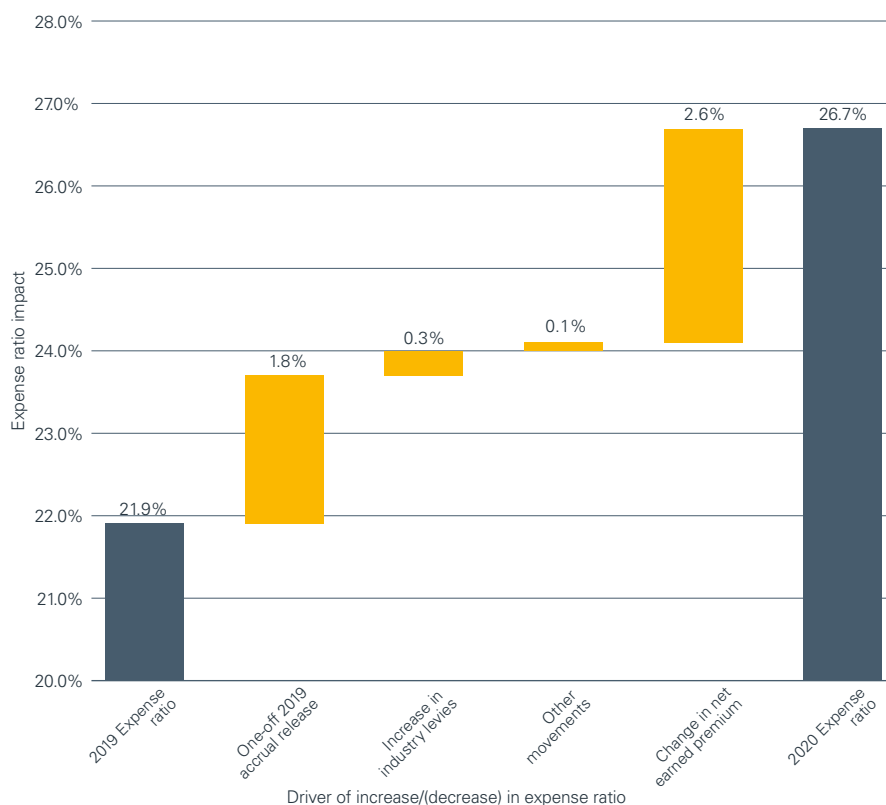
The current-year loss ratio, at 51.2%, is 11.6% lower than the 62.8% achieved in 2019. This improvement is driven primarily by incurring fewer claims than expected, either on policies written before the restrictions on travel were imposed, or incurring fewer claims than expected once policies had been discounted.

We should note that, while the frequency of claims had reduced during lockdown, we still incurred a steady stream of claims.

The prior-year loss ratio recorded in 2020 was minus 2.6%, as compared to minus 11.2% in 2019. This reduction is the result of far lower "exceptional" reserve releases during the year, in-line with the expectation we have previously set that the prior-year movement will revert to a "normal" run rate over time. The prior-year run-off benefit has been further reduced by a one-off strengthening of certain prior-year reserves relating to periodic payment orders (which are claims settled as annuity payments to claimants as opposed to one-off lump sum amounts), which are exposed to inflationary factors such as the increasing cost of care provision.

The Group's expense ratio has increased against the 2019 comparative, from 21.9% to 26.7%. While the Group's expense base has been relatively stable, the increase in this ratio, which is equal to total operating expenses divided by net earned premium, has been exaggerated by a one-off reduction in costs in 2019 and the reduction in net earned premium in 2020. For additional clarity, a bridge of expense ratio from 2019 to 2020 is given below.

#### Bridge of Expense Ratio



The one-off accrual release of c.£3.3m in 2019 related to the accrual held in respect of MIB levies and was discussed within the 2019 CFO report. Movement in deferred acquisition costs ("DAC") reflects changes in the amount of acquisition costs deferred over the life of policies sold. If a higher amount is deferred at the end of the year than at the start, there will be a benefit to the profit and loss account. As at the end of 2020 there was slightly less deferred than at the end of 2019, so the impact was a small negative to profit. Conversely, the amount deferred at the end of 2019 was larger than at the start of 2019, which led to a benefit to the 2019 position. This deferral reflects the timing of costs incurred rather than any change in the total amount of expense incurred by the business.

The increase in staff costs, excluding the impact of deferrals and reclassification to claims expenses, was £0.9m, from £12.6m in 2019 to £13.5m in 2020. The difference was driven primarily by an increase in share-based payment (IFRS 2) charges, which increased by £0.5m. This was primarily due to an additional year of long-term incentive plan being charged (now three years earning simultaneously) and two years of deferred bonus plan expense being incurred (in 2019, only the deferral in respect of 2018 was incurred). These increases now reflect an approximate plateau in the number of years' expense which will earn through in any year. The remainder of the increase is due to small increases in the cost of basic salaries and staff bonuses, and an increase in the accrued cost of untaken leave. We have kept our staff numbers at a consistent level over the past year, despite the decrease in policy volumes, which we expect to be temporary. We continue to run excess capacity within our claims team in anticipation of a hardening market driving increased policy volumes within the next year. All eligible staff received an inflationary payrise during 2020.

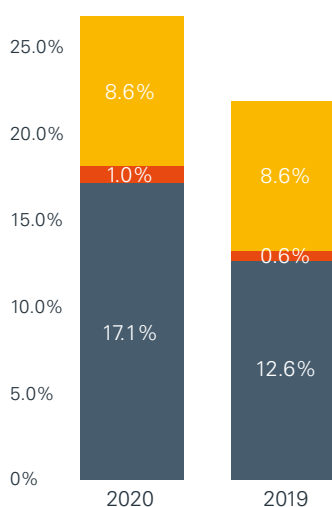
The cost of MIB and other levies continues to rise, relative to the level of premium written, hence the increase in absolute costs. Audit fees have also shown significant inflation during 2020, largely a result of structural changes to the audit firm's quality and risk management approach.

Other costs remained stable year-on-year, with variable elements such as certain IT costs and commission decreasing in-line with policy volumes. Notwithstanding the impact of variable costs, the reduction in net earned premium increased the expense ratio by 2.6%.

The expense ratio calculated by Sabre is "all-in", in that it includes all operational expenditure, including Commission and head office costs incurred by the Group. This is not necessarily consistent with other insurers, therefore for ease of comparison we show a summarised breakdown of the expense ratio below.

#### Breakdown of expense ratio

30.0%



- Commission expense
- Share scheme costs
- Net operating expenses exc. Share scheme costs

#### Taxation

In 2020 the Group recorded a corporation tax expense of £9.3m (2019: £10.8m), an effective tax rate of 18.98%, similar to an effective tax rate of 19.07% in 2019. The effective tax rate is approximately equal to the prevailing UK corporation tax rate. The Group has not entered into any complex or unusual tax arrangements during the year.

#### Earnings per share

Earnings per share	2020	2019
Basic earnings per share	<b>15.98p</b>	18.35p
Diluted earnings per share	<b>15.82p</b>	18.22p

Basic earnings per share for 2020 of 15.98p per share is proportionate to profit after tax. Diluted earnings per share is similarly proportionate to profit after tax, taking into account the potentially dilutive effect of the Group's share schemes.

#### Cash and investments

Cash and investments	2020	2019
Government bonds	<b>£121.9m</b>	£263.6m
Government-backed securities	<b>£84.2m</b>	£0.0m
Corporate bonds	<b>£40.2m</b>	£0.0m
Cash and cash equivalents	<b>£37.9m</b>	£31.8m

The Group continues to hold a low-risk investment portfolio and cash reserves sufficient to meet its future claims liabilities. During 2020 the Group revised its investment strategy to allow for a proportion of the portfolio to be held in corporate bonds or government-backed securities, which was implemented through the appointment of Goldman Sachs Asset Management. The goal was to develop and implement prudent and efficient deployment of invested assets, while sticking to our low-risk, low-distraction philosophy.

#### Insurance liabilities

Insurance liabilities	2020	2019
Gross outstanding claims	<b>£226.5m</b>	£212.2m
Reinsurance assets	<b>£92.0m</b>	£76.4m
Net outstanding claims	<b>£134.5m</b>	£135.8m

The Group's net outstanding claims continue to reflect the underlying profitability and volume of business written. The increase in gross outstanding claims against 2019 was a result of additional large claims being recorded against the relatively slow settlement of personal injury claims during COVID-19. The level of net outstanding claims held remains broadly proportionate to the volume of business written, with a reduction in new claims incurred in 2020 being somewhat offset by increases in the time taken to settle larger claims and expected increases in the costs of settling claims.

#### Leverage

The Group continues to hold no external debt. All of the Group's capital is considered "Tier 1" under Solvency II. The Directors continue to hold the view that this currently allows the greatest operational flexibility for the Group.

#### Dividends

The Directors have proposed a total final dividend of 11.7p per share in respect of 2020, consisting of an ordinary final dividend of 6.8p per share and a special dividend of 4.9p. The total amount proposed to be distributed to shareholders by way of dividends for 2020 is therefore 16.0p per share, including the ordinary interim dividend of 4.3p per share. This does not include the special dividend of 5.2p per share paid in August 2020, which represented a deferral of the 2019 special dividend. Including this, the total dividend paid and declared in respect of 2020 is 21.2p per share. Excluding the capital required to pay this dividend, the Group's SCR coverage ratio at 31 December 2020 would be 155%. This is consistent with the Group's policy to pay an ordinary dividend of 70% of profit after tax, and to consider passing excess capital to shareholders by way of a special dividend.

#### ADAM WESTWOOD

Chief Financial Officer

15 March 2021

# A lasting, positive impact on people and the environment

As a Group we focus on our people and contributing to the communities in which we operate. We comply with environmental protection laws and seek to minimise detrimental effects that our activities may have on the environment.

## CORPORATE RESPONSIBILITY

Our approach to corporate responsibility is supported by five strategic pillars through which ensure we consider all of our stakeholders as we make decisions about how to run our business.

- |   |                    |
|---|--------------------|
| <b>1 EMPLOYEES</b>                          | <b>4 CUSTOMERS</b> |
| <b>2 COMMUNITIES</b>                        | <b>5 PARTNERS</b>  |
| <b>3 THE ENVIRONMENT AND CLIMATE CHANGE</b> |                    |



1

# EMPLOYEES



People are key to our success. The Group seeks to create a positive and collaborative working environment for all employees. Our culture requires everyone to operate in an open, honest and professional manner with a work ethic that recognises the importance of work/life balance. The Group operates out of one site in Dorking and, as at 31 December 2020, employed 160 people. We are proud to say that 47% of our employees have been with the Group for ten or more years.

Sabre did not furlough any employees during the COVID-19 pandemic and ensured that all employees were able to work from home. We also made it possible for those employees who were unable to work from home to be able to work from the office. All Senior Management communicated with their employees to check that they were supported both physically and mentally, this included daily calls and morale boosting events such as quizzes and virtual personal training sessions.

Communication is key to fostering this environment, with Geoff Carter and the Senior Management Team conducting employee briefings and Q&A sessions throughout the year. The Group holds appraisals which take place twice a year.

In order to build a greater communication channel for employees to the Board, and in line with best practice, the Board has appointed Ian Clark as the designated Non-executive Director to represent employees. An engagement programme of meetings and lunches with Ian for employees was planned to be held throughout 2020. Ian was able to attend one of the Group's regular employee group lunches and the Group's charity quiz prior to the closure of the office

due to the COVID-19 pandemic restrictions. It is expected that Ian will continue attending these sessions, and hosting regular employee lunches when employees return to the office. Ian feeds back to the Committee and the Board on his meetings, which gives the Board great insight on employees' thoughts and feedback. The "Ask Sabre" facility has remained allowing employees to ask management questions regarding the business, and to raise any concerns they may have.

In 2018, the Group introduced an all-employee survey, to monitor the culture of the Group. This is now an annual exercise. In 2020 employees were asked to complete a questionnaire about their experience of working at Sabre. The response rate was 66% (2019: 49%). From these responses 97.12% said that they could foresee themselves working at Sabre in a year's time.

In addition to the Group's Code of Conduct (which can be found on our website at [www.sabreplc.co.uk/about-us/code-of-conduct/](http://www.sabreplc.co.uk/about-us/code-of-conduct/)), policies are in place to support and develop the Group's employees, all of which are subject to regular review. Examples of these include policies addressing equal opportunities, harassment, flexible working, health and safety, maternity and paternity leave, season ticket loans, training and development, and modern slavery. Emphasis is also placed on employee wellbeing, where all employees are offered an annual health and wellbeing check, flu vaccinations and free fruit. The workforce policies and practices are consistent with the Group's values and support the long-term success of the business through supporting its employees.

The Group operates several share plans to ensure employees are easily able to become shareholders in the Group. At the time of Listing, employees were granted free shares, without performance conditions, in the Group through the Share Incentive Plan ("SIP") and Long-Term Incentive Plan ("LTIP"). The final tranche of the LTIP awards vested in 2020, and the free shares granted under the SIP, are now exercisable (although remain liable for tax, for a further two years). This year the Group launched its third Save As You Earn ("SAYE") grant, allowing employees to purchase shares in the Group at a reduced rate. The Group allows the monthly maximum contribution to be £500, in line with the maximum allowed under the Plan. In 2019, the Group expanded its SIP, allowing employees to purchase Partnership shares to a maximum of £1,800 a year, with the Group matching shares purchased through the plan at a 1:3 ratio.

## TRAINING DURING THE YEAR

We have had another successful year for those that wish to pursue further qualifications which relate to their role at the Group. During the year, the Group sponsored a member of the Claims Department to complete the Foundation Insurance Test (FIT), which is the initial module of the Chartered Insurance Institute ("CII") exams. We have two Claims Handlers who had previously completed these modules and are now working

towards the Diploma in Insurance, and also have an employee within the Underwriting Team, who is now working towards their Diploma. An employee in Finance is undertaking a Chartered Institute of Management Accountant qualification and another is completing his Masters in Business Administration. All of these qualifications are paid for by the Group, which also supports employees studying by giving them time off for their studies.

### THE CLAIMS AND UNDERWRITING MILESTONE PROGRAMME

All new claims negotiators and underwriters are enrolled on to our two-year Milestone programme. The training provided is apprenticeship-style learning, offering the individual the opportunity to develop their understanding of the claims handling process or underwriting and to enhance their customer service skills and technical insurance knowledge. The Milestone scheme adopts a four-monthly appraisal process, to include a performance-related pay rise for the trainee following each review. An assessment is completed before each appraisal which assists the Team Leader to identify key areas of development and objective setting for the next appraisal period.

As part of the scheme, trainees within the claims department will spend time understanding the key areas of the department, starting in our Technical Support Unit and then a minimum of six months within our Training Academy, before graduating to one of our operational claims teams. There are also secondment opportunities in our specialist teams, such as Counter Fraud and Credit Hire, allowing individuals to further improve their understanding of a particular subject.

All trainees are also encouraged to study towards gaining insurance qualifications through the Chartered Institute of Insurers, which Sabre funds on behalf of its employees.

#### Training

The Group operates an e-training programme for all the Group's employees focusing on business needs including topics such as anti-bribery and corruption, whistleblowing and modern slavery. The Group offers ongoing training to all employees and external courses for newly promoted employees where appropriate, as well as encouraging and financially supporting employees to take professional Chartered Insurance Institute ("CII") exams for their own development. The Group intends to support more employees completing similar qualifications in future years, as and when there is a business need. We aim to continue to support employees financially with these qualifications as well as providing paid study leave and time to take the examination.

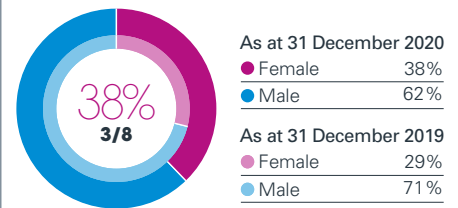
160  
EMPLOYEES

57%  
Male

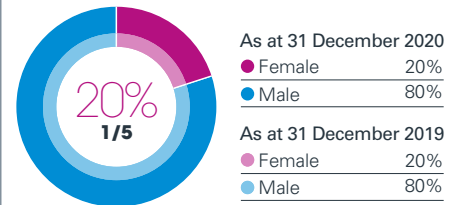
43%  
Female

47%  
Employees have been with the Group for 10 years or more

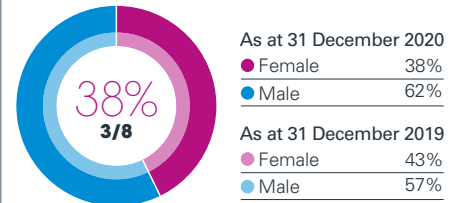
#### Number and % of women on the Board



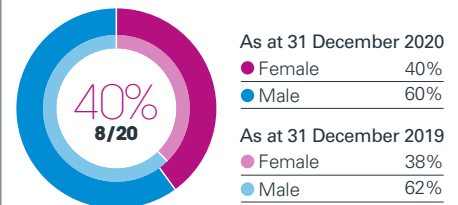
#### Number and % of women on the Executive Team



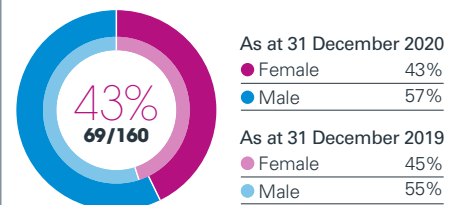
#### Number and % of women on the Leadership Team



#### Number and % of women in senior roles (reporting to members of the Leadership Team)



#### Number and % of women working at Sabre



## Diversity

During 2020, the Board reviewed its Diversity Policy. The Group is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to our organisation. We encourage equality and diversity among our workforce, whilst eliminating unlawful discrimination.

### Sabre's Diversity Policy aims:

- To promote equality, fairness and respect for all our employees
- To ensure that the Group does not discriminate against an individual, specifically due to their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality, and ethnic or national origin), religion or belief, sex (gender) and sexual orientation
- To avoid all forms of unlawful discrimination

We use an online solution to carry out a range of digital training annually to all our employees at all levels. There is an assessment at the end of each 'module' which must be passed before completion, thus ensuring a level of understanding is reached.

In March 2020, the Group launched online training on unconscious bias and equality and diversity in the workplace. These modules are designed to help employees and enable them to understand how their attitudes and behaviour towards each other can have a negative or positive impact on the workforce as a whole.

Our Code of Conduct also refers to creating a safe and healthy environment for all of our employees and that we do not tolerate any improper behaviour or harassment. Code of Conduct training is rolled out annually to all employees, and to all new starters on arrival, via the Group's online training platform.

The Group operates a Religious Holidays Policy, to ensure respect for employees who wish to observe special religious holidays or festivals. All employees, whatever their religion or belief, will be treated equally in this respect.

## Gender pay gap

Whilst Sabre currently has fewer than 250 employees, and therefore is not required to submit a formal statement on its gender pay gap, our intention is to be transparent and commit to publish our gender pay gap report on an annual basis. Sabre believes that by publishing this information it holds the Group accountable to ensuring gender equality regarding pay. We confirm that the data and supporting narrative contained in this report is accurate and that the figures in this report have been calculated using the standard methodologies used in the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. A copy of our Gender Pay Gap Report is available on the Group's website: [www.sabreplc.co.uk/about-us/corporate-governance/gender-pay-gap-report-2020/](http://www.sabreplc.co.uk/about-us/corporate-governance/gender-pay-gap-report-2020/)

We are continuing to develop an inclusive and diverse company. During the recruitment and interview process we ensure fair, non-discriminatory and consistent processes are followed, and Sabre has a policy of, where practical, advertising all roles internally to allow employees to progress and develop. Sabre also supports working parents through shared parental leave, enhanced maternity and paternity leave and where possible embraces flexible working for our employees.

Sabre has reviewed employee salaries and can confirm that those employees with the same job titles and similar length of service are paid similar amounts, as illustrated below:

Department	Start date	Annual salary (£)	Gender
Claims Negotiator	2016	22,085	Female
		22,425	Female
Electronic Trading Co-ordinator	2015	22,231	Male
		37,899	Female
		37,608	Male

Since Sabre was incorporated we have reviewed and increased salaries year-on-year. We benchmark salaries from the insurance industry, offer competitive salaries and are proud to offer a personal performance bonus plan for all employees.

## Modern Slavery Statement

The Group's Modern Slavery Statement is available on the Group's website: [www.sabreplc.co.uk/about-us/corporate-governance/modern-slavery-statement/](http://www.sabreplc.co.uk/about-us/corporate-governance/modern-slavery-statement/)

Sabre commits to support the aims of the Modern Slavery Act and recognises that insurance underwriters, like any other business, must seek to ensure that modern slavery or human trafficking does not feature in any part of its business or supply chains. Sabre is committed to acting responsibly and ethically in business relationships and to ensuring that slavery and human trafficking does not occur anywhere within our business operations. Sabre has a zero-tolerance approach to any form of slavery and human trafficking within the Group or its suppliers.

A risk-based approach is used to assess the likelihood of modern slavery occurring. Where applicable suppliers provide their Modern Slavery Statements prior to their appointment and then annually if successfully appointed. These statements are reviewed by Management to ensure that our suppliers recognise that acts of slavery and human trafficking will not be tolerated.

Sabre expects that all suppliers share Sabre's commitment to acting responsibly and ethically. Any supplier which does not meet the Group's expectations will have their relationship reviewed, and potentially terminated if the risks are not subsequently addressed or their Modern Slavery Statement is not deemed satisfactory by Sabre's management.

In addition, all employees must complete annual training on how to identify modern slavery and the risks associated with it. The intention of providing this compulsory training is to equip employees with the skills to recognise signs of slavery, to understand that it will not be tolerated, and to report any suspected cases to Senior Management, with the overarching objective to prevent slavery and human trafficking occurring within the Group and its suppliers.

During the year ended 31 December 2020 there were no reports relating to modern slavery or violations of human rights reported (directly or indirectly) or cases identified. There were also no incidents reported relating to our supply chain, either by internal supplier relationship managers or our suppliers themselves.

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# COMMUNITIES



Since 2019 Sabre has operated a charity committee to prioritise and plan fundraising events throughout the year. Our chosen charities are St Barnabas & Chestnut Tree House. Sabre has continued to support these charities throughout the year.

St Barnabas House offers palliative care to people in the local community, both at the hospice and in the comfort of the patient's own home. Chestnut Tree House is a children's hospice caring for over 300 children and young adults with progressive life-shortening conditions.

The Charity Committee had planned for 2020 a "give a day away", where a number of employees would be given time out of their working day to help volunteer at St Barnabas & Chestnut Tree House. Unfortunately due to COVID-19 this was not able to go ahead as planned but we are hoping we may be able to proceed with this during 2021, subject to the Government's guidelines.

Before the COVID-19 pandemic and resulting restrictions were introduced, Sabre hosted a successful quiz night in aid of The Advancement of Labrune's Syndrome, as an employee's family member had been diagnosed with this. Whilst Sabre paid for the buffet, the employees raised £798. Sabre also hosted a Valentine's Day Raffle, and between Sabre employees and the Company we raised £856 for St Barnabus & Chestnut Tree House.

During the financial year, Sabre made one-off donations to fund charities providing support during the COVID-19 pandemic as shown below:

Charity	Amount (£)
St John's Ambulance	500
ABI COVID-19 Support Fund	10,000
St Barnabas and Chestnut Tree House	5,000
Dorking Foodbank	875

By the end of the financial year, Sabre and its employees had raised £7,033 for St Barnabas & Chestnut Tree House, including the £5,000 donation previously mentioned. The total donations by the Group and its employees amounted to £21,306, of which £2,535 was raised by employees (2019: £2,303) and £18,771 donated by Sabre (2019: £15,698).

## £2,535

RAISED FOR CHARITY BY EMPLOYEES

## £18,771

SABRE DONATED TO CHARITY

### CHARITIES WE SUPPORTED IN 2020:

ABI COVID-19 Support Fund

Dorking Foodbank

Labrune's Syndrome

Macmillan

Rugby Unites

St Barnabas and Chestnut Tree House

St John's Ambulance

### SABRE'S APPROACH TO DATA PROTECTION

Sabre has a GDPR oversight Committee which is chaired by our Data Protection Officer, and meets regularly to review GDPR compliance. The meeting is attended by representatives of all areas of the business, including Compliance and Risk. The standing agenda for the meeting ensures that all breaches are reviewed, emerging risks considered and any follow through training required is identified.

Our employees are trained, at least annually, on Data Protection legislation and the Company's requirements when handling data. This includes online training courses, which include a marked assessment on completion to ensure understanding. Additional ad-hoc training is provided to update on any specific changes or points of interest.

Reporting of Data Protection risks are initially reported to our Data Protection Officer who reports to Ian Clark, Chair of the Risk Committee.

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# THE ENVIRONMENT AND CLIMATE CHANGE



Our consideration of the environment falls into two, equally important, categories. Firstly, we must assess and where possible mitigate the risks of the changing environment on our business. Secondly, we must consider the impact of our business, both directly and indirectly, on the environment, in particular the impact of greenhouse gas emissions and their contribution to climate change.

We recognise that stakeholders are increasingly interested in both of these issues and as such we continually review and enhance our efforts and disclosures in these areas, with particular reference to guidance and rules issued by our stakeholders, including the recommendations of the Task Force on Climate Related Financial Disclosures ("TCFD") and various statements made by our regulators, and the Streamlined Energy and Carbon Reporting ("SECR") requirements.

## Governance over Climate Change

The Board takes the ultimate responsibility for identifying and mitigating risks in relation to climate change, and in minimising the Group's negative impact on the environment. This responsibility is discharged primarily through two channels:

- Adam Westwood, the CFO, has the responsibility for monitoring and reporting on climate change
- The Risk Committee monitors and challenges the risks to the Group presented by climate change. These risks are recorded on the Group's risk register

Reports on climate change issues are made to the Board and the Risk Committee at least annually. These reports are also discussed and reviewed by the Executive Committee.

## Strategy, Risk Management and Climate Change

As a Group, we acknowledge and are pleased to note that our total impact on the environment is small, relative to the level of service provided. However, we continue to consider a controlled reduction in our energy usage should form part of our overall strategic aims. The impact of climate change on the Group was reviewed during 2020 and will be reviewed annually. We have assessed the impact of both transitional risks (those associated with the transition to a low-carbon economy) and physical risks (those associated with the impacts of a changing climate). We consider these risks over short (0-10 years), medium (11-50 years) and long term (50+ years) horizons and record the associated risk and any mitigating controls within our risk register. Overlaying the physical and transitional risks is an assessment of the liability risk to us as an insurer.

Our overall assessment is that the physical risks to the Group in the short and medium term are low, with our Dorking offices located in a low-risk location within the UK, on the basis of propensity for flooding for both surface water and rivers. In the long term, this is also likely to present a low risk but we are mindful of potentially catastrophic climate events within the wider UK which may impact all businesses' ability to function. Our ability to work fully remotely, as demonstrated during 2020, presents some mitigation here although we note it is likely that remote working will be far more prevalent over the long-term horizon. The Group's data is stored replicated in geographically separated servers, minimising the risk of disruption from a single flood (or other weather) event.

The transitional risks we have identified relate primarily to the changing nature of products that we insure, and potential changes in the behaviour of our customers. This presents some strategic opportunities, such as providing insurance to new kinds of vehicles, but also potentially a challenge should road usage (and as such the size of the motor insurance market) decrease. This is a topic that is central to our long-term strategic planning.

The liability risks identified relate primarily to catastrophic weather-based events, which could become more frequent over the medium-to-long term as a result of global climate change. The associated risk to our business is that we fail to spot such trends and as such under-price our policies, or hold insufficient claims reserves. We believe that our current robust pricing and reserving practices are well-suited to identifying such trends and as such the risk to us is relatively low. We do, however, monitor the severity and frequency of weather events closely.

We continue to investigate the suitability of detailed climate change modelling to our business, including specific climate-change scenarios such as a 2 degree increase in global temperatures.

#### Our metrics and targets

Given the nature of the risks described, we do not set specific metrics to monitor the impact of the changing environment on Sabre. We monitor the impact of the Group on the environment through our regular greenhouse gas reporting, given below. As the impact of our core operations on the environment is very small, we have not set a specific target for the reduction of greenhouse gas emissions, rather set a goal for Management to develop and implement a suitable sustainability policy.

Acknowledging that while the impact of our core operations on the environment is small, there is a wider impact of our activity, we have elected to incorporate climate considerations within our supplier and investment policies. We will continue to review the impact of our supply chain on the environment and evolve this over time.

#### Our Investments

Prior to 2020, the Group held its investments almost exclusively in cash and UK government bonds. We consider investment in government bonds to be both a very low-risk environment and a societal good. During 2020 we modified our investment approach to allow the purchase of non-government bonds as well as agency and supranational investments, albeit with the majority of assets being government backed. As a result, we introduced a "climate-friendly" term to our investment agreement whereby "green" assets should be purchased in favour of less "green" assets where the assets provide similar returns and profiles. The Company's Investment Committee monitors the 'green' credentials of the investment

portfolio through regular reporting by our investment manager, Goldman Sachs Asset Management, in which the overall portfolio is rated.

#### Our Product

The provision of motor insurance, our core operation, is generally environmentally light. Most of our policies are sold online, and administered remotely. However, there are elements of our product offering which can generate a positive impact on the environment. Importantly, we underwrite a significant number of policies for electric and hybrid vehicles. We are happy to take these policies on, and believe that in having done so historically we are able to better price these risks accurately.

#### Emissions data

The Greenhouse Gas ("GHG") emissions data for the Group for the period from 1 January 2020 to 31 December 2020 is set out below, alongside prior years. We are pleased to see the continued decline in our GHG emissions.

The emissions data is measured in tonnes of carbon dioxide equivalent ("tCO<sub>2</sub>e") and covers:

- i. Scope 1 emissions being direct emissions resulting from combustion of fuel and operation of facilities
- ii. Scope 2 emissions being indirect emissions from purchased grid electricity and other energy for own use

Tonnes of CO <sub>2</sub> e	2020	2019
Scope 1	-	-
Scope 2	54	74
<b>Total footprint</b>		
(Scope 1 and Scope 2)	54	74
Number of employees	160	166
tCO <sub>2</sub> e per employee	0.34	0.45

The footprint is calculated in accordance with the GHG Protocol and Carbon Trust ("CT") guidance on calculating organisational footprints. Activity data has been converted into carbon emissions using published emissions factors.

The footprint includes data for the Group's offices in Dorking where its employees are located. The footprint does not include outsourced activities, for example repair shops and third-party suppliers. As the Group does not own any vehicles and business travel through private vehicles is limited, the data is

not available or accurate and accordingly transport emissions have been excluded from the reporting scope.

All emission sources have been reported on as required under the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The reporting period is in line with the Company's financial year, which is the same as the calendar year.

#### Our route to carbon-neutral

We have continued to adjust our ways of working and our working environment to minimise our negative impact on our environment. Some examples of our progress are:

- We have largely transitioned away from paper towards electronic processes
- We have removed over 25% of printers from the office floor, to cement a behavioural target to reduce printing
- Continued efforts to reduce reliance on cheques resulted in a year-on-year reduction in cheque printing of 79%
- We have moved to fully-sustainable energy suppliers
- We have applied heat and light reflective film to all external windows

During 2021, we will develop and publish our roadmap to carbon-neutral. Our goal is that we will be able to achieve carbon-neutrality in our core operations by 2030 and commit to a reasonable date for a marked reduction in our wider (Scope 3) emissions, through engagement with our supply chain and other third parties.

In January 2021 we appointed a Sustainability Forum, with representatives from across various roles within the business. The purpose of the Forum is to challenge management's progress towards its carbon-neutral target and identify areas where the Group can further reduce its carbon footprint or otherwise increase its positive impact on the environment.

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## CUSTOMERS

Sabre's business is built around the customer, with a goal to provide access to fairly priced motor insurance for almost everyone. We want our customers to experience high-quality customer service and peace of mind.

### Pricing

We price all of our policies based upon our estimate of the ultimate cost to us of providing that policy including paying claims, administrative expenses and taking a consistent margin regardless of the premium level. Each uniquely priced policy is based upon our view of the risks presented, considering both the person and the vehicle insured. This assessment is based on our bespoke fully-automated pricing model, using our experience represented by many years of claims data. Because we seek to offer premiums to almost everyone, we have generated a deep pool of data, which allows us to provide the best possible, risk-adjusted prices.

During the year, we have ensured that we have priced policies fairly for new and renewing customers, reflecting any expected reduction in our claims costs which would arise through restrictions on travel.

### Customer experience

We strive to ensure an easy, efficient service to all of our customers, however they reach us. This could be through our extensive broker network, or directly to us through our own brands, Go Girl and Insure 2 Drive. This includes providing a straightforward sales process and knowledgeable, well-staffed UK-based call centre. Our call centre has remained fully functional with no significant drop in service levels despite the transfer of many staff to home-working during the year.

### Claims

Most of our business is sold online or through our network of brokers, which means our first contact with customers is often when they make a claim. We understand this can be a stressful process and seek to make it as easy as we can, to provide a "no hassle" service for honest customers and third parties. Where we believe individuals are making false or exaggerated claims we will defend our position robustly to allow us to continue offering competitive premiums to all of our customers. We engage with excellent partners, with whom we agree a strong suite of service-level parameters, which are monitored regularly, to ensure customers receive great service at all touch points – whether by our own team or outsourced partners.

Our claims team has remained fully operational throughout the year, with the vast majority of the team working effectively from home when required.



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## PARTNERS

Our relationships with partners are designed to be mutually beneficial, fair, and in the best interests of all stakeholders.

### Suppliers

We select our suppliers based upon the value that they can bring to the business and consideration of their core business principles. We consider material suppliers not only in economic terms, but against their governance and environmental credentials.

Commercial terms with our suppliers are negotiated in order to deliver the best value to our shareholders, whilst also ensuring partners can earn a reasonable profit and sustain a mutually beneficial ongoing relationship. We seek to ensure that all of our suppliers are paid the correct amount, on time.

### Brokers

Approximately 62% of our premium income was sourced through brokers in 2020. Our philosophy when entering into business with brokers is simple: we will provide a fair and sustainable price, available to as many of their customers as possible. In return, they commit to treat their customers fairly, to collect the correct premium from the customer and pass it to us, and to make best efforts to ensure that the policy details provided to us are correct.

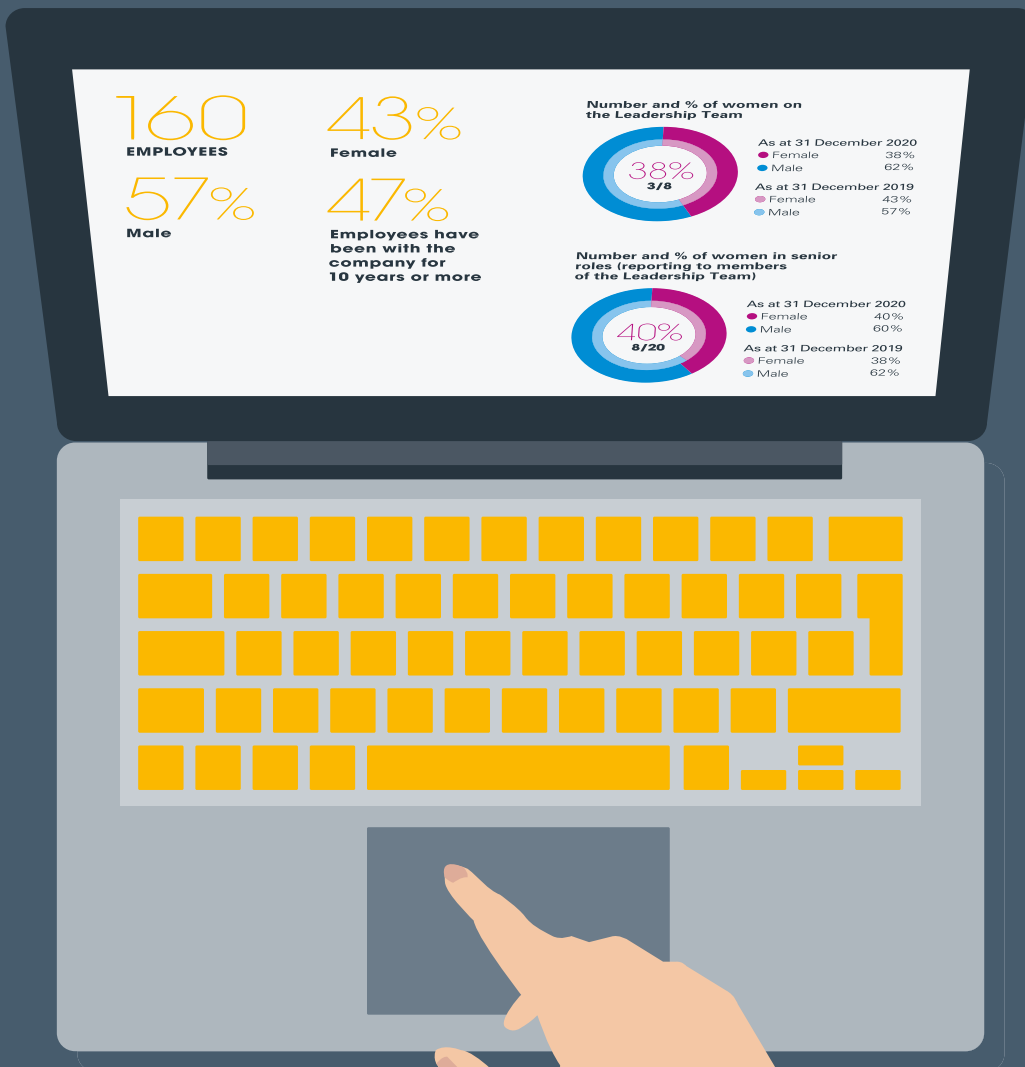
We aim to offer fair terms to all brokers, reflecting their long-term profitability to us. We therefore do not offer scheme discounts or other incentives, which might demonstrate preferential treatment in favour of a particular broker.

Our broker on-boarding and audit processes give us the comfort that our brokers are providing customers with a good quality of service while adhering to our high standards.

### Outsourced operations

We engage in several key outsourcing arrangements. In each case, we have developed a fair set of measurable service levels and fee structures designed to deliver best value for both parties. We conduct regular reviews of our key outsourced operations to ensure that they reach the expected levels of staff and customer welfare as well as meeting any regulatory requirements.

“High standards of corporate governance have been central to navigating the challenges of the last year”





**ANDY POMFRET**  
Non-executive Chair

## DEAR SHAREHOLDER,

**This is my first Corporate Governance Report as Company Chair. This report explains our current governance framework, how we have applied the provisions of the Code and includes committee reports from the Audit, Risk, Nomination and Governance and Remuneration Committees.**

The Board is committed to high standards of corporate governance and has worked hard to ensure application of all of the main principles of the UK Corporate Governance Code. The Company's strategy, culture and purpose are aligned and discussed at every Board meeting.

The Board consists of eight Directors who have the appropriate balance of skills, experience, independence and knowledge of the Company to oversee the strategy of the Group, review management performance and set the Company's values and standards to ensure that its obligations to its shareholders and other stakeholders are met. All of the Non-executive Directors who serve on the Sabre Insurance Group plc Board are independent, and further information about our Directors and the experience they bring to the Company is set out on pages 48 and 49 of this Annual Report.

During the year there were several changes to the Board. Michael Koller and Karen Geary joined the Board, as Non-executive Directors, and Rebecca Shelley replaced me as the Senior Independent Director. I would like to take this opportunity to thank Patrick Snowball, from whom I took over as Chair in September 2020, for all his hard work.

Patrick oversaw the successful IPO of Sabre and helped the Group establish itself as a listed business, and was an invaluable support and adviser to Management and the wider team during the IPO process. The Board and I wish him well for the future.

In recognition of the important role employees play in the success of Sabre, the Board granted share awards to employees when the Company listed in 2017. These were without performance conditions and were granted to employees based primarily on their length of service with the Company. During 2020, the final tranche of these awards vested, allowing the vast majority of our employees the opportunity to become shareholders in the Company. I would like to express my thanks to all employees for their continued hard work, time and commitment to the Company.

### **2021 Annual General Meeting ("AGM")**

The Company's 2021 AGM will provide shareholders with the opportunity to vote on the resolutions put to shareholders and, for those shareholders who attend, to ask questions of the Board of Directors, including the Chairs of the Committees. The Notice of Meeting will be sent to shareholders and the result of the AGM voting on all resolutions will be published on the Company's website.

We look forward to engaging with you in the future and to meeting shareholders at our forthcoming AGM, if Government restrictions allow, which will be held at 9:30am on 14 May 2021 at the Company's offices at Old House, 142 South Street, Dorking, RH4 2EU.

**ANDY POMFRET**  
Chair

15 March 2021

# Board of Directors

## Key to committees

- A** Audit Committee
- N** Nomination and Governance Committee
- R** Remuneration Committee
- Ri** Risk Committee
- Chair of Committee
- I** Independent



**ANDY POMFRET**

Chair

**N**

### Year appointed

Andy Pomfret was appointed Non-executive Director and Senior Independent Director of Sabre Insurance Group plc in February 2018 and Chair of the Company in September 2020.

### Skills and experience

Andy has extensive experience of working in the financial services sector and with UK listed companies both as an executive and Non-executive Director. After qualifying as an accountant with KPMG he spent 13 years with Kleinwort Benson as a corporate financier, venture capitalist and finance director of the investment management and private banking division. In 1999 he joined Rathbone Brothers plc as finance director, and then served as Chief Executive Officer from 2004 until 2014. In 2003 he started his non-executive career, joining the board of Beazley plc where he chaired the Audit and Remuneration Committees and was the Senior Independent Director. During the last six years Andy has been a Non-executive Director of a number of public and private companies. He is currently a director of Sanne Group plc, Aberdeen New Thai Investment Trust PLC and Chair of Milton UK MicroCap Trust plc, but will be stepping down from both the Sanne and Milton UK MicroCap boards at their 2021 AGMs. He was a founder member of the Prudential Regulation Authority Practitioner Panel and he holds an MA from Queens' College, Cambridge.



**GEOFF CARTER**

Chief Executive Officer,  
Executive Director

### Year appointed

Geoff Carter was appointed Director and Chief Executive Officer of Sabre Insurance Group plc in September 2017 (when the Company was incorporated) and has been a Director of Sabre Insurance Company Limited since December 2015. Geoff joined as Chief Operating Officer in November 2015 and became Chief Executive Officer in May 2017.

### Skills and experience

Prior to joining the Group, Geoff was Chief Executive Officer of Tesco Underwriting Limited and has over 20 years' experience in managing insurance operations. Prior to that, Geoff was employed by Ageas Insurance UK as Managing Director of Ageas Insurance Solutions Limited. He also spent seven years at Churchill Insurance, both prior to and following its acquisition by Royal Bank of Scotland plc ("RBS"), and was subsequently seconded to TescoCompare.com to launch a joint venture between Tesco plc and RBS. He is a Chartered Insurer and holds a Master of Business Administration degree from Sheffield Business School and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing.



**ADAM WESTWOOD**

Chief Financial Officer,  
Executive Director

### Year appointed

Adam Westwood was appointed Director and Chief Financial Officer of Sabre Insurance Group plc in September 2017 (when the Company was incorporated), has been a Director and Chief Financial Officer of Sabre Insurance Company Limited since September 2016, and joined as Financial Controller in 2014.

### Skills and experience

Adam is a qualified chartered accountant. Having joined Ernst & Young LLP's insurance audit team in 2006 and qualified as a Chartered Accountant in 2009, Adam has over 10 years' experience of the insurance sector. Adam holds a BSc (Hons) degree in Physics and Business Studies from the University of Warwick.



**CATHERINE BARTON**

Non-executive Director

**A Ri N**

**I**

### Year appointed

Catherine Barton was appointed a Non-executive Director of Sabre Insurance Group plc in October 2017.

### Skills and experience

Catherine has extensive insurance and actuarial experience. She began her career with Bacon & Woodrow, becoming a fellow of the Institute of Actuaries in 1999, before moving to Deloitte LLP, where she became a partner in 2005 and led the UK and overseas markets retail insurance actuarial team. Between 2010 and 2015, she was a partner within the general insurance actuarial team of Ernst & Young LLP. Catherine worked as Commercial and Finance Director of Bupa's UK business from 2015 to 2017 and as General Manager of Bupa Dental Care in 2018. She joined Talbot Underwriting Ltd as Chief Financial Officer in September 2020. She has significant and relevant financial experience gained from these roles and she holds a MA (Hons) degree in Mathematics from the University of Oxford.

## Changes during the year:

### Patrick Snowball – Chair until 31 August 2020

Patrick Snowball was appointed a Non-executive Director of Sabre Insurance Group plc in September 2017 (when the Company was incorporated) and Chair of the Company in November 2017, and was a Non-executive Director of Sabre Insurance Company Limited from July 2017, and left the Board with effect 31 August 2020. In 2018 Patrick was appointed as Non-executive Chair of Provident Financial plc and served as Chair of IntegraFin Holdings plc from 2017 to 2018.

Patrick has extensive experience of the insurance industry and has gained a wealth of knowledge of many different aspects of the sector acquired over a 30-year career in financial services. His last executive role was as Chief

Executive Officer of Suncorp Group Limited, an ASX20 Australian financial services group, from 2009 until 2015. Prior to that, he was Group Executive Director at Aviva plc from 2001 until 2007 (as well as holding various other positions in the Aviva group and its predecessor companies). He also has significant boardroom experience and was a Non-executive Director of Jardine Lloyd Thompson Group plc from 2008 to 2009 and Deputy Chair at Towergate Partnership between 2007 and 2009. He was also a member of the FSA Practitioner Panel from 2006 to 2008. He holds an LL.D from the University of East Anglia and a Masters degree in History and Economics from the University of Oxford.



**IAN CLARK**

Non-executive Director

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I

#### Year appointed

Ian Clark was appointed a Non-executive Director in September 2017 (when the Company was incorporated) and has been a Non-executive Director of Sabre Insurance Company Limited since May 2014.

#### Skills and experience

A chartered accountant, Ian has a strong finance background and significant recent and relevant accounting experience as well as extensive knowledge of the UK insurance market. Ian was a partner at Deloitte LLP between 2001 and 2014, where he led the Strategy and Corporate Finance practice for the insurance sector. Prior to that, he was an Insurance Partner at Bacon & Woodrow, during which time he spent three years as an independent UK Government appointee on the Insurance Brokers Registration Council, then the regulator of insurance broking in the UK. Ian is a Non-executive Director at Aviva General Insurance and is Chair of Mighty Quin Consulting Limited, a company through which he provides strategic advice within the insurance industry.



**KAREN GEARY**

Non-executive Director

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#### Year appointed

Karen Geary was appointed as Non-executive Director of Sabre Insurance Group plc in December 2020.

#### Skills and experience

Karen is Non-executive Director and Chair of the Remuneration Committee of ASOS plc, the online fashion platform and also Non-executive Director of National Express Group plc.

A former FTSE 100 HR leader and executive committee member with an extensive track record in the software sector, Karen's skills include strategic human resources, business transformation, M&A, and board transition all on a global scale. Karen was with the Sage Group plc for 15 years as Group HR Director, followed by a period based in the US with Wandisco plc where she was Chief People Officer. On returning to the UK she became Chief Human Resources Officer of Micro Focus International plc, having initially joined as a Non-executive Director and Chair of the Remuneration Committee.



**MICHAEL KOLLER**

Non-executive Director

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#### Year appointed

Michael Koller was appointed a Non-executive Director of Sabre Insurance Group plc in September 2020.

#### Skills and experience

Michael brings extensive experience of working in the financial services sector with both Swiss and UK listed companies, in particular insurance and reinsurance businesses.

For the past nine years Michael was with Prudential plc, where he was Group Risk Director and a member of the subsidiary board Audit Committee and Risk Committee. From 2008 to 2011, Michael was Chief Risk Officer at Aviva Europe where he was also a member of the European Executive Board. Michael was Group Chief Actuary at Partner Re in 2007–2008 and spent 2005–2007 as Chief Regulatory Officer at Swiss Re. Prior to this, Michael spent 11 years in a number of different roles at Swiss Life including serving as a CRO on the executive board. He is also a Non-executive Director at Sanitas AG in Switzerland and at Zurich Assurance Ltd. in the UK.

Alongside his executive roles, since 1995, Michael lectures at the Federal Institute of Technology, Zurich (ETHZ) as a titular professor of mathematics. He holds a PhD in mathematics from ETHZ.



**REBECCA SHELLEY**

Senior Independent Director,  
Non-executive Director

R Ri N

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#### Year appointed

Rebecca Shelley was appointed a Non-executive Director of Sabre Insurance Group plc in October 2017 and became Senior Independent Director from September 2020.

#### Skills and experience

Rebecca brings extensive commercial and financial services experience to the Board, as well as her background of market-facing roles at listed companies. Having been Investor Relations and Corporate Communications Director at Norwich Union plc from 1998–2000, Rebecca moved to Prudential plc in 2000, starting as Investor Relations Director, and then became Group Communications Director with a seat on their Group Executive Committee. From 2012 to 2016, Rebecca was the Group Communications Director of Tesco plc and a member of their Executive Committee. During this time she held positions on the board of the British Retail Consortium and was a trustee of the Institute of Grocery Distribution. Most recently Rebecca spent three years at TP ICAP plc as Group Corporate Affairs Director, and was a member of the Global Executive Committee.

She holds a BA (Hons) in Philosophy and Literature from the University of Warwick, and has an MBA in International Business and Marketing from Cass Business School. Rebecca is also a Non-executive Director at Hilton Food Group, and at ARRACO Global Markets.

# Governance Report

## Governance Code compliance

The Board is committed to the high standards of corporate governance across the Group and supports the principles laid down in the UK Corporate Governance Code (the "Code"), as issued by the Financial Reporting Council. The Board considers that the Company was compliant with all of the principles and provisions of the Code during the financial year ended 31 December 2020. A copy of the Code is available on the Financial Reporting Council's website at <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code>.

To ensure the Group remains fully compliant with the principles of the Code, the Board reviews and addresses its training and development needs by attending various seminars and teach-ins from advisers at Board meetings, and in 2020 completed an internal Board Effectiveness Review, which evaluated the performance of the Board, its Committees, and the Company Chair.

## Leadership

The current Board members, details of their experience and the date of their appointment are set out on pages 48 and 49.

As at 31 December 2020, the Board had eight Directors: the Company Chair, two Executive Directors, and five Non-executive Directors. During the year there were several changes to the Board: Patrick Snowball resigned and, following a process to recruit his successor, Andy Pomfret was appointed Chair, and he was replaced as Senior Independent Director by Rebecca Shelley. In addition, Michael Koller and Karen Geary were appointed to the Board as Non-executive Directors.

The independence of the Non-executive Directors is reviewed annually in accordance with the criteria set out within the Code. The Board considered that Andy Pomfret was independent on his appointment as Chair, and that Catherine Barton, Ian Clark, Karen Geary, Michael Koller and Rebecca Shelley are independent in accordance with Provision 10 of the Code. Accordingly, over half of the Board excluding the Chair was independent as at 31 December 2020.

All of the Directors bring strong judgement to the Board's deliberations. During the year the Board was of sufficient size and diversity that the balance of skills and experience was considered to be appropriate for the requirements of the business.

## The Board

The Board is collectively responsible for setting the Company's strategic aims and providing the leadership to put them into effect through the management of the Group's business within the Company's governance framework. It does this by setting Group strategy and then ensuring that appropriate standards, controls and resources are in place for the Company to meet its obligations, and also by reviewing management's performance. This includes a Code of Conduct setting out the Group's policy of conducting all business affairs in a fair and transparent manner and maintaining high ethical standards in dealings with all relevant parties. The Code of Conduct is available at [www.sabreplc.co.uk/about-us/code-of-conduct/](http://www.sabreplc.co.uk/about-us/code-of-conduct/).

Board members recognise the need and importance of acting with integrity, and do so in their roles as Directors of the Company.

In order to ensure there is a clear division of responsibilities between the Board and the running of the business, the Board has a formal schedule of matters specifically reserved for its decision which is reviewed on an annual basis. These reserved matters include the Group's strategic aims; objectives and commercial strategy; governance and regulatory compliance; structure and capital; financial reporting and controls; internal controls and risk management; major capital commitments; major contracts and agreements; shareholder engagement; remuneration of senior executives; material corporate transactions; and any changes to the schedule of reserved matters.

The Board meets at least six times a year with supplementary ad hoc meetings as required. There is a planned cycle of activities, managed through a schedule of matters, and a formal agenda for each meeting. Minutes and a follow-up list of matters arising from each meeting are maintained. Verbal updates are provided by each Committee Chair at the following Board meeting.

The Company Secretary acts as Secretary to the Board and to all of its Committees. The appointment or removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary assists the Chair in ensuring that the Board and Directors have the appropriate policies, processes, information, time and resources they need to fulfil their duties and in order to function effectively and efficiently.

## Chair and Chief Executive Officer

The roles of the Chair and the Chief Executive Officer ("Chief Executive Officer") are different and their separate responsibilities are set out in writing, recognised and approved by the Board.

The Chair's key responsibilities include:

- Providing strong and effective leadership to the Board
- Ensuring the Board, as a whole, plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives
- Facilitating the effective contribution of the NEDs
- Retaining and building an effective and complementary Board with an appropriate balance of skills and, as Chair of the Nomination and Governance Committee, considering succession planning for Board appointments
- In conjunction with the Chief Executive Officer and Company Secretary, ensuring that members of the Board receive accurate, timely and clear information
- Ensuring that the performance of individual Directors and of the Board as a whole and its Committees is evaluated regularly
- Ensuring the Company maintains effective communication with shareholders and other stakeholders
- Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level

The Chief Executive Officer's key responsibilities include:

- Running the Group's business within the authority delegated by the Board
- Proposing and developing the Group's strategy and overall commercial objectives, in close consultation with the Chair and the Board, and with regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders
- Implementing the decisions of the Board and its Committees
- Consulting regularly with the Chair and Board on matters which may have a material impact on the Group
- Ensuring the development needs of the Group's Senior Management Team are met and that succession planning meets the needs of the Group
- In conjunction with the Chair and Company Secretary, ensuring the Board receives accurate, timely and clear information

- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance

The Chief Executive Officer is supported by a strong and experienced Executive Committee, which he chairs.

### Non-executive Directors

Along with the Chair and Executive Directors, the Non-executive Directors are responsible for ensuring the Board and its Committees fulfil their responsibilities. The Non-executive Directors combine broad business and commercial experience, in particular in the financial services and insurance sectors, with independent and objective judgement and they provide independent challenge to the Executive Directors. The balance between Non-executive and Executive Directors enables the Board to provide clear and effective leadership across the Group's business.

### Senior Independent Director

During the year, Rebecca Shelley was appointed as Senior Independent Director ("SID"). In addition to acting as a sounding board for the Chair, the role and responsibilities of the SID include:

- Being available to shareholders if they have concerns which contact through the normal channels of Chair, Chief Executive Officer or CFO has failed to resolve or for which such contact is inappropriate
- Chairing the Nomination and Governance Committee when it is considering succession to the role of Chair of the Board
- Meeting with the NEDs at least once a year to appraise the Chair's performance and on such other occasions as are deemed appropriate

### Board Committees

In order to provide effective oversight and leadership, the Board has delegated certain aspects of its responsibilities to the following committees of the Board ("Committees"):

- The Audit Committee
- The Risk Committee
- The Nomination and Governance Committee
- The Remuneration Committee
- The Disclosure Committee

The terms of reference of these Committees were approved by the Board, reviewed annually and are available on the Company's website at [www.sabreplc.co.uk/about-us/corporate-governance/](http://www.sabreplc.co.uk/about-us/corporate-governance/)

The Committee reports are set out on pages 54 to 66. It is noted that the Disclosure Committee did not meet during the year and does not have a Committee Report.

### Board and Committee meetings

The attendance of Directors at Board and Committee meetings held in the financial year ended 31 December 2020 is illustrated in the table below. During the year the Board amended the membership of its Committees. Details of the membership of each Committee can be found in each relevant Committee Report. The activities of the Board during the year are set out below and the reports from each of these Committees (other than the Disclosure Committee) are set out on pages 54 to 66 of this Annual Report.

During the financial year ended 31 December 2020 the Board scheduled and met six times, during which it reviewed, discussed and approved:

- The performance of the Company
- The announcement relating to the financial year ending 31 December 2019
- The 2019 Annual Report and Accounts, including the Committee reports, viability and going concern statements
- The Notice of Meeting and Proxy Form for the 2020 AGM
- The Half Year Results and Trading Statements
- The Company's strategy
- The payment of the final and interim dividends
- The results of the Company's Board Effectiveness Review
- The 2021 budget

### Attendance by Directors at scheduled Board and Committee meetings

number attended/number required to attend

Director	Board	Audit Committee*	Risk Committee	Nomination & Governance Committee	Remuneration Committee
Catherine Barton	6/6	5/5	3/3	5/5	7/7
Geoff Carter	6/6	–	–	–	–
Ian Clark	6/6	5/5	3/3	5/5	8/8
Karen Geary	0/0**	n/a	n/a	0/0**	0/0**
Michael Koller	2/2	1/1	1/1	1/1	3/3
Andy Pomfret	6/6	4/4	1/1	5/5	5/5
Patrick Snowball	4/4	–	–	4/4	–
Rebecca Shelley	6/6	4/4	3/3	5/5	8/8
Adam Westwood	6/6	–	–	–	–

\* During the year, the Committee split the Audit and Risk Committee. For the first two meetings of the year, the Committee was the Audit and Risk Committee, and then the remaining two meetings were just Audit Committee meetings.

\*\* Karen Geary joined the Board on 7 December 2020, and the Board and its committees did not meet between then and the end of the financial year.

- The impact of COVID-19 on the Company's financial position and performance, on its employees, on its customers and other stakeholders

- In addition to the above, the Board regularly received updates, reports and presentations from other senior employees including the Chief Actuary, the Claims Director, the Chief Risk Office, the Company Secretary, the Head of IT and Business Systems, the Head of Compliance and the Head of HR

Due to the COVID-19 pandemic, the Board met a further eight times, to discuss the impact of the pandemic on the Company, its shareholders and stakeholders. The majority of meetings held during the year were held in person, where possible and inline with the health and safety requirements to ensure that the meetings were COVID-19 safe. Where this was not possible, due to the Government restrictions, the meetings were held by video conference, and where a director could not attend the meeting due to the need to self-isolate, they were able to attend the meeting by video conference.

### Board effectiveness and composition

The Board is structured to provide the Company with an appropriate balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities effectively. Given the nature of the Group's business, insurance, actuarial and accounting experience as well as experience of the financial services sector is clearly of benefit and this is reflected in the composition of the Board and its Committees.

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Decisions at Board meetings are taken by a majority of the Directors and in the case of an equality of votes the Company's Articles of Association ("Articles") provide that the Chair has a second or casting vote. The Board considers that no single Director can dominate or unduly influence decision-making. During the year, the Chair and the Non-executive Directors met without the Executive Directors at the end of each Board meeting, and the Non-executive Directors met without the Chair present.

#### Diversity

Diversity is a key factor in reviewing the Board's composition and recommending appointments. It is vital to have a diverse Board. We require that external head-hunters provide diverse shortlists, and ensure that all Board appointments are based on merit. The Board has three female Directors, out of eight, which is the equivalent to 38% of the Board, and including the Company Secretary is equivalent to 45% of the Board.

#### Induction and ongoing professional development

The Board has developed an induction programme which all new Directors participate in upon joining the Board. This programme is monitored by the Chair and is the responsibility of the Company Secretary. Depending upon their qualifications and experience, the programme will include presentations and briefings, meetings with Board members, senior management and external advisers, and visits to the Company's office in Dorking, Surrey.

The ongoing professional development of the Directors has been reviewed by the Board and its Committees. The Chair will review and agree training and development needs with each of the Directors during each year. Directors have the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development as part of the Board evaluation process, and are encouraged to continue their own professional development through attendance at seminars and conferences. Directors confirm annually that they have received sufficient training to fulfil their duties.

#### Information and advice

Directors are provided with appropriate documentation a week in advance of each Board and Committee meeting. The Company uses an online platform to distribute its Board and Committee papers. All Directors have access to the advice and services of the Company Secretary for information and guidance, and she is responsible for ensuring that all Board procedures have been complied with. Directors may also obtain independent professional advice at the Company's expense if they believe it may be required in the furtherance of their duties. No such advice was sought by any Director during the year.

#### Time commitment

As part of the appointment process and their annual review the Non-executive Directors each confirm that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively and Directors are expected to attend all scheduled Board meetings, relevant Committee meetings, the AGM and any general meeting of the Company. The other public company commitments of the Chair and the other Directors are as indicated in their biographies on pages 48 to 49.

Each Director is required to advise the Chair as early as possible and to seek the agreement of the Board before accepting additional commitments that might affect the time that Director is able to devote to his or her role as a Non-executive Director of the Company.

The Board is satisfied that the Chair and each Non-executive Director are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

#### Performance evaluation

The Board recognises the importance of evaluating annually the performance and effectiveness of the Board, its Committees, the Chair and individual Directors. During the year a formal annual review of the performance of the Board, its Committees, the Chair and individual Directors was completed. This year the process consisted of an internally facilitated exercise led by the Chair and assisted by the Company Secretary.

The questionnaire used as part of the process consisted of questions covering the Board, the Committees and Chair's performance and was completed by all of the Directors of Sabre Insurance Group plc and Sabre Insurance Company Ltd (the Group's operating subsidiary). The individual Directors' performance was reviewed by the Chair. It is confirmed that all plc Directors, and the Directors of Sabre Insurance Company Limited fully engaged with the process. The appraisal confirmed that the Board, its Committees and the Chair were operating effectively.

Following the Board Effectiveness Review, the Board decided to focus on building strong relationships between the Board members, notably because of the changes in the structure of the Board, and the appointments of the two new Non-executive Directors. The Board also confirmed it was in agreement with the strategy presented and discussed during 2020.

#### Appointment of Directors

The Articles provide that Directors may be appointed by the Board or by the Company by ordinary resolution. A Director appointed by the Board may only hold office until the next following AGM of the Company after their appointment and is then eligible for election by the shareholders. The Board through the Nomination and Governance Committee has reviewed and adopted the Code recommendation that all Directors should be subject to annual re-election (in compliance with Code provision 18).

Further details regarding the terms of appointment and remuneration for the Executive Directors and Non-executive Directors are set out in the Annual Report on Directors' Remuneration (on pages 77 to 88) and their service contracts and terms of appointment are available for inspection in accordance with the Code at the Company's office and at the Company's Annual General Meeting ("AGM").

### Conflicts of interest

The Board has established a procedure to deal with Directors' conflicts of interest which complies with the Company's Articles and the provisions in section 175 of the Companies Act 2006. Schedules of a Director's actual or potential conflicts are compiled based on disclosures made by the Director. These are updated and reviewed on an annual basis in addition to conflicts or potential conflicts being considered at the beginning of Board meetings.

### Accountability

The Board, through the Audit Committee, reviews the Company's financial and business reporting and maintains the Company's relationship with its auditors, the details of which are set out in the Audit Committee Report on pages 54 to 57.

Through the Risk Committee, the Board receives reports regarding the Company's risk management and internal control systems, the effectiveness of the Group's systems of risk management and internal controls. Further details of this are set out in the Risk Committee Report on pages 58 to 59.

### Anti-Bribery and Corruption and the Modern Slavery Act

As part of Sabre's commitment to preventing bribery and corruption, the Group has an Anti-Bribery and Corruption Policy, which is reviewed and approved annually by the Board.

The Company operates an anti-bribery and corruption policy to prevent and prohibit bribery, in-line with the Bribery Act 2010. The Company will not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf, and no such incidents occurred in the financial year ending 31 December 2020.

Senior management is committed to implementing effective measures to prevent, monitor and eliminate bribery. The policy covers:

- The main areas of liability under the Bribery Act 2010
- The responsibilities of employees and associated persons acting for, or on behalf of, the Company
- And the consequences of any breaches of the policy

In addition to this Sabre annually considers the Modern Slavery Act 2015. Sabre has a zero-tolerance approach to any form of slavery and human trafficking and confirms to the best of its knowledge that there is no slavery or human trafficking within its supply chain. The Company's Modern Slavery Statement is reviewed and approved by the Board on an annual basis and can be found on the Company's website <https://www.sabreplc.co.uk/about-us/corporate-governance/modern-slavery-statement/>.

### Whistleblowing arrangements

The Company has a policy which enables and encourages employees to report in confidence any possible improprieties in either financial reporting or other matters.

### Remuneration

Details of the Directors' remuneration and the work of the Remuneration Committee as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) can be found in the Annual Report on Directors' Remuneration on pages 77 to 88.

### Relations with shareholders

Through this Annual Report and, as required, through other periodic announcements, the Board is committed to providing shareholders with a clear assessment of the Company's position and prospects. The Board recognises the importance of engaging constructively with shareholders and, during the year, the Chief Executive Officer, CFO and Company Secretary continue to engage with shareholders through investor presentations, conferences and roadshows, ensuring they are up to date with their views. These views are regularly shared with the Board, and the Chair and the SID remain available to meet shareholders separately to discuss any issues or concerns they may have. In addition to this, the new Chair met with the Company's top shareholders during the year. The Remuneration Committee Chair also met and spoke with the Company's largest shareholders and the Proxy Report Providers regarding the Company's Remuneration Report and Policy. The Board keeps shareholders informed primarily by way of the Annual Report, Half Year Results, Trading

Statements and the AGM. This information and other significant announcements of the Group will be released to the London Stock Exchange and will be available on the Company's website [www.sabreplc.co.uk/investors/regulatory-news/](http://www.sabreplc.co.uk/investors/regulatory-news/).

The holdings of our major shareholders can be found on page 91 of this Annual Report.

The share register is managed on the Group's behalf by Equiniti who can be contacted at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephone on 0371 384 2030 or, if dialling internationally, on +44 121 415 7047.

The Company's 2021 AGM Notice will be issued separately. The AGM will provide shareholders with the opportunity to vote on the resolutions put to shareholders and, for those shareholders who attend, to ask questions of the Board of Directors, including the Chairs of the Committees. The result of the AGM voting on all resolutions will be published on the Company's website.

**CATHERINE BARTON**

Audit Committee Chair

**Committee members**

The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2020 are set out below:

**Committee members**

<b>Catherine Barton (Chair)</b>
<b>Ian Clark</b>
<b>Michael Koller</b> (appointed with effect 1 September 2020)
<b>Andy Pomfret</b> (left Committee with effect 1 September 2020)
<b>Rebecca Shelley</b> (left Committee with effect 26 November 2020)

**Committee meetings in 2020**

<b>JAN*</b>	<b>FEB</b>	<b>MAR*</b>	<b>APR</b>	<b>MAY</b>	<b>JUN</b>
●	○	●	○	○	○
<b>JUL</b>	<b>AUG</b>	<b>SEP</b>	<b>OCT</b>	<b>NOV</b>	<b>DEC</b>
●	○	○	○	●	○

\* Meetings were Audit and Risk Committees.

**Meeting attendance**

<b>Catherine Barton (Chair)</b>	5/5
<b>Ian Clark</b>	5/5
<b>Michael Koller</b>	1/1
<b>Andy Pomfret</b>	4/4
<b>Rebecca Shelley</b>	4/4

**Establishment of the Audit Committee**

With effect from 1 April 2020, the Board agreed to split the responsibilities of what was originally the Audit and Risk Committee into two Committees – the Audit Committee and the Risk Committee. The separation of the Audit and Risk Committee into two was to ensure that there is sufficient time given to both Audit and Risk related matters, and in line with the Prudential Regulatory Authority's best practice guidance. The following report covers the responsibilities and matters discussed by the Audit Committee. The responsibilities and matters discussed by the Risk Committee can be found on pages 58 to 59.

**The Audit Committee (the "Committee")**

The Committee comprises of at least three Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities and were independent as required under provision 17 of the UK Corporate Governance Code (the "Code"). The Committee is required to be chaired by an individual who has appropriate financial expertise, as required by the Code. Members of the Committee are appointed by the Board, on the recommendation of the Nomination Committee and the Chair of the Committee. Appointments are made for an initial period of three years, which can then be followed by an additional two further three-year periods.

The Company Chair, Chief Executive Officer, and Chief Financial Officer are invited to attend meetings, unless they have a conflict of interest. In addition, the External Audit Partner, the Internal Audit Partner, the Company Secretary and Head of Internal Audit are invited to attend part or all of the Committee meetings, providing there is no conflict of interest.

Other relevant people from the Company may also be invited to attend all or part of a meeting to provide deeper insight into the Company and its issues. Either immediately prior to the meeting or immediately after the meeting, the Committee meets with either the External Audit Partner or the Internal Audit Partner. These private meetings alternate at each meeting and give the external parties access to the Committee members. The Committee Chair also meets regularly with both internal and external Audit partners outside of the Committee meetings, and is available to shareholders at the Company's Annual General Meeting.

The Chair of the Committee reports to subsequent meetings of the Board and the Company Secretary acts as Secretary to the Committee. Annually, the Committee reviews its effectiveness.

**The Committee's role and responsibilities**

The Committee in line with its terms of reference meets at least three times a year, and as and when required. The terms of reference of the Committee can be found on the Company's website [www.sabreplc.co.uk/about-us/corporate-governance](http://www.sabreplc.co.uk/about-us/corporate-governance) and are reviewed by the Committee on an annual basis.

In accordance with its terms of reference the Board has delegated to the Committee responsibility for overseeing key areas of responsibility which include the following:

**External audit** – this includes considering and making recommendations to the Board on the appointment of the external auditors (including approving the remuneration and terms of appointment) as well as reviewing the external auditor's annual audit programme and the results therefrom, reviewing the quality and effectiveness of the audit and reviewing and confirming the policy on non-audit services

carried out by the external auditors and auditor independence. The Committee is responsible for managing the relationship with the Company's external auditor, EY, on behalf of the Board. Overall effectiveness of the external audit process is dependent upon communication between the Group and the auditor, which allows each party to raise potential accounting and financial reporting issues as and when they arise, rather than limiting this exchange to only during regularly scheduled meetings.

**Financial and narrative reporting** – this area of responsibility includes monitoring the integrity and compliance of the Company's financial statements and for providing effective governance of the Group's financial reporting, including, but not limited to any formal announcements or publications relating to the Group's financial performance as well as reviewing significant financial reporting issues and judgements made in connection with them.

**Internal Audit** – the Group has a formal process of internal audit, and in 2018 appointed BDO to run the Group's internal audit programme. BDO performs audits on a rolling basis across the Group over a three-year period. The reports are made available to the Committee, the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, the Company Secretary and Head of Internal Audit, and relevant members of Management. BDO re-confirm their independence on an annual basis.

The primary objective of the function is to systematically and objectively assess: (i) the effectiveness of the business controls over the Group's operations, financial reporting, risk and compliance areas and (ii) the adequacy of these systems of control to manage business risk and safeguard the Group's assets and resources. The Committee reviewed and approved the internal audit role and risk-based internal audit plan, and received updates on the internal audit activity and engagement results to help form a view on internal audit effectiveness. Feedback after each audit is obtained from those involved in the audit and fed back to the internal auditor with concerns being raised with the Committee as needed.

**Internal controls** – this includes reviewing the effectiveness of the Group's system of internal controls and ensuring timely action is taken by management to address matters arising from the internal audit assessments.

**Reserves review** – the establishment of insurance liabilities in respect of reported and unreported claims is the most significant area of judgement within the financial statements. The Committee maintains oversight of the reserving process and assumptions used in setting the level of insurance liabilities, which is assessed by the Group's actuaries on a quarterly basis.

**Whistleblowing** – reviewing arrangements by which employees may in confidence raise concerns about possible improprieties regarding financial reporting and other matters.

#### 2020 and the Committee

Throughout the year, both the Audit and Risk Committee, and then from its establishment, the Audit Committee, were chaired by Catherine Barton. The Board considers that Catherine Barton has the appropriate financial expertise, as required by the Code, as Catherine is a Fellow of the Institute of Actuaries and has held executive roles, including Chief Financial Officer at another insurance company, and Commercial and Finance Director in another company. Upon his appointment to the Board, Michael Koller joined the Committee. Upon his appointment as Company Chair, Andy Pomfret left the Committee, as did Rebecca Shelley with effect 1 November 2020. Rebecca Shelley left the Committee following an overall review of committee memberships. Further information on this can be found in the Governance Report on pages 50 to 53. The Board is comfortable that the make-up of the Committee ensures that it is fully able to fulfil its duties.

During the financial year ending 31 December 2020, all Committee members attended all of the meetings held and for which they were members of the Committee. The Chief Executive Officer and the Chief Financial Officer both attended all the Committee meetings, as did the External Audit and Internal Audit partners. All meetings were minuted by the Company Secretary.

The Committee held four meetings during the financial year ending 31 December 2020. Two of those meetings were when the Committee was the joint Audit and Risk Committee, and two of those meetings were as the Audit Committee. The Committee Chair also held regular individual meetings with the Company's Chief Financial Officer, the Chief Actuary, the Company's External and Internal Audit Partners, and the Company Secretary and Head of Internal Audit. In addition to this, until the Chief Risk Officer's reporting line moved to the Risk Committee Chair (as a consequence of the split of the Audit and Risk Committee into two separate committees), the Committee Chair met regularly with the Company's Chief Risk Officer.

During 2020, the Committee considered its effectiveness during the year and confirmed that the Committee continued to perform effectively, and confirmed that it had access to sufficient resources to enable it to complete its responsibilities.

#### Activities of the Committee During 2020

During the year, the Committee addressed its responsibilities by:

- Reviewing the accounting issues and significant judgements related to the financial statements
- Reviewing appropriateness of key accounting judgements including the sufficiency of insurance liabilities
- Reviewing the process and stress testing undertaken to support the Group's viability and going concern statements
- Reviewing and recommending to the Board the Company's accounts
- Reviewing the appropriateness of the Group's accounting policies

CONTINUED

- Reviewing the appointment of the External Auditor and reviewing their plan for the audit of the Group's financial statements, which included key areas of scope of work, key risks on the financial statements, confirmation of auditor independence and the proposed audit fee. The Committee concluded that during the financial year ending 31 December 2020, the External Auditor continued to demonstrate appropriate qualifications and expertise and have remained independent of the Group. Accordingly, the Committee recommended to the Board that EY be reappointed as the Group's auditors for a further year. The Board accepted this recommendation and a resolution to shareholders proposing the reappointment of EY will be set out in the AGM Notice which will be sent separately to shareholders
- Approving external audit fees – the Committee has reviewed and approved a policy regarding non-audit work and fees which requires all non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee or, if required urgently between Committee meetings, the Chair of the Committee, in order to ensure that the provision of non-audit services does not impair the External Auditor's independence or objectivity. Certain services cannot be provided by the External Auditor or members of its network without the possibility of compromising its independence and as such are not permitted to be provided by the External Auditor. These prohibited non-audit services include, but are not limited to, certain tax services, bookkeeping and payroll services, designing and implementing internal control and risk management procedures or the design or implementation of information technology systems relating to the production of financial statements, valuation services, actuarial valuation services, and the provision of certain legal services, HR services and financing, capital structuring and investment strategy services. Other types of non-audit work can be undertaken by the external auditors, subject to the implementation of adequate safeguards and the total fees for these non-audit services must not exceed 70% of the average audit fees billed to the Company by the external auditor in the past three years. During the year, EY and its subsidiaries charged the

Group £405,000 (2019: £264,000) for audit and audit-related services, and received a total fee during the financial year of £483,000 (2019: £342,000). A summary of fees paid to the external auditors is set out in Note 8 to the Consolidated Financial Statements. In the financial year ending 31 December 2020, the external auditors did not undertake any material non-audit work for the Company

- Reviewing the external auditor's effectiveness – the effectiveness of the financial year ended 31 December 2019 external audit process was assessed during the year by the Committee and fed into the tender process for the incoming audit firm. Given the delay to the appointment of a new audit firm, the review of audit work carried out in 2020 was formalised and completed in early 2021. Feedback was sought from various participants in the process (primarily the Committee, Chief Financial Officer, and other members of the Finance Team). The effectiveness of the External Audit Partner, the External Audit Team, their approach to audits, including planning and execution, communication, support and value were assessed and discussed. Overall the effectiveness of the external audit process was assessed as performing as expected
- Recommending to the Board, which agreed to recommend to shareholders, the reappointment of EY as the Group's external auditor
- Approving the policy on non-audit services carried out by the Group's external auditors
- Reviewing the Group's system of controls and its effectiveness using information drawn from a number of different sources including Management, and independent assurance provided by internal audit (through its annual audit plan) and the external auditors
- Reviewing regulatory correspondence.
- Commissioning an independent and external reserves review
- Reviewing reports from the Company's outsourced Internal Audit and reviewing and approving their fees
- Reviewing and confirming to the Board that, based on its review of the 2019 Annual Report and Accounts and internal controls that support the disclosures, the 2019 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable

and provide the necessary information for the shareholders to assess the Company's position and performance and its business model and strategy

- Reviewing the ongoing professional development of Committee members
- Reviewing the Committee's terms of reference and its Effectiveness Review
- Commissioning our triennial external reserves review

The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, the internal control environment or the level of complexity, and matters of judgement or estimation involved in their application to the Consolidated Financial Statements. The main areas of focus for the period under review are set out below:

#### 1. Valuation of insurance liabilities

The Committee agreed with management's assessment that the most significant area of estimation within the financial statements continues to be the estimation of insurance liabilities. This comprises an estimate of the ultimate cost of claims incurred at the date of the statement of financial position, both reported and not yet reported, along with an estimate of the associated reinsurance recoveries. The Committee reviewed the Company's policy to hold sufficient reserves to meet insurance liabilities as they fall due, plus a risk margin reflective of the uncertainty within such calculation.

The Committee reviewed the Chief Actuary's annual and quarterly reserving reports and challenged the appropriateness of the process, key judgements and assumptions supporting the projection of the best estimate claims expense. The Committee also discussed such matters with the Group's external auditor. The Chair of the Committee met with the Group's Chief Actuary without other members of management present. The Committee noted the inherent uncertainty associated with the estimation of claims costs, in particular with reference to the changes in the legal environment and the impact of historically high levels of claims inflation.

The Committee concluded that the insurance liabilities presented in the financial statements were fairly stated.

## 2. COVID-19

The Committee has discussed in detail the potential impacts of the COVID-19 pandemic, on both the viability of the business and the valuation of its assets and liabilities throughout the year. The Committee is satisfied that there is no material impact on the valuation of assets or liabilities, and that the outbreak, while presenting operational challenges across the industry, does not currently have a material impact on our conclusion as to the viability and going concern of the business. Further information on the impact of COVID-19 on the Company can be found within the Chief Executive Officer's review and our Viability Statement.

## 3. Implementation of new accounting standards

The Committee reviewed the implementation and key judgements associated with the first-year implementation of IFRS 9, including consideration of the classification and measurement of financial assets and the disclosure presented within the Annual Report and Accounts. The Audit Committee continues to monitor the Group's preparedness for the implementation of IFRS 17.

## 4. Other matters

The Committee reviewed certain matters which were individually less significant to the financial statements which will impact the recognition, measurement and disclosure of insurance contracts and financial investments.

### External Audit Appointment and Tender

EY have been the auditors of Sabre Insurance Company Limited and of the previous parent companies of Sabre Insurance Company Limited since 2001. Given that Sabre Insurance Company Limited, the principal subsidiary of the Group, is considered a Public Interest Entity ("PIE"), the transitional rules under EU legislation require Sabre Insurance Company Limited to run a tender process for the external audit by 2023, after which Sabre Insurance Company Limited will be required to change its external auditors. Under these regulations, the external audit engagement partner is now generally required to rotate every five years. The current external audit engagement partner is Stuart Wilson, who was appointed to lead the audit of Sabre Insurance Company Limited in 2016. The Committee has considered the length of time

for which EY has carried out the audit of the main trading subsidiary of the Group and concluded that a competitive tender process should be carried out during 2020. The tender process was initiated with the intention that the new audit firm would carry out the audit for the year ended 31 December 2021. The process was paused following the outbreak of COVID-19 in the UK as, in the opinion of the Committee and the Board, it was not possible to run an effective tender process while severe restrictions on travel were in place. At the time of writing, the process had resumed, and it is expected that the Committee will appoint the successful firm during 2021, to enable the incoming firm to carry out the audit in respect of the year ended 31 December 2022.

The Audit Committee requested that the current audit partner could remain in place to carry out EY's final audit in respect of the year ended 31 December 2021. This will be the partner's 5th year as the engagement partner of the Group and 6th year as the engagement partner of the regulated insurance entity, Sabre Insurance Company Ltd ("SICL"). The Audit Committee have carefully considered the impact of extending the tenure of the partner on SICL beyond the usual five-year period on the overall quality of the audit, and believes that this approach will lead to a higher-quality outcome of both the Group and SICL audits than either running an accelerated tender process or rotating audit partner for a single year.

On behalf of the Audit Committee

### CATHERINE BARTON

Chair of the Audit Committee

15 March 2021

**IAN CLARK**

Risk Committee Chair

**Committee members**

The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2020 are set out below:

**Committee members****Ian Clark (Chair)****Catherine Barton**

**Michael Koller** (joined the Committee with effect 1 September 2020, and left the Committee with effect 26 November 2020)

**Andy Pomfret** (left Committee with effect 1 September 2020)

**Rebecca Shelley****Committee meetings in 2020**

JAN	FEB	MAR	APR	MAY	JUN
○	○	○	○	●	○
JUL	AUG	SEP	OCT	NOV	DEC
○	○	●	○	●	○

**Meeting attendance**

<b>Ian Clark (Chair)</b>	3/3
<b>Catherine Barton</b>	3/3
<b>Michael Koller</b>	1/1
<b>Andy Pomfret</b>	1/1
<b>Rebecca Shelley</b>	3/3

**Establishment of the Risk Committee**

With effect from 1 April 2020, the Board agreed to split the responsibilities of what was originally the Audit and Risk Committee into two Committees – the Audit Committee and the Risk Committee. The separation of the Audit and Risk Committee into two was to ensure that there is sufficient time given to both Audit and Risk related matters, and in line with the Prudential Regulatory Authority's best practice guidance. The following report covers the responsibilities and matters discussed by the Risk Committee. The responsibilities and matters discussed by the Audit Committee can be found on pages 54 to 57.

**The Risk Committee (the "Committee")**

The Committee comprises of at least three Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities and were independent as required under provision 17 of the UK Corporate Governance Code (the "Code"). The Committee is required to be chaired by an individual who has significant, recent and relevant risk experience. Members of the Committee are appointed by the Board, on the recommendation of the Nomination Committee and the Chair of the Committee. Appointments are made for an initial period of three years, which can then be followed by an additional two further three-year periods.

The Company Chair, Chief Executive Officer, and Chief Financial Officer are invited to attend meetings, unless they have a conflict of interest. In addition, the Chief Risk Officer, the Company Secretary, the Head of Compliance and the Data Protection Officer are invited to attend part or all of the Committee meetings, providing there is no conflict of interest. Other relevant people from the Company may also be invited to attend all or part of a meeting to

provide deeper insight into the Company and its issues. Either immediately prior to the meeting or immediately after the meeting, the Committee meets with either the Chief Risk Officer, the Head of Compliance or the Data Protection Officer. These private meetings alternate at each meeting and give the Chief Risk Officer, Head of Compliance and Data Protection Officer access to the Committee members. The Committee Chair also meets regularly with these individuals outside of the Committee meetings, and is available to shareholders at the Company's Annual General Meeting.

The Chair of the Committee reports to subsequent meetings of the Board and the Company Secretary acts as Secretary to the Committee. Annually, the Committee reviews its effectiveness.

**The Committee's role and responsibilities**

The Committee, in line with its terms of reference, meets at least three times a year, and as and when required. The terms of reference of the Committee can be found on the Company's website [www.sabreplc.co.uk/about-us/corporate-governance](http://www.sabreplc.co.uk/about-us/corporate-governance) and are reviewed by the Committee on an annual basis. The Committee has a planned cycle of activities, managed through a schedule of matters, to ensure that it addresses its responsibilities in the current financial year.

The Board has delegated to the Committee responsibility for monitoring and reviewing the Group's risk management and compliance frameworks, and the controls in place within these frameworks, to ensure that the Group has robust procedures in place. The Committee reviews the effectiveness of the Group's risk management, compliance management and internal control systems, and reports to the Board on these areas.

In conducting its reviews, the Committee focuses on material risks, including the determination of the nature and extent of the principal risks, and controls in the context of reports it receives regarding risk management, as well as reports from the Company's Head of Compliance and the Data Protection Officer.

**Risk management** – this includes reviewing and monitoring the effectiveness of the procedures for the identification, assessment and reporting of risk as well as setting, and monitoring adherence to, a risk appetite that defines the nature and extent of the risks that the Group is facing and should be willing to take in achieving its strategic objectives. It also includes oversight of the processes by which risk-based capital requirements, and the Group's solvency position, are determined and monitored. The Committee further advises the Board on the Company's overall risk appetite, tolerance and strategy, and oversees and advises the Board on the current risk exposures and risk breaches of and by the Company and its risk strategy. In addition to this, the Committee is responsible for the appointment and removal of the Group's Chief Risk Officer, and reviewing their reports and Management's responses to the findings and recommendations.

**Company risks** – details of the Group's principal risks and uncertainties are set out on pages 20 to 27 together with information about the management and mitigation of such risks.

**Compliance** – this includes the appointment and removal of the Company's Head of Compliance, reviewing the Group's compliance policies and procedures to ensure that the Group complies with relevant regulatory and legal requirements (including the FCA Principles and Prudential Regulatory Authority's Fundamental Rules), including the arrangements in place for the reporting and investigation of concerns and for ensuring fair customer outcomes, reviewing reports from the Head of Compliance and Management's responses to findings and recommendations, and monitoring the progress and subsequent actions and findings from the Company's Annual Compliance Monitoring Plan.

**Internal controls** – this includes reviewing the effectiveness of the Group's system of internal controls and ensuring timely action is taken by management to address matters arising from the risk and compliance assessments.

**Data protection** – the appointment and removal of the Company's Data Protection Officer, review how the Company meets its obligations under the Data Protection Act, review all reports from the Data Protection Officer and Management's responses to the findings and recommendations.

**Remuneration** – the Committee provides advice to the Remuneration Committee regarding the weightings to be applied to performance objectives relating to the Management's management of risk throughout the year.

#### 2020 and the Committee

From its establishment, the Committee was chaired by Ian Clark. Upon his appointment to the Board, Michael Koller joined the Committee. Upon his appointment as Company Chair, Andy Pomfret left the Committee, as did Michael Koller with effect 1 November 2020. Michael Koller left the Committee following an overall review of committee memberships. Further information on this can be found in the Governance Report on pages 50 to 53. The Board were comfortable that the make-up of the Committee ensures that it is fully able to fulfil its duties.

During the financial year ending 31 December 2020, all Committee members attended all of the meetings held during their period of appointment to the Committee. The Chief Executive Officer and the Chief Risk Officer either partially or fully attended all the Committee meetings. The Head of Compliance attended either partially or fully all but one of the meetings during the year. All meetings were minuted by the Company Secretary.

The Committee held three meetings during the financial year ending 31 December 2020. The Committee Chair also held regular individual meetings with the Chief Risk Officer, and the Head of Compliance. In addition to this, upon establishment of the Risk Committee, the Chief Risk Officer's reporting line moved to the Risk Committee Chair.

During 2020, the Committee considered its effectiveness during the year and confirmed that the Committee continued to perform effectively, and confirmed that it had access to sufficient resources to enable it to complete its responsibilities.

#### Activities of the Committee During 2020

During the year, the Committee addressed its responsibilities by:

- Reviewing reports from the Chief Risk Officer regarding risk management, including the procedures and plan relating to the management of risk across the Group
- Reviewing and approving the risk management framework and risk appetite, the corporate risk registers and the Group's principal risks and uncertainties
- Reviewing reports from the Head of Compliance regarding compliance across the Company, including progress against the Compliance Monitoring Plan
- Approving the Company's Compliance Manual
- Reviewing reports from the Company's Data Protection Officer
- Confirming that the Chief Risk Officer, Head of Compliance and Data Protection Officer had fulfilled their obligations regarding their roles
- Confirmed that Management had fulfilled their obligations regarding the management of the Company's risks
- Reviewing regulatory correspondence
- Reviewing and recommending to the Board the Company's ORSA
- Reviewing the Committee's terms of reference and its Effectiveness Review

On behalf of the Risk Committee

#### IAN CLARK

Chair of the Risk Committee

15 March 2021

**ANDY POMFRET**

Nomination and Governance  
Committee Chair

**Committee members**

The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2020 are set out below:

**Committee members**

<b>Andy Pomfret (Chair)</b> (with effect 1 September 2020)
<b>Patrick Snowball (Chair)</b> (until 30 August 2020)
<b>Catherine Barton</b>
<b>Ian Clark</b> (Committee Chair for sections of the meetings and meetings where the appointment of the new Chair was discussed)
<b>Karen Geary</b> (joined Committee with effect 7 December 2020)
<b>Michael Koller</b> (joined Committee with effect 1 September 2020)
<b>Rebecca Shelley</b>

**Committee meetings in 2020**

JAN	FEB	MAR	APR	MAY	JUN
●	○	●	●	○	●
JUL	AUG	SEP	OCT	NOV	DEC
○	○	●	○	○	○

**Meeting attendance**

<b>Andy Pomfret (Chair)</b>	5/5*
<b>Patrick Snowball (Chair)</b>	4/4**
<b>Catherine Barton</b>	5/5
<b>Ian Clark</b>	5/5*
<b>Karen Geary</b>	0/0
<b>Michael Koller</b>	1/1
<b>Rebecca Shelley</b>	5/5

\* Four as Committee member and one as Committee Chair.

\*\* As Committee Chair.

**The Nomination and Governance Committee (the "Committee")**

All of the Non-executive Directors of the Company are on the Committee and they are all free of any relationship that would affect their impartiality in carrying out their responsibilities and were independent as required under provision 17 of the 2018 UK Corporate Governance Code. The Committee is chaired by the Company Chair, Andy Pomfret, unless there is a conflict of interest.

The CEO may also be invited to attend meetings, unless this presents a conflict of interest. The Company Secretary, and the Head of Human Resources may be invited, but only as appropriate and only if this does not present a conflict of interest. The Committee Chair meets regularly with the Chief Executive Officer outside of the Committee meetings, and is available to shareholders at the Company's Annual General Meeting.

The Chair of the Committee reports to subsequent meetings of the Board and the Company Secretary acts as the secretary to the Committee. Annually the Committee reviews its effectiveness.

**The Committee's Roles and Responsibilities**

The Committee has a planned cycle of activities, managed through a schedule of matters, to ensure that it addresses its responsibilities in the current financial year. The terms of reference of the Committee can be found on the Company's website [www.sabreplc.co.uk/about-us/corporate-governance](http://www.sabreplc.co.uk/about-us/corporate-governance) and are reviewed by the Committee on an annual basis.

The Committee meets at least twice a year, in line with its terms of reference, and as and when required.

The Committee leads the process for:

- Reviewing the size, structure and composition of the Board
- Overseeing succession planning for the Directors and other senior executives, taking into account the challenges and opportunities facing the Group, and the skills and expertise needed on the Board in the future
- Reviewing the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- Reviewing the Group's policy on diversity, setting measurable objectives for board diversity and preparing a policy on how to promote board diversity
- Identifying, evaluating and recommending candidates to join the Board
- Appointing the Group's Senior Independent Director
- Making recommendations to the Board regarding the make up of the Group's Committees
- Making recommendations regarding the election and re-election of the Directors by shareholders

A formal, rigorous and transparent procedure using independent external search consultants or firms is undertaken before candidates are recommended to the Board. The Committee recognises the importance of diversity, and has ensured that the Company has and maintains a Diversity Policy, however, when recruiting, the Committee ensures that Board appointments are based on merit regardless of gender, social and ethnic backgrounds.

**2020 and the Committee**

The Committee was in place throughout the financial year ended 31 December 2020. During the year it was chaired by Patrick Snowball during his tenure as Company Chair, and then after his resignation and the appointment of Andy Pomfret as Company Chair, Andy took over as Committee Chair. Upon leaving the Company, Patrick Snowball left the Committee, and upon their appointments to the Board, Michael Koller and Karen Geary joined the Committee. During the year, all Committee members attended all of the meetings held. Geoff Carter, the Company's Chief Executive Officer, attended partially or fully at all of the Committee's meetings, and the Company Secretary minuted each meeting.

**Activities of the Committee During 2020**

During the financial year ending 31 December 2020, the Committee held five meetings. The number of meetings for the Committee was higher than in previous years, as the Committee spent a considerable amount of time considering and recommending changes to the Board regarding the Non-executive Directors, following the resignation of the Company Chair – Patrick Snowball. During the year, the Committee reviewed and enacted the Company's succession plan regarding the position of the Company Chair. To do this, the Committee employed Ridgeway Partners, an external search consultancy, to source suitable candidates for the Company Chair position.

This process was led by Ian Clark, and in line with best corporate governance practice, neither Patrick Snowball nor Andy Pomfret were involved in any of the stages of finding a new Company Chair, and Ian Clark chaired the Committee when it was discussing the appointment of the new Company Chair. The Committee reviewed the potential candidates and concluded that Andy Pomfret was the most appropriate candidate for the role. The Committee recommended Andy's appointment to the Board, which subsequently approved the appointment with effect 1 September 2020. The Committee searched for an appropriate candidate to replace Andy Pomfret in his position as Senior Independent Director, once he had become Chair, and asked Ridgeway Partners to source suitable candidates for the position. As this process was being run whilst the Company Chair appointment was being finalised, Ian Clark led the process, with Andy Pomfret taking over once his appointment as Company Chair had been finalised. The Committee reviewed the potential candidates and concluded that Rebecca Shelley was the most appropriate candidate for the Senior Independent Director position, and recommended to the Board that Rebecca, who was already a Non-executive Director to the Company, be appointed to the position. The Board approved this recommendation and Rebecca's appointment was with effect 1 September 2020. At the same time, the Committee also ran a process to find an additional Non-executive Director to join the Board. The Committee recommended that Michael Koller join the Board as a Non-executive Director, with effect 1 September 2020 and the Board approved this appointment. The same process used for appointing Michael, was used when appointing Karen Geary to the Board, however with Andy Pomfret leading the recruitment process for this appointment.

### Process followed for the appointment of the Non-executive Directors during 2020

#### Candidate requirements

The Committee reviewed the experience and skills of the existing Board Directors and decided that appointing additional Non-executive Directors would be beneficial for the Board and enable it to drive the business forward.

#### Appointment of an external search agency

The process for the appointment of the first new Non-executive Director – Michael Koller was led by Ian Clark, who was supported by several other Non-executive Directors and the Company Secretary. Several head hunters were considered during the search, and the Committee appointed Ridgeway Partners, an independent external search agency, (with no other connection to the Company), to find the suitable candidates. The process for the appointment of the second new Non-executive Director – Karen Geary, was led by Andy Pomfret, and as the Company had recently established a relationship with Ridgeway Partners, the Committee reappointed them to organise the second search.

#### Search process

Ridgeway Partners produced a long list of candidates, which was reviewed by members of the Committee, who created a short list of candidates, who were interviewed by members of the Committee, and the Chief Executive Officer, the Chief Financial Officer, and for the appointment of Michael Koller, the Chief Actuary.

#### Appointment of new Non-executive Director

All interviewers provided feedback on the candidates to the Committee, which discussed the merits of each candidate against a skills criteria list. From this discussion, the Committee proposed to the Board that Michael and Karen be appointed to the Board. Following their acceptance of their appointment, the Committee reviewed which committees it would be appropriate for each individual to join.

In addition to this, the Board agreed to amend the name and expand the responsibilities of the Committee. It was agreed that with effect 1 October 2020, that the Committee was to be known as the Nomination and Governance Committee, and that there will be specific time allocated to its meetings to further consider environmental, social and governance issues faced by the Company.

During 2020, the Committee considered its effectiveness during the year and confirmed that the Committee continued to perform effectively, and confirmed that it had access to sufficient resources to enable it to complete its responsibilities.

In addition to the previous mentioned activities, during the year the Committee:

- Approved the Nomination Committee Report in the Annual Report for the year ended 31 December 2019
- Reviewed and recommended the election of Directors at the Company's 2020 Annual General Meeting
- Reviewed the ongoing professional development of Committee members and the induction of new Directors
- Discussed the balance of skills and experience on the Board and considered if any changes were necessary
- Reviewed the talent development and succession plans for the Senior Management Team
- Reviewed and approved the Committee's terms of reference and schedule of matters
- Reviewed the annual Committee's evaluation responses

On behalf of the Nomination and Governance Committee

**ANDY POMFRET**  
Chair of the Nomination and Governance Committee  
15 March 2021

**REBECCA SHELLEY**

Remuneration Committee Chair

**Committee members**

The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2020 are set out below:

**Committee members**

<b>Rebecca Shelley (Chair)</b>
<b>Catherine Barton</b> (left Committee with effect 26 November 2020)
<b>Ian Clark</b>
<b>Karen Geary</b> (joined the Committee with effect 7 December 2020)
<b>Michael Koller</b> (joined the Committee with effect 1 September 2020)
<b>Andy Pomfret</b> (left Committee with effect 1 September 2020)

**Committee meetings in 2020**

JAN	FEB	MAR	APR	MAY	JUN
●	●	●	●	●	●
JUL	AUG	SEP	OCT	NOV	DEC
●	●	●	●	●	●

**Meeting attendance**

<b>Rebecca Shelley (Chair)</b>	8/8
<b>Catherine Barton</b>	7/7
<b>Ian Clark</b>	8/8
<b>Karen Geary</b>	0/0
<b>Michael Koller</b>	3/3
<b>Andy Pomfret</b>	5/5

On behalf of the Board, I am pleased to present to you the Remuneration Committee's Report for the year ended 31 December 2020. Against a globally challenging background with the COVID-19 pandemic, Sabre's Executive Team have delivered on the Group's strategy, generating a credible underwriting result whilst ensuring a solid foundation for future profitable growth as COVID-19 impacts reduce and the challenging market dynamics outlined in this report subside. During 2020, and up to the time of writing this report, the Company did not receive any Government assistance or furlough any employees. Furthermore, the Company maintained its dividend payments, in-line with shareholder expectations.

This report has been prepared in accordance with the Directors' Remuneration Reporting Regulations for UK incorporated companies set out in Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the principles of the UK Corporate Governance Code.

The report is presented in the following sections:

- Remuneration Committee Report and the Remuneration Committee Chair's Annual Statement
- The proposed new Directors' Remuneration Policy (the "Policy"), which we will ask shareholders to approve at our 2021 Annual General Meeting
- The Annual Report on Remuneration sets out the remuneration outcomes for 2020 and how the new Policy will be implemented during 2021. This report will be subject to an advisory shareholder vote at the 2021 Annual General Meeting.

**The Remuneration Committee (the "Committee")**

The Committee's role is to ensure that the Executive Team is appropriately incentivised to deliver reliable profitability and dividends from its specialist higher margin insurance business, and sustainable growth to shareholders over the long term. The Committee has supported this objective by structuring and deploying remuneration in a cost-effective manner, embedding a clear link between pay and performance in the Group's remuneration framework.

The Committee comprises at least three Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities and are independent as required under provision 17 of the UK Corporate Governance Code (the "Code"). Members of the Committee are appointed by the Board, on the recommendation of the Nomination Committee and the Chair of the Committee. Appointments are made for an initial period of three years, which can then be followed by an additional two further three-year periods. Members of the Committee do not have any personal interests in the topics discussed at the Committee, except as shareholders in the Company. No Director is involved in the decisions setting his or her own remuneration.

The Company Chair and the Chief Executive Officer are invited to attend meetings, unless they have a conflict of interest, for example the discussion of their own remuneration. In addition, the Company Secretary and Head of HR may be invited to attend part or all of the Committee meetings, providing there is no conflict of interest. Other relevant people from the Company may also be invited to attend all or part of a meeting to provide deeper insight into the Company and its issues. The Committee Chair meets regularly with the

Chief Executive Officer and the Company Secretary outside of the Committee meetings, and is available to shareholders at the Company's Annual General Meeting.

The Chair of the Committee reports to subsequent meetings of the Board, and the Company Secretary acts as Secretary to the Committee. Annually, the Committee reviews its effectiveness.

**The Committee's role and responsibilities**

The Committee, in line with its terms of reference, meets at least twice a year, and as and when required. The terms of reference of the Committee can be found on the Company's website [www.sabreplc.co.uk/about-us/corporate-governance](http://www.sabreplc.co.uk/about-us/corporate-governance) and are reviewed by the Committee on an annual basis. The Committee has a planned cycle of activities, managed through a schedule of matters, to ensure that it addresses its responsibilities in each financial year.

The Board has delegated to the Committee responsibility for ensuring that the Senior Leadership Team is appropriately incentivised to deliver sustainable growth to shareholders over the long term. The Committee supports this objective by structuring and deploying remuneration in a cost-effective manner, embedding a clear link between pay and performance in the Group's remuneration framework. The Committee is responsible for setting the Remuneration Policy for all Executive Directors, senior employees, the Company Secretary and the Company's Chair, including pension rights and any compensation payments. It is also responsible for reviewing all share incentive plans and setting and approving the achievement of their performance conditions, as well as reviewing all employee pay arrangements periodically. The fees of the Non-executive Directors are approved by the Company Chair and the Executive Directors.

### Committee advisers

Throughout the financial year ending 31 December 2020, the Committee was advised by Deloitte LLP ("Deloitte"). Advisers from Deloitte may attend the Committee meetings as appropriate, and provide advice on executive remuneration, best practice and market updates.

Annually the Committee evaluates the support provided by its advisers. During the year the Committee reviewed the performance of Deloitte, who were subsequently reappointed to advise the Committee for a further year. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under their Code of Conduct in relation to executive remuneration consulting in the UK. As such, the Committee is satisfied that the advice provided by Deloitte is independent and objective.

The total fees paid to Deloitte in relation to the remuneration advice provided to the Committee during the year were £106,300 excluding VAT (2019: £55,100). Fees were charged on a time and materials basis. During the year, the wider Deloitte firm also provided corporate tax advisory services to the Group, and the fees paid for this work are not included in these totals.

### 2020 and the Committee

The Committee was in place throughout the financial year ended 31 December 2020, and was chaired by Rebecca Shelley. Upon their appointments as Non-executive Directors, Michael Koller and Karen Geary joined the Committee, and following his appointment as Company Chair, Andy Pomfret left the Committee. Further to this, Catherine Barton left the Committee following an overall review of the Company's Committee memberships. Further information on this can be found in the Governance Report on pages 50 to 53. The Board is comfortable that the make-up of the Committee ensures that it is fully able to fulfil its duties.

During the financial year ending 31 December 2020, all Committee members attended all of the meetings held. The Chief Executive Officer and the Company Secretary either partially or fully attended all of the Committee meetings. All meetings were minuted by the Company Secretary.

The Committee held seven meetings during the financial year ending 31 December 2020. The Committee Chair also held regular individual meetings with the Chief Executive

Officer and the Company Secretary, and engaged with the Company's largest shareholders to discuss proposals for the new Directors' Remuneration Policy.

During 2020, the Committee considered its effectiveness during the year and confirmed that the Committee continued to perform effectively, and had access to sufficient resources to enable it to complete its responsibilities.

### Activities of the Committee during 2020

During the year, the Committee addressed its responsibilities by:

- Approving the prior year Directors' Remuneration Report, and reviewing shareholder comments and feedback on the report
- Reviewing and approving the payment of bonuses under the 2019 Short Term Incentive Plan, including approving 50% of the vested award being deferred to the Company's Deferred Bonus Plan
- Setting the award levels and the financial, non-financial and individual performance conditions for the awards made under the 2020 Short Term Incentive Plan
- Setting the grant levels and financial performance conditions for the awards under the 2020 Long Term Incentive Plan
- Reviewing and approving the salaries of the Senior Leadership Team
- Reviewing remuneration across the business to ensure that arrangements continue to align with our strategy and our key principles around remuneration
- Reviewing and approving the fees of the Chair
- Reviewing the Company's Save As You Earn and Share Incentive Plan employee contribution levels
- Approving the Company's Save As You Earn 2020 grant
- Reviewing and approving the Committee's terms of reference
- Reviewing and publishing the Company's Gender Pay Gap Report
- Considering the impact of COVID-19 on remuneration-related decisions, including whether or not the Committee should exercise its discretion when determining incentive outcomes
- Undertaking a detailed review of the Directors' Remuneration Policy and considering our approach to remuneration in 2021 (further details on our proposals are

included in the Remuneration Policy section of this report on pages 67 to 76)

### Executive remuneration in 2020

The Group has a well-defined strategy, whereby the profitability of business written is prioritised under all market conditions. During 2020, the motor insurance market remained a highly competitive environment, with extensive disruption caused by the COVID-19 lockdowns. Market wide premium increases continued to lag claims inflation, with further price discounts evident among our competitors to reflect lower traffic and claim volumes across the market. Under these conditions, our strategy remained to maintain pricing discipline in order to protect long-term profitability, and therefore sacrifice short-term volumes. In 2020 this resulted in Sabre achieving a premium level of 12% below the prior year, while keeping the combined operating ratio on business written within our preferred range of 70% to 80%. During 2020, and up to the time of writing this report, the Company did not receive any Government assistance or furlough any employees.

The Remuneration Committee discussed and approved the remuneration outcomes in respect of 2020 shortly after the year end. During the year, no amendments were made to the performance conditions for the annual bonus award or the outstanding LTIP awards.

The annual bonus for 2020 was based on Adjusted Profit After Tax ("PAT") (40% weighting), Return on Tangible Equity ("ROTE") (20% weighting), and an assessment of performance against individual (15%) and strategic (25%) objectives.

PAT at £39.8m was behind the target of £42.5m, but above the threshold of £36.3m. It was adversely impacted by the COVID-19-driven drop in business volumes due to lockdowns.

ROTE at 36% was also behind the target of 39%, but ahead of threshold at 33%. ROTE was adversely impacted by lower volumes, and also the requirement to hold capital for longer due to the Board's decision to delay payment of the special dividend by three months. Further information on the performance conditions for the Annual Bonus paid in respect to the financial year ending 31 December 2020, can be found on page 78.

The Chief Executive Officer and Chief Financial Officer both delivered very strong performances against their individual and the

CONTINUED

Company's strategic objectives, especially in light of the requirement to adapt the business quickly to the needs of COVID-19 impacts, and to move the business to an entirely "working from home" structure without any adverse impact on our trading partners, customers or service levels.

The key, summarised, business objectives were to:

- Maintain focus on retaining Combined Operating Ratio within the target range of 70% to 80%
- Maintain a high quality service to customers and partners
- Enhance the business's approach to Environmental, Social and Governance issues
- Maintain Sabre's position as a great place to work, ensuring colleagues have an appropriate work/life balance and are able to develop in their careers
- Maximising strategic opportunities
- Ensure adherence with current and emerging risk and compliance needs across the business

In addition, the Chief Executive Officer had specific objectives to progress the strategic plan; enhance the Executive Team; and to ensure a robust succession plan exists within the business. Further information on the Chief Executive Officer's 2020 objectives and his performance against them can be found on page 78.

The Chief Financial Officer's additional objectives were to enhance process automation; embed the new investment strategy; progress implementation of IFRS 17; and progress the external auditor rotation tender. Further information on the Chief Financial Officer's 2020 objectives and his performance against them can be found on page 78.

The Committee was able to review extensive evidence of delivery across these combined objectives. In addition to this resilient performance, the Company did not furlough any employees, nor take Government support, and maintained the dividend pay-out ratio in-line with expectations. As such, the Committee was satisfied that the annual bonus outcomes, as a percentage of the maximum bonus opportunity for the Chief Executive Officer and Chief Financial Officer, respectively was 62.2% and 62.2%. Further details on bonus outcomes can be found page 78.

Performance under the 2018 Long Term Incentive Plan ("LTIP") was measured against

Relative TSR (50% weighting) and EPS growth targets (50% weighting) over a three-year period. The Company's TSR since Admission has performed well against that of the FTSE 250 comparator group, with 100% of this element (50%) of the LTIP 2018 award vesting. Performance against EPS targets was below threshold and no payment will be made against this element. It is therefore intended that the LTIP awards will vest at 50%. Further information on the vesting of the 2018 LTIP can be found on page 81.

Under the UK Corporate Governance Code and the Committee's Terms of Reference, the Committee has the right and requirement to exercise independent judgement and discretion when assessing the Directors' remuneration, taking into account the performance of the Company and the individual directors, and wider circumstances. The Committee applied some judgement as a result of the impact of the COVID-19 pandemic on the personal objectives and their achievement for the Executive Directors' 2020 annual bonus. Overall, the Committee considered that the outcomes under the 2020 annual bonus and the 2018 LTIP are a fair reflection of the overall performance of the Company and the Executive Directors, and are aligned to the broader stakeholder experience. The Committee is satisfied that the Policy operated as intended during the financial year, and did not exercise discretion in respect of the Policy or its operation during the year. Further details and the performance conditions for the awards made under the Company's LTIP and STIP can be found on pages 78 to 81.

#### Review of Directors' Remuneration Policy and proposed key changes for 2021

Since Admission in December 2017, Sabre has continued to focus on profitability over volume growth. The business has achieved market-leading underwriting performance across the insurance cycle, and during the course of the COVID-19 pandemic did not require any Government assistance and did not furlough any employees. Our strong and resilient financial position has enabled us to deliver consistent dividend payments through both ordinary and special dividends, totalling 42.3p per ordinary share, since listing, as at 31 December 2020.

At the time of the IPO, Sabre's Directors' Remuneration Policy was conservatively positioned to reflect its new market listing and

the limited public company leadership experience of its Executive Team. Over the intervening period, the Sabre Executive Team have proven their ability to manage the business effectively and to deliver sustainable returns to shareholders.

Ahead of the renewal of the Directors' Remuneration Policy at the Annual General Meeting in 2021, the Committee undertook a full review of the policy, including the consideration of simplicity, cost-effectiveness, risk and alignment to the business's corporate strategy and culture. In determining the proposed changes to the Remuneration Policy, the Committee assessed the overall performance of the Company and the positioning of the Executive Directors' remuneration packages.

Following our review, we concluded that a number of changes were needed to ensure that Executive Directors are rewarded fairly and proportionately for their contribution, whilst aligning their interests to shareholders. In order that remuneration remains aligned to our purpose, culture and values, and following extensive consultation with our largest shareholders, we are proposing:

- To replace the performance-based awards operated under the Long Term Incentive Plan with Restricted Share Awards, operated under the same plan. This will provide a simpler and more transparent long-term incentive framework that is aligned to our business strategy, our culture and purpose of delivering stable and attractive shareholder returns. Further information on this can be found on page 71
- To introduce a bonus pool funding approach, which links reward directly with the profitability of the business, and therefore with returns to shareholders. This will ensure that Executives are rewarded (including for non-financial achievements) only when the business meets agreed profit targets. Further information on the 2021 bonus can be found on page 71
- The maximum bonus opportunity will be increased, and capped at 150% to reflect the significant contribution of the Executive Directors to the business, as well as the greater alignment between profitability and bonus outcomes
- To reduce the weighting of non-financial measures determining the annual bonus outcome from 40% to 30%, including customer and ESG metrics, as well as personal objectives. The remaining 70% of the award will be based on Profit Before Tax ("PBT")

- To maintain Executive Director salaries, on which the Restricted Share Awards and Annual Bonus awards will be based, in-line with current levels, which are below the lower quartile benchmark for companies at the lower end of the FTSE 250 and across our financial services peer group
- Further amendments to the Policy to ensure alignment with the Code requirements and best practice, including a reduction in the pension contribution rates of incumbent directors to align with all employee levels, the introduction of a formal post-employment shareholding policy and enhanced malus and clawback provisions

#### Changes to the Annual Bonus

The Committee is proposing to move to a profit pool approach, which will ensure close alignment between business profitability and potential bonus outcomes for the Executive Directors and the senior management team. It is intended that the bonus pool will be 2% of PBT, subject to a minimum level of PBT being achieved. No pool will be generated when PBT is below a threshold level of £35m, and the maximum for each Director will be capped at 150% of salary. This will ensure that reward is directly linked with the absolute profit of the business, and therefore with returns to shareholders.

The Committee have apportioned the bonus pool to the Executive Directors and the senior management team. Awards to individual directors will continue to be subject to salary-based caps of 150%. It is anticipated that for the next two years this will have the effect of reducing overall Directors' remuneration compared to the current remuneration policy. Further information on the 2021 bonus plan can be found on page 71.

In-line with shareholder feedback, the weighting of financial objectives under the bonus will be increased to 70% from 60%, with a corresponding reduction in the weighting of non-financial measures to 30% from 40%. Non-financial measures will include customer and ESG metrics as well as personal objectives. Due to the formulaic funding mechanism, bonus pay-outs against the attainment of non-financial metrics will be directly linked to profitability. In the ordinary course of events, the Committee will not be able to award a bonus solely on the attainment of non-financial objectives, a minimum profit performance must always be met.

In recognition of Sabre's strong track record of delivery for shareholders since its IPO, the demonstrable achievements of the Executive Directors, and the greater alignment of the annual bonus plan with profitability, the Committee is proposing to increase the maximum bonus opportunity to 150% of salary from 125%.

#### Restricted Share Awards

After careful consideration, the Committee is proposing to replace the current performance-based awards with annual awards of restricted shares under the Long Term Incentive Plan. Subject to the amendments proposed at the forthcoming Annual General Meeting described below, it is proposed that the awards granted under the LTIP for 2021 will be in the form of restricted shares.

The Committee believes it is the right approach for Sabre for the following reasons:

- Our well-established and conservative business strategy, which prioritises underwriting profitability and customer service over volume across the insurance cycle, enables us to deliver attractive and sustained returns to our shareholders by the way of ordinary and special dividends. Restricted Share Awards will allow the Management Team to continue to focus on our long-term sustainable business goals without the distraction of meeting near-term targets, which may be driven by the cycle
- Reward outcomes will be more modest at the top end and are likely to be less volatile with Restricted Share Awards going forwards. This aligns with our disciplined underwriting approach and prudent business culture – we do not want to encourage unnecessary risk taking as a mis-incentive for gain

We intend to award restricted shares to the wider senior leadership team, thereby ensuring that the Executive Directors' arrangements are consistent and directly aligned with the broader management team. Against this backdrop, we consider that Restricted Share Awards are a more suitable means of incentivising our Executive Directors, as it will allow them to focus on the long-term stewardship of the business, whilst at the same time aligning their interests with shareholders in a simple, transparent manner. It is noteworthy that the inconsistency between TSR and EPS delivery in a cyclical business has been a factor in the consideration of the granting of Restricted Share Awards under the LTIP. When considering the appropriate level of Restricted Share Awards

granted, the Committee was mindful of recent market practice and shareholder expectations in this area. It also considered the current total compensation levels of the Executive Directors and the progress of the Company since listing. The Committee aimed to ensure that the new policy would provide a similar level of total target compensation as would be delivered under the existing Policy, albeit with a substantial reduction in the maximum level of total compensation. The Committee is therefore proposing to reduce the maximum face value of the proposed Restricted Share Awards to 43% of the current Policy maximum of 175% for awards granted under the LTIP. This results in a maximum award size of 75% of salary for the Chief Executive Officer. For the Chief Financial Officer, it is proposed that the maximum award will be 60% of salary. Further information regarding the Restricted Share Awards grant in 2021 can be found on page 71.

The Restricted Share Awards will vest after three years and will be subject to an additional holding period of two years, so that the total time prior to any potential share sale (except to meet tax liabilities arising from the award) will be generally five years. The Committee will grant awards on an annual basis, which will vest, subject to continued employment and the satisfaction of underpins. The Committee will retain full discretion to adjust vesting outcomes on the basis of an assessment of pre-determined underpins over the three-year period. If the Company does not meet one or more of the underpins over the vesting period, the Committee will consider using its discretion to determine whether it is appropriate to reduce the level of pay-out under the award. It may also use its overarching discretion to reduce the awards at vesting, should the Committee consider that outcomes are not reflective of the underlying performance of the Company or the broader shareholder experience. These safeguards, in line with our key remuneration principles, are to ensure that executives will not be rewarded for failure. Further information on the Restricted Share Awards can be found on page 71.

The Committee has decided that underpins relating to return on capital, solvency ratios and regulatory censure will be applied to the Restricted Share Awards in 2021, as outlined on page 87.

Restricted Share Awards may be granted under the Company's existing Long Term Incentive Plan Rules, which were adopted by the Board prior to the Company's listing. We will, however,

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be asking shareholders to approve minor amendments to the rules, to allow for the award of restricted shares to the Executive Directors, at the forthcoming Annual General Meeting. Subject to shareholder approval of the Policy and the amendment to the Plan Rules, it is intended that the first awards of restricted shares will be granted after the Company's Annual General Meeting. The Committee is mindful of shareholders' expectations regarding the potential for windfall gains. In the event that the share price has fallen significantly compared to prior years, the Committee will take this into account when determining award levels and will consider this prior to the 2021 grant of awards, to ensure that the grant levels are appropriate and reflective of the circumstances.

#### Amendments to ensure alignment with the UK Corporate Governance Code

As part of its review of the Remuneration Policy, the Committee is proposing a number of additional amendments to ensure alignment with the revised Code and best practice. Pension contributions for the incumbent Executive Directors will be reduced to the wider workforce rate from 1 January 2022. The average level of contribution available to the wider employee population is currently 7.5% of salary.

The Committee also proposes introducing a formal post-employment shareholding policy, requiring Executive Directors to retain shares equivalent to 200% of salary for two years post-cessation of employment. In addition, the Committee intends to strengthen malus and clawback provisions for unvested and vested awards, respectively.

#### Wider considerations regarding reward

When considering the remuneration arrangements for the Executive Directors, the Committee continues to take into account remuneration throughout the Group, and regularly examines the average employee salary, pension and share plan contributions. The Committee is aware of the importance of having an engaged and motivated workforce.

To support this the Committee has previously increased the maximum employee monthly contribution to the Company's Save As You Earn Plan from £250 to £500, and expanded the Company's Share Incentive Plan to allow for employee contributions and employer matched shares at a ratio of 3:1, where for every three shares an employee purchases, the Company matches with one free share. These increases came into effect during 2019, and remain in force for the financial year ending 31 December 2021.

Whilst the Group currently has fewer than 250 employees and so is not required to submit a formal statement on its gender pay gap, our intention is to be transparent. As such, it was agreed in 2019 to release the Company's Gender Pay Gap Report, and during 2020 the Company updated its Gender Pay Gap Report, which is available on the Company's website <https://www.sabreplc.co.uk/about-us/corporate-governance>. The Committee will ensure that this report is updated annually.

#### Statement of shareholder voting

The following table shows the results of shareholder voting relating to the approval of the Remuneration Policy at the 2018 Annual General Meeting, and the approval of the Remuneration Report at the 2020 Annual General Meeting.

#### Shareholder engagement

Sabre and the Remuneration Committee are committed to maintaining an ongoing dialogue with shareholders on issues of remuneration to ensure an open and transparent dialogue, and welcomes any feedback you may have, via the Company Secretary.

During the year I engaged with a number of the Company's top shareholders on the proposed changes to the Directors' Remuneration Policy. I was pleased with the level of engagement and support from shareholders regarding the grant of Restricted Share Awards, and the proposed changes to the annual bonus plan. Many shareholders considered that these changes were appropriate in view of the Company's strategy, and expressed their support for the steps the Committee had taken in implementing best practice, particularly in relation to the reduction of incumbent Executive Director pension contributions and the introduction of post-employment shareholding requirements.

I would like to thank shareholders for their feedback, and I look forward to your support on the resolutions relating to remuneration at the Company's Annual General Meeting in May 2021.

On behalf of the Remuneration Committee

#### REBECCA SHELLEY

Chair of the Remuneration Committee  
15 March 2021

#### 2018 Annual General Meeting resolution to approve the Directors' Remuneration Policy

	Total number of votes	% of votes cast
For (including discretionary)	150,130,716	99.20
Against	1,214,214	0.80
Total votes cast (excluding withheld votes)	151,344,930	100
Votes withheld	665,223	n/a
Total votes cast (including withheld votes)	152,010,153	n/a

#### 2020 Annual General Meeting resolution to approve the Directors' Remuneration Report

	Total number of votes	% of votes cast
For (including discretionary)	201,092,590	98.73
Against	2,578,559	1.27
Total votes cast (excluding withheld votes)	203,671,149	100
Votes withheld	0	0
Total votes cast (including withheld votes)	0	0

**The proposed new Directors' Remuneration Policy (the "Policy")**

The Executive Directors' remuneration consists of five main components: a base salary, benefits, employer pension contributions, a performance-related annual bonus (Short Term Incentive Plan ("STIP")) and Restricted Share Awards made under the Company's Long Term Incentive Plan ("LTIP"). Directors are also entitled to participate in both the all-employee share plans on the same basis as other Group employees. Detail in relation to each of these elements is set out in the Policy Table on page 70.

In proposing the structure of the Executive Directors' remuneration, the Committee has been guided by the three following principles:

**1 Cost-effectiveness**

Sabre intends to pay no more than is necessary to attract, retain and incentivise high calibre management, whilst also aligning the interests of employees with those of shareholders and, where appropriate, other key stakeholders.

**2 Pay for performance**

Performance-related pay will, potentially, make up a significant proportion of the Executive Directors' remuneration packages and will be assessed based on stretching targets.

**3 Long-term alignment**

There will be an appropriate balance of remuneration to the delivery of longer-term performance targets. In determining the Company's Remuneration Policy, the Committee has taken into account the relevant regulatory and governance principles.

Following the Company's admission to the premium listing segment of the official list on 11 December 2017 ("Admission"), the Committee designed the Company's Remuneration Policy to embed the corporate governance principles shareholders expect of a quoted company. The Policy was approved by over 99% of shareholders at the 2018 Annual General Meeting, and remained in force for the financial year ending 31 December 2020. As this Policy has ended, and there have been further changes to the corporate governance requirements regarding remuneration since Listing, we present below details of a new Remuneration Policy, which will be put to vote at the upcoming Annual General Meeting in 2021.

**UK Corporate Governance Code**

The following table summarises how, in designing our Policy and considering its implementation in 2021, the Committee has addressed the principles set out in Provision 40 of the UK Corporate Governance Code.

Principle	How the Committee has addressed this
<b>Clarity.</b> Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Committee is committed to providing clear and transparent disclosure of Sabre's executive remuneration arrangements. As part of the Remuneration Policy review undertaken in 2020, we consulted extensively with shareholders in order to ensure their feedback was fully considered. Furthermore, Ian Clark is the designated Non-executive Director for workforce engagement and actively engages with employees, and feeds back to the Committee and the Board on his meetings in order to provide insight on employees' views.
<b>Simplicity.</b> Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	In designing the remuneration framework, the Committee sought to avoid complexity by ensuring compensation arrangements are straightforward and easily understood. Our remuneration framework comprises fixed pay, an annual bonus and a long term incentive plan and is well understood by both participants and shareholders.
<b>Risk.</b> Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Committee is satisfied that the remuneration structure does not encourage excessive risk taking and incorporates a number of features that align remuneration outcomes with risk. These include deferral under the bonus plan, the two-year post-vesting holding periods under the LTIP and personal shareholding guidelines that apply both in-employment and post-employment. Furthermore, the Committee has the discretion to reduce variable pay outcomes where appropriate and malus and clawback provisions apply to both annual bonus and LTIP awards.
<b>Predictability.</b> The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The Remuneration Policy outlines the threshold, target and maximum levels of pay that Executive Directors can earn in any given year over the three-year life of the approved Remuneration Policy. Actual incentive outcomes will vary depending upon the level of achievement against various performance measures and underpins.
<b>Proportionality.</b> The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.	The Committee is comfortable that the Remuneration Policy does not reward poor performance and that the range of potential pay-outs are appropriate and reasonable. The Committee has discretion to adjust incentive outcomes where they are not considered to appropriately reflect underlying performance. Furthermore, payments made under the incentive plans are subject to the achievement of performance measures and underpins which are directly linked to the Group's strategy and KPIs.
<b>Alignment of culture.</b> Incentive schemes should drive behaviours that are consistent with Company purpose, values and strategy.	The performance measures for the annual bonus and the award of Restricted Share Awards are directly linked to the Group's strategy and objectives.

Details of the main proposed policy changes have been highlighted in the table below. The new Policy in detail can be found on page 70.

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**Proposed changes to the Remuneration Policy for 2021, compared to the prior Remuneration Policy:**

The prior Remuneration Policy can be found in the Annual Report for the year ended 31 December 2019, which is available on the Company's website [www.sabreplc.co.uk](http://www.sabreplc.co.uk)

Current Policy	Proposed Policy
<p><b>Pension</b> Incumbent Executive Directors currently receive pension contributions as follows:</p> <ul style="list-style-type: none"> <li>– <b>Chief Executive Officer</b> 14.9% (net), 17% (gross) of salary</li> <li>– <b>Chief Financial Officer</b> 8.9% (net), 10% (gross) of salary</li> </ul> <p>New appointees receive contributions in line with that of employees (average currently 7.5%).</p>	<p>Commitment to <b>reduce the contribution rate to the workforce rate</b> (currently 7.5% of salary) from 1 January 2022. For 2021, contribution rates will remain at current levels.</p>
<p><b>Annual Bonus</b> Maximum bonus opportunity of <b>125%</b> of salary. Up to 50% of any award may be deferred into a share award under the Deferred Bonus Plan. Malus and clawback provisions will apply to unvested and vested awards, respectively. At least half of the annual bonus is based on financial measures.</p>	<p>Increase in maximum bonus opportunity to <b>150%</b> of salary. Use of a bonus pool funding and allocation approach, where bonus potential is directly linked to the absolute profitability of the business. 70% of the bonus to be based on financial measures (Profit Before Tax), with 30% based on non-financial objectives. Updated malus and clawback provisions to ensure compliance with the Corporate Governance Code.</p>
<p><b>Long Term Incentive Plan</b> Maximum opportunity in respect of any financial year of <b>175%</b> of salary. Awards granted in FY2020 of 125% of salary and 100% of salary for the Chief Executive Officer and Chief Financial Officer, respectively. The vesting of awards will be subject to performance measured over at least three years. Majority of measures will be financial and a portion will be based on relative TSR. With effect from 1 January 2019, a two-year post-vesting holding period applies. Malus and clawback provisions will apply to unvested and vested awards respectively.</p>	<p>Proposal <b>to replace the current performance based awards with Restricted Share Awards</b>. Maximum opportunities will be 75% and 60% of salary for the Chief Executive Officer and Chief Financial Officer respectively. Awards will vest after three years, subject to continued employment. The Committee has the ability to adjust the vesting value of awards subject to an assessment against financial and non-financial performance underpins. A further two-year holding period will apply post-vesting. <b>Updated malus and clawback provisions</b> to ensure compliance with the Corporate Governance Code.</p>
<p><b>Post-employment shareholding requirement</b> No current policy.</p>	<p><b>Introduction of a post-employment shareholding requirement</b> whereby Executive Directors must retain shares equivalent to <b>200%</b> of salary for two years post-cessation of employment.</p>

**Proposed remuneration approach for the Executive Directors, under the new Remuneration Policy for the financial year ending 31 December 2021**

	Geoff Carter	Adam Westwood
<b>Salary</b>	£440,862 (1.4% increase aligned to the average employee salary increase)	£259,331 (1.4% increase aligned to the average employee salary increase)
<b>Benefits</b>	Private medical care Death in Service	Private medical care Death in Service
<b>Pension</b>	% of salary, reducing to align with the average employee amount with effect 1 January 2022	% of salary, reducing to align with the average employee amount with effect 1 January 2022
<b>Short Term Incentive Plan</b>	Maximum bonus opportunity of 150% 70% based on PBT 30% based on non-financial objectives	Maximum bonus opportunity of 150% 70% based on PBT 30% based on non-financial objectives
<b>Long Term Incentive Plan</b>	A Restricted Share Award grant of 75% of salary, vesting after three years, with an additional holding period of two years. Vesting will be subject to performance underpins relating to return on capital, solvency ratios and regulatory censure.	A Restricted Share Award grant of 60% of salary vesting after three years, with an additional holding period of two years. Vesting will be subject to performance underpins relating to return on capital, solvency ratios and regulatory censure.

## Policy changes for 2021

### Executive Director pensions

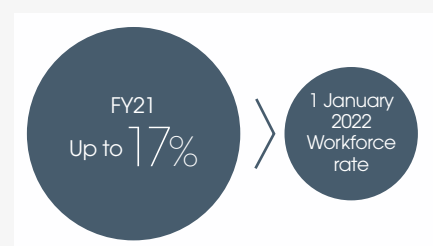
From 1 January 2022, pension contributions for incumbent Executive Directors will be reduced to align with the wider workforce rate (currently 7.5% of salary). Pension contribution rates for newly appointed Directors already align to the wider workforce rate.

### Incumbent Executive Directors – pension allowance as a % of base salary

#### 2018 Policy



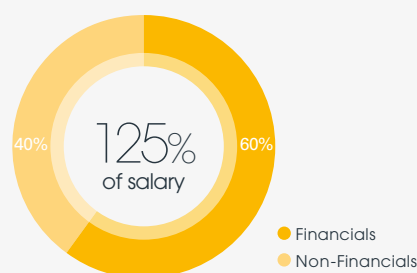
#### 2021 Policy



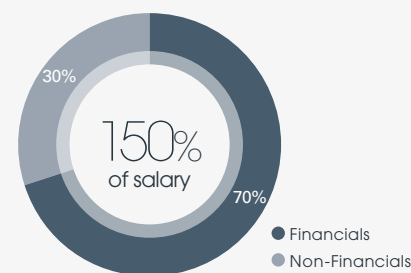
### Annual bonus plan

The Committee is proposing to increase the maximum bonus opportunity from 125% of salary to 150% of salary and to increase the weighting of financial measures from 60% to 70% of the annual bonus. We are also proposing to move to a bonus pool funding and allocation approach where the bonus will be calculated as a percentage of Profit Before Tax and determined by taking account of financial and non-financial performance in the year.

#### 2018 Policy



#### 2021 Policy

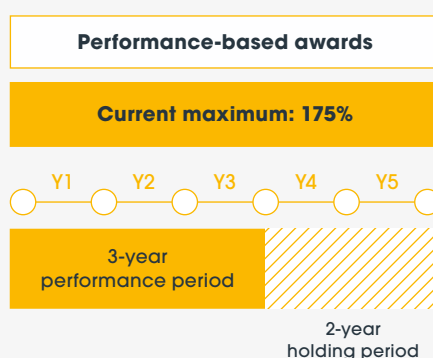


### Long Term incentive plan ("LTIP")

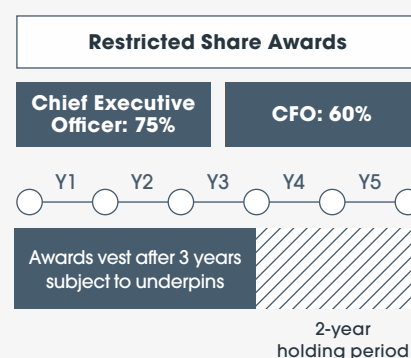
Subject to shareholder approval, the Committee proposes to introduce Restricted Share Awards ("RSA") to replace performance-based awards under the LTIP.

- RSAs subject to underpins
- Chief Executive Officer: maximum 75% of salary;  
CFO: maximum 60% of salary
- Awards vest after three years and are subject to a two-year holding period

#### 2018 Policy



#### 2021 Policy



### Shareholding guidelines

The Committee proposes to introduce a formal post-employment shareholding policy.



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### 2021 Directors' Remuneration Policy

Sabre Insurance Group's Directors' Remuneration Policy as set out in this report (the 2021 Directors' Remuneration Policy) will be put to shareholders for their approval at the Company's Annual General Meeting on 14 May 2021. It is the Committee's intention that the Policy will be applicable to the Directors' remuneration with effect from the date of the 2021 Annual General Meeting.

The Committee intends that the new policy should be simple and clear, linking the Company's strategy and performance with the Directors' remuneration, reflecting the insurance industry's cyclical nature, and compliant with corporate governance best practice.

The Remuneration Policy was developed taking into account the Committee's requirements that it:

- Be simpler and more transparent
- Reward performance against a balanced mix of financial and non-financial performance metrics, which reflect the interests of all stakeholders
- Reflect that, although the business is cyclical in nature, the focus of the Executive Team is to protect the dividend and to deliver attractive returns to shareholders. We consider that a Remuneration Policy that offers a narrower, but more predictable, range of performance and reward outcomes would be more aligned to Sabre's positioning as an "income stock"
- More closely align the remuneration of the Executive Team with the business's profit generation at different parts of the insurance cycle, rather than achievement against the annual budget
- Encourage long-term share ownership and aligns with the creation of shareholder value
- Mitigates risk by ensuring the Committee has the ability to apply discretion to ensure that the award levels are appropriate, and that the Committee has the ability to apply clawback and/or malus if required
- Comply with corporate governance best practice

### Policy table

#### Salary

To attract, incentivise and retain Executive Directors of a high calibre, and to reflect their responsibilities and experience.

Operation	Maximum Opportunity	Performance measures
<p>Base salaries will be reviewed at least annually taking into account the scope and requirements of the role, the performance and experience of the incumbent Executive Director and the individual's total remuneration package.</p> <p>Account will also be taken of remuneration arrangements at Sabre's peer companies (and other companies of an equivalent size and complexity), for other Group employees, and the impact of any base salary increases on the total remuneration package.</p> <p>Any salary increases are normally effective from 1 April, each year, in line with the broader workforce.</p>	<p>The Committee has decided not to set an overall maximum monetary opportunity or increase. However, the Committee intends that Executive Directors' salary increases will normally be in-line with salary increases offered to the wider employee population.</p> <p>There are however specific circumstances in which the Committee could award increases outside this range which may include:</p> <ul style="list-style-type: none"> <li>– A change in the Executive Director's role and/or responsibilities</li> <li>– Performance and/or development in role of the Executive Director</li> <li>– A significant change in the Group's size, composition and/or complexity</li> <li>– A significant change in market practice</li> </ul> <p>Where an Executive Director has been appointed to the Board at a below-market starting salary, larger increases may be awarded as their experience develops, if the Committee considers such increases to be appropriate.</p>	None

#### Benefits

To provide a benefits package to recruit and retain Executive Directors of a high calibre and to promote the wellbeing and health of the Directors, enabling them to focus on the Company.

Operation	Maximum Opportunity	Performance measures
<p>The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to Sabre's employees and the external market.</p> <p>Benefits currently include (but are not limited to) life insurance and private medical insurance.</p> <p>If an Executive Director is required to relocate as a result of his/her duties the Company may provide the Executive Director with additional benefits such as assistance with relocation, travel, accommodation or education allowances or professional tax advice, along with any associated tax liabilities.</p>	<p>As the costs of benefits are dependent on the Executive Director's individual circumstances, the Committee has not set a maximum monetary value.</p> <p>However, in approving the benefits paid, the Committee will ensure that they do not exceed a level which is, in the Committee's opinion, appropriate given the Executive Director's particular circumstances.</p>	None

### Pension

To provide a pension package for the Executive Directors.

Operation	Maximum Opportunity	Performance measures
<p>The Group may make employer pension contributions to a registered pension plan (or such other arrangement the Committee considers has the same economic effect) set up for the benefit of each of the Executive Directors.</p> <p>Alternatively, an Executive Director may be awarded some/all of the contribution as an equivalent cash allowance in lieu of pension contributions.</p>	<p>For incumbent Executive Directors, pension contribution levels will not exceed 17% of an individual's salary, less Employer National Insurance Contribution in 2021.</p> <p>From 1 January 2022, the maximum pension contribution for incumbent Executive Directors will be aligned with the average employee company pension contribution (currently 7.5% of salary).</p> <p>For any new Executive Director appointments, the maximum pension contribution will be aligned with the average employee company pension contribution (currently 7.5% of salary).</p>	None

### Short Term Incentive Plan ("STIP") – Annual Bonus and Deferred Bonus Plan ("DBP")

To incentivise and reward the delivery of annual corporate and/or individual financial and non-financial targets and to align the interests of Executive Directors with shareholders through the deferral of a portion of the bonus into shares.

Operation	Maximum Opportunity	Performance measures
<p>The Committee will use a bonus pool, for each financial year of the Company.</p> <p>Annual bonus outcomes will be determined by the Committee after the end of each financial year.</p> <p>In exceptional circumstances the Committee may use its discretion to adjust the formulaic outcome of the performance targets to reflect corporate and individual performance during the year.</p> <p>The Committee may defer a proportion of any bonus award (no more than 50%) into a share award under the DBP. DBP awards will normally vest on the second anniversary of grant (or such other date as the Committee determines on grant).</p> <p>Malus and clawback provisions will apply (see section below for further details).</p>	<p>The maximum bonus opportunity for Executive Directors is 150% of base salary.</p>	<p>Use of a bonus pool funding approach. The bonus pool will be calculated as a percentage of Profit Before Tax ("PBT"), subject to a minimum level of PBT being achieved. The size of the pool will be capped at 2% of PBT in any financial year.</p> <p>70% of the bonus to be based on financial objectives, with 30% based on non-financial objectives.</p>

### Long Term Incentive Plan ("LTIP") – Restricted Share Awards ("RSA")

To incentivise and reward delivery of the Group's longer-term strategic objectives for the business and ensure alignment with shareholders.

Operation	Maximum Opportunity	Performance measures
<p>Awards are structured as conditional rights or nil-cost awards or nil-cost options, to receive free shares on vesting.</p> <p>Shares will normally vest after three years, subject to continued employment and the Remuneration Committee's assessment, with an additional two-year holding period, meaning that shares are not released until five years from award grant.</p> <p>If the Company does not meet one or more of the underpins at the date of vesting, then the Committee would review whether or not it was appropriate to reduce the number of shares that vest under the award.</p> <p>The Committee's general discretion to adjust vesting levels, depending on performance and unforeseen circumstances, and any other appropriate reason will also apply.</p> <p>Dividend equivalents in respect of the value of dividends which would have been received during the vesting period and any holding period may be paid in shares or in cash in respect of the number of shares which vest.</p> <p>Malus and clawback provisions will apply (see section below for further details).</p>	<p>The maximum awards are 75% of base salary for the Chief Executive Officer and 60% of base salary for the Chief Financial Officer.</p>	<p>Restricted Share Awards are subject to one or more underpins over a period of three financial years commencing with the year in which the awards are granted. These underpins are designed to ensure that an acceptable threshold level of performance is achieved and that vesting is warranted.</p> <p>The underpins applying to each award will be determined by the Committee each year and the Committee may use different performance underpins for each award, if deemed appropriate. Underpins will be set taking into account the business strategy and to ensure that failure is not rewarded. Underpins may include financial measures such as the maintaining of a minimal Solvency ratio or a capital return measure. Non-financial measures may also be used, including those related to risk or regulatory matters.</p> <p>Vesting of awards will also be subject to overarching Committee discretion.</p>

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**All-employee share plans**

To align the Executive Directors with the wider workforce.

Operation	Maximum Opportunity	Performance measures
<p>Executive Directors are eligible to participate in any all-employee share plans in place, which are operated in line with HMRC requirements.</p> <p>These are currently a share acquisition and free share plan, known as the UK Share Incentive Plan ("SIP"), and a savings-related share option plan, known as the Save As You Earn ("SAYE") Plan.</p>	Participation in the Group's all-employee share plans will be subject to any applicable maximum limits as set by HMRC.	None

**Shareholding guidelines**

To align the interests of the Executive Directors and shareholders to the success of the Company.

Operation	Maximum Opportunity	Performance measures
<p>The Executive Directors are expected to build and maintain a shareholding equivalent to at least 200% of their base salary. This should be achieved within a reasonable timeframe from the adoption of this Policy or their appointment.</p> <p>Shares which may be used to satisfy this requirement include all beneficially-owned shares and vested share awards subject to a holding period.</p> <p>To support the implementation of this measure, Executive Directors are required to retain 50% of any share awards vesting (after settling any tax liability) until the 200% requirement is met.</p> <p>Post-cessation of employment, the Executive Directors are expected to maintain a minimum shareholding of 200% (or their actual shareholding if lower) for a period of two years. This arrangement will be administered through a nominee account.</p> <p>The post-employment guideline applies to shares from incentive awards that have been granted from the date of the adoption of this Policy.</p>	n/a	n/a

**Non-executive Directors' Fees**

To attract Non-executive Directors of an appropriate calibre and with sufficient experience to ensure the effective management of the Company.

Operation	Opportunity	Performance Measure
<p>Fee levels will normally be reviewed (though not necessarily increased) annually. Fees will be set with reference to the time commitment and responsibilities of the position, and any increases reflective of any increases given to the wider employee population.</p> <p>Additional fees may be paid for additional responsibilities (such as chairing a Board Committee, membership of a Committee, or acting as the Senior Independent Director), or for an increased time commitment during the year.</p> <p>Each Non-executive Director will be entitled to be reimbursed for all reasonable costs incurred in the course of his/her duties, including travel and accommodation expenditure, along with any related tax liabilities.</p> <p>The fee for the Chair will be determined by the Committee.</p> <p>Fees for Non-executive Directors will be determined by the Chair and the Executive Directors.</p> <p>Total fees will not exceed the limit set out in the Company's Articles of Association.</p>	There is no prescribed maximum fee or annual increase.	None

### Prior arrangements

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

### Selection of performance conditions

For the Short Term Incentive Plan ('STIP'), the Committee believes that a mix of financial and non-financial targets is most appropriate. Strategic and personal objectives may be included where appropriate to ensure delivery of key business milestones. Targets are set by the Committee taking into account internal and external forecasts.

For the Long Term Incentive Plan ('LTIP'), under which it is proposed to grant awards of restricted shares, awards will be subject to performance underpins. The underpins selected by the Committee will be based on measures considered to be most reflective of the overall financial stability and performance of the Company, and therefore aligned with shareholder value creation.

### Terms common to the DBP and LTIP

Awards under the DBP and LTIP may:

- Be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect
- Have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy
- Incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or, where the award is subject to a holding period, the end of that holding period). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis be settled in cash at the Committee's discretion be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may materially affect the current or future value of the Company's shares

### Malus and clawback

Malus and clawback provisions apply to all awards granted under the STIP and LTIP. These provisions may be invoked at the Committee's discretion at any time prior to the third anniversary of the grant of a cash bonus or DBP award, or to the fifth anniversary of the grant of an LTIP award. In these circumstances, the Committee may reduce or impose additional conditions on an award or require that the participant returns some or all of the value acquired under the award.

The Committee has the discretion to invoke these provisions where there has been:

- A material misstatement of any Group member's audited accounts
- A corporate failure
- Intervention from a regulator
- An error in assessing the relevant performance conditions or the information or assumptions on which the award was granted or vested
- Misconduct on the part of the Executive Director
- Serious reputational damage to, or a material failure of risk management by, a member or business unit of the Group

Within the period beginning on:

- In the case of LTIP awards, from the grant of the award and ending on the fifth anniversary of the date of grant
- In the case of STIP (cash bonus and DBP awards), the start of the financial year in respect of which the award is granted and ending on the third anniversary of the date of grant

The Board will retain the discretion to calculate the amount to be recovered, including whether or not to claw back such amount gross or net of any tax or social security contributions applicable to the award.

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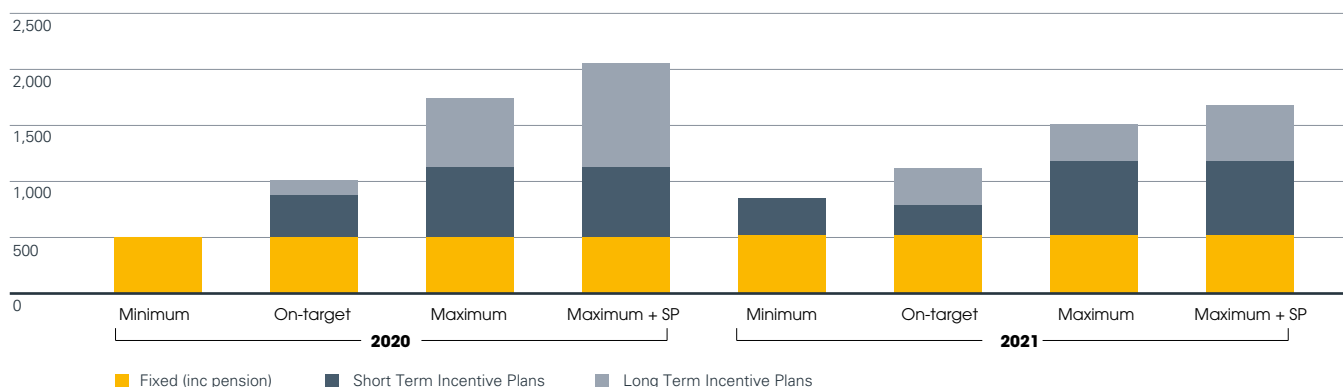
### Remuneration scenario charts

The charts below illustrate the potential remuneration for each of the Executive Directors, using a range of assumptions, for the forthcoming year. The charts show the potential value of the current Executive Directors' remuneration under four scenarios: minimum, on-target, maximum and maximum plus share price growth (which assumes a 50% increase in share price over the LTIP vesting period).

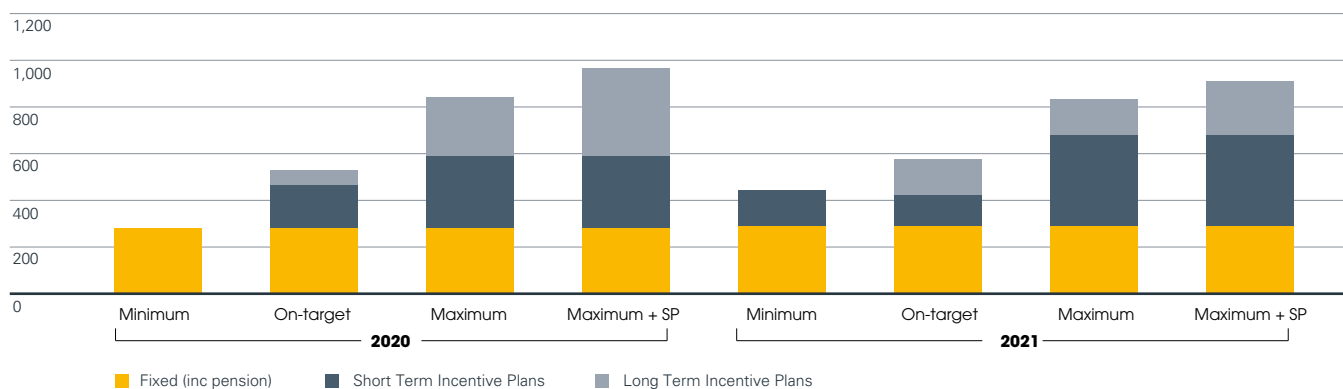
The following assumptions have been made in creating the charts below:

Pay scenario	Basis of calculation
Minimum	Fixed pay only consisting of salary, benefits and pension
On-target	Fixed pay, plus the relevant mid performance pay-out from the bonus pool and Restricted Share Award
Maximum	Fixed pay, plus the maximum performance pay-out from the bonus pool (capped at 150%) and Restricted Share Award
Maximum plus share price growth	Fixed pay, plus the maximum performance pay-out from the bonus pool (capped at 150%) and restricted share awards plus share price growth of 50% over the Restricted Share Award vesting period

### Chief Executive Officer's remuneration package:



### Chief Financial Officer's remuneration package:



These graphs are for illustrative purposes. They include the LTIP grants in the form of Restricted Share Awards, which will be made in 2021 but will not vest until 2024.

### Remuneration Policy for new Executive Directors

The Committee intends to set any new Executive Director's remuneration package in line with the Policy outlined earlier in this section. In recognition of the changes in the corporate governance environment, the Committee will align the Company's pension contributions for any newly appointed Executive Director with those of the average employee. For the financial year ended 31 December 2020, the average Company employee pension contribution was 7.5%.

When determining the design of the total package in a recruitment scenario, the Committee will consider the size and scope of the role, the candidate's skills and experience and the market rate for such a candidate, in addition to the importance of securing the preferred candidate. In some circumstances, the Board may be required to take into account common remuneration practices in another country and, if applicable, may consider awarding payments in respect of relocation costs. In-line with the Policy, in relation to annual bonus and LTIP awards, maximum variable remuneration will not exceed 225% for the Chief Executive Officer and 210% for the Chief Financial Officer as of a % of salary.

In the event that Sabre wishes to hire a candidate with unvested long-term incentives accrued at a previous employer, which would be forfeited on the candidate leaving that company, the Committee retains the discretion to grant awards with vesting on a comparable basis to the likely vesting of the previous employer's award. The LTIP Rules have been drafted to permit the grant of recruitment awards on this basis to an individual (which will not be counted towards the annual 75% LTIP limit and which will be subject to such vesting schedules and performance conditions (if any) as the Committee may determine). If it is not possible or practical to grant recruitment awards under the LTIP, the Committee may rely on the provisions of Listing Rule 9.4.2 to grant the awards. For internal candidates, LTIP awards granted in respect of the prior role would be allowed to vest according to their original terms, or adjusted if appropriate to take into account the appointment.

For the appointment of a new Chair or Non-executive Director, the fee would be set in accordance with the Policy. The length of service and notice periods would be set at the discretion of the Committee, taking into account market practice, corporate governance considerations and the skills and experience of the particular candidate at that time.

### Service agreements and exit payment policy

In line with the UK Corporate Governance Code Provision 18, all Directors are subject to re-election annually at the Company's Annual General Meeting.

Director	Date of appointment	Notice period
Geoff Carter	21/11/2017	12 months
Adam Westwood	21/11/2017	12 months
Andy Pomfret	28/02/2018	3 months
Catherine Barton	04/10/2017	3 months
Ian Clark	04/10/2017	3 months
Karen Geary	07/12/2020	3 months
Michael Koller	01/09/2020	3 months
Rebecca Shelley	04/10/2017	3 months

Shareholders may inspect the Executive Directors' contracts or the Non-executive Directors' terms of appointment at the Company's registered office.

Both Geoff Carter and Adam Westwood have written service contracts with the Company with no fixed end date but which are terminable by either the Company or the Executive Director on not less than 12 months' notice.

In the event notice is given to terminate an Executive Director's contract, the Company may make a payment in lieu of notice equal to the value of the Executive Director's salary for the notice period. Any such payments may be made, at the Committee's discretion, as a lump sum or in instalments, subject to mitigation by the Executive Director. It is the Committee's intention that the service contracts for any new Executive Directors will contain equivalent provisions. In the event that an Executive Director leaves the Group, entitlement they have to any variable pay will be determined in accordance with the relevant incentive plan rules.

The Chair and each of the independent Non-executive Directors have a notice period of three months and may receive fees in respect of any notice period.

### Short Term Incentive Plan ("STIP") – Annual Bonus and Deferred Bonus Plan ("DBP")

Executive Directors will not have any automatic entitlement to a bonus for the financial year in which they leave the Group. The Committee may however pay a bonus if it considers it appropriate, which will normally be time pro-rated to reflect the proportion of the financial year served. Any such bonus may be paid out in such proportions of cash and share awards as the Committee considers appropriate.

Unvested DBP awards will normally lapse when an Executive Director leaves the Group. However, if an Executive Director's departure is a result of their ill-health, injury, disability or redundancy or their employing company or business being sold out of the Group, or in such other circumstances as the Committee may determine (excluding gross misconduct) (known as "Good Leaver Reasons"), their award will normally vest on the original vesting date, although the Committee has the discretion to allow awards to vest earlier if the Committee considers it appropriate.

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### Long Term Incentive Plan ("LTIP") – Restricted Share Awards

Unvested LTIP awards, including Restricted Share Awards following the amendment of the plan rules at the Annual General Meeting, will also normally lapse when an Executive Director leaves the Group. However, if the Executive Director's departure is as a result of a Good Leaver Reason, their LTIP awards will normally vest (and be released from any applicable holding period) on the original timetable set, although the Committee has the discretion to accelerate the vesting and release of awards.

The extent to which unvested LTIP awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the relevant performance conditions or underpins have, in its opinion, been satisfied (over the original performance period, where the vesting of the award is not being accelerated) and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the time the Executive Director leaves.

If an Executive Director leaves the Group holding vested LTIP awards which are subject to a holding period, these awards will normally be released at the end of the original holding period, unless the Committee allows the holding period to be shortened. However, if the Executive Director is dismissed for gross misconduct, all his or her LTIP awards will lapse.

If an Executive Director dies, their DBP and LTIP awards will normally vest (and be released from any holding periods) as soon as reasonably practicable after their death. The extent to which unvested LTIP awards vest in these circumstances will be determined by the Committee in the same way as for other Good Leaver Reasons described above.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

### Change of control

In the event of a change of control of the Company, LTIP and DBP awards will normally vest and be released early. The proportion of any unvested LTIP awards which vest will be determined by the Committee, taking into account the extent to which it determines that any performance conditions and underpins have been satisfied at the time, and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed. DBP awards will normally vest in full.

Alternatively, the Board may permit an Executive Director to exchange their awards for equivalent awards of shares in a different company (including the acquiring company). If the change of control is an internal reorganisation of the Group or in other circumstances where the Committee considers it appropriate, Executive Directors may be required to exchange their awards.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may materially affect the current or future value of the Company's shares, the Committee may determine that awards will vest and be released on the same basis as for a change of control.

### Consideration of shareholder views and employment conditions

The Committee will consult with major shareholders prior to any significant changes to the Policy and will continue to value their views when deciding on future executive remuneration strategy. In developing and reviewing the 2021 Remuneration Policy, the Committee was mindful of the views of the Company's shareholders and remuneration arrangements for employees.

The Committee proactively sought feedback from shareholders when developing the Policy, and seeks feedback from shareholders when considering any significant changes to remuneration for the Executive Directors. The Committee took on board the feedback received from shareholders during the consultation regarding the new Remuneration Policy for 2021, and modified the proposals in response to the feedback received.

In setting the Policy, which would apply for Executive Directors, the Committee was led by the same principles which determined all employee remuneration: cost-effectiveness, pay for performance and long-term alignment.

These principles evidence themselves in all employee remuneration as follows:

- Cost effectiveness – As with the Directors, in setting compensation across the Group, Sabre intends to pay no more than is necessary to attract, retain and incentivise high-calibre individuals, setting remuneration competitively but not excessively
- Pay for performance – Many full time Group employees are eligible to participate in some form of share-based incentive. Key individuals below Board level have been invited to participate in the LTIP, in order for there to be alignment between senior management and the Executive Directors' objectives
- Long-term alignment – Following Admission, in-line with our philosophy of encouraging our workforce to be investors in the Group, all eligible employees were offered an award of free shares under the Share Incentive Plan. The Company operates both a Save As You Earn ("SAYE") Plan and a Share Incentive Plan ("SIP") to further facilitate employee investment in the Group and their long-term alignment

Although the Committee has not formally consulted employees on the Policy, the Committee appreciates the importance of an appropriate relationship between the remuneration levels of the Executive Directors, senior executives, managers and other employees within the Group.

When reviewing and determining pay for Executive Directors, the Committee takes into account the level and structure of remuneration, as well as salary budgets, for other employees in the Group.

Moreover, as a result of the implementation of the all-employee share plans referred to above, many of the Group's employees are Sabre shareholders and therefore have the opportunity to express their views through the same means as any other shareholder. Furthermore, Ian Clark is the designated Non-executive Director for workforce engagement, appointed to represent employee opinions at the Board. Ian leads on ensuring effective engagement with the workforce and regularly feeds back to the Committee and the Board following his meetings with employees.

# Annual Report on Directors' Remuneration

This section of the Directors' Remuneration Report sets out the remuneration paid to Sabre's Directors in respect of the year ending 31 December 2020.

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) the following parts of the Annual Report on Directors' Remuneration are audited:

- The single total figure of remuneration for each Director, including pension entitlements, STIP and LTIP outcomes for the financial year ended 31 December 2020

- Share plan awards granted during the year ended 31 December 2020
- Directors' external appointments
- Payments to past Directors and payments for loss of office
- Directors' shareholdings and share interests

All other parts of the Annual Report on Directors' Remuneration are unaudited.

## Single figure of remuneration (audited)

The table below sets out the total remuneration received by Executive Directors and Non-executive Directors in respect of the financial year ended 31 December 2020.

	£'000s																		
	Salary/fees		Taxable Benefits <sup>1</sup>		Pension		Total fixed pay		Short Term Incentive Plan <sup>2</sup>		Long Term Incentive Plan <sup>3</sup>		Other <sup>4</sup>		Total variable pay <sup>*</sup>		Total Remuneration <sup>**</sup>		
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	
<b>Executive Directors</b>																			
Geoff Carter <sup>4</sup>	432	419	2	2	65	69	499	490	336	330	273	–	1	1	610	331	1,109	821	
Adam Westwood <sup>4</sup>	254	244	1	1	20	23	278	264	198	192	123	–	1	–	322	192	600	456	
Executive Director Total	686	663	3	3	85	88	777	754	534	522	396	–	2	1	932	523	1,709	1,277	
<b>Non-executive Directors</b>																			
Andrew Pomfret <sup>5</sup>	97	70	–	–	–	–	97	70	–	–	–	–	–	–	–	–	97	70	
Patrick Snowball <sup>11</sup>	100	150	–	–	–	–	100	150	–	–	–	–	–	–	–	–	100	150	
Catherine Barton	70	70	–	–	–	–	70	70	–	–	–	–	–	–	–	–	70	70	
Ian Clark <sup>6,7</sup>	71	81	–	–	–	–	71	81	–	–	–	–	–	–	–	–	71	81	
Rebecca Shelley <sup>10</sup>	73	70	–	–	–	–	73	70	–	–	–	–	–	–	–	–	73	70	
Michael Koller <sup>9</sup>	20	–	–	–	–	–	20	–	–	–	–	–	–	–	–	–	20	–	
Karen Geary <sup>8</sup>	4	–	–	–	–	–	4	–	–	–	–	–	–	–	–	–	4	–	
Non-executive Director Total	435	441	–	–	–	–	435	441	–	–	–	–	–	–	–	–	435	441	
<b>Total</b>	<b>1,121</b>	<b>1,104</b>	<b>3</b>	<b>3</b>	<b>85</b>	<b>88</b>	<b>1,212</b>	<b>1,195</b>	<b>534</b>	<b>522</b>	<b>396</b>	<b>–</b>	<b>2</b>	<b>1</b>	<b>932</b>	<b>523</b>	<b>2,144</b>	<b>1,718</b>	

\* comprising STIP, LTIP and any other relevant variable remuneration.

\*\* comprising of total fixed pay and total variable pay.

1 Taxable benefits include private medical insurance and payment in lieu of holiday not taken.

2 Awards made under the STIP are paid for performance over the relevant financial year. Details of the performance targets and performance against the targets for the 2020 STIP awards are detailed on pages 78 to 80, and details of the performance targets and performance against the targets for the 2019 STIP awards are detailed in the Annual Report and Accounts for the year ended 31 December 2019. Consistent with the terms of the 2018 Remuneration Policy, 50% of the bonus earned in relation to the financial year ended 31 December 2020 is deferred into the Company's shares for two years, with the balance payable in cash. These shares will be held in the Sabre Group Employees' Share Trust.

3 Awards made under the LTIP are paid for performance over the period 1 January 2018 to 31 December 2020. Details of the performance targets and performance against the targets for the 2018 LTIP awards are detailed on page 81. Awards made under the LTIP will be subject to recovery and withholding provisions in-line with the Company's Remuneration Policy. These figures have been calculated on the average share price for the last three months of the performance period of £2.513, and therefore these calculations are estimations based on this. Any difference between the estimation and final figure paid, will be disclosed in the Directors' Remuneration Report for 2021. The average share price for the last three months of the performance period was £2.513, which was lower than the grant price of £2.684, and therefore there has been no share price appreciation included in this calculation. This figure includes the dividend equivalent paid in respect of the scheme.

4 The Company operates a Share Incentive Plan ("SIP") which is open to all employees. "Other" is the value of matching SIP shares attributable to the year. In 2020, Geoff Carter and Adam Westwood participated in the SIP up to the maximum extent permitted by HMRC. The Company offers a 1:3 match for partnership shares purchased by employees and the calculation for value is based on the shares bought by the Company on behalf of the individual and the share price as at 31 December 2020 of £2.765.

5 Andy Pomfret became Chair, with effect 1 September 2020, and his fee was prorated in-line with time served in this position during the financial year.

6 During the year, Ian Clark became Chair of the Risk Committee, and his fee was prorated in-line with time served in this position during the financial year. The Board decided to reduce the fee for the Employee designated Non-executive Director, to reflect the reduction in role during the COVID-19 pandemic, and this change is reflected in the total amount of Ian's fee.

7 The amount paid to Ian Clark in 2019 included £10,000 in back pay in respect to 2018.

8 Karen Geary joined the Board with effect 7 December 2020, and her fee was prorated in-line with time served during the financial year.

9 Michael Koller joined the Board with effect 1 September 2020, and his fee was prorated in-line with time served during the financial year.

10 Rebecca Shelley became Senior Independent Director, with effect 1 September 2020, and her fee was prorated in-line with time served in this position during the financial year.

11 Patrick Snowball left the Board with effect 31 August 2020, and his fee was prorated in-line with time served during the financial year.

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**Base salary**

The annual salary paid to the Executive Directors, with effect from 1 April 2020, is shown in the table below.

<b>Base Salary</b>	<b>Annual salary (£) with effect 1 April 2020</b>
Geoff Carter	434,775
Adam Westwood	255,750

During the year, the Committee reviewed Executive Director salaries, taking into account the individual's role and experience and pay for the broader employee population. The Committee has decided to increase Executive Director base salaries for the year ending 31 December 2021 in-line with the average employee increase, with effect 1 April 2021. Details of the salaries that will apply in 2021 are provided on page 87.

**2020 Short Term Incentive Plan****Framework and outcomes for the financial year ended 31 December 2020**

For the financial year ended 31 December 2020, the Executive Directors were eligible to participate in the Company's Short Term Incentive Plan ("STIP") with performance conditions aligned with Sabre's strategic priorities. The maximum annual bonus opportunity was 125% of salary for Geoff Carter and 125% of salary for Adam Westwood. The STIP was based 60% on financial targets and 40% on non-financial targets. Awards were made subject to the maintenance of a satisfactory risk, compliance and internal control environment during the performance period.

The range of personal targets set for Geoff Carter and Adam Westwood and the Committee's assessment of their performance against them are detailed below, with as much clarity as possible whilst protecting company competitive advantages and respecting contractual confidentiality.

<b>Geoff Carter</b>	<b>Weighting as a % of personal/strategic bonus opportunity</b>	<b>Commentary on performance</b>	<b>Actual performance</b>
<b>Objectives</b>			
Ensure progress of the agreed strategic development projects, demonstrating tangible progress or project closure as appropriate	33.3%	Progress was reviewed against ten agreed strategic development priorities. These included: <ul style="list-style-type: none"> <li>– Product developments</li> <li>– Operational efficiency</li> <li>– Distribution opportunities</li> <li>– Effective response to regulatory changes</li> </ul> The Committee considered demonstrable progress had been made, despite the disruptions caused by COVID-19. As examples, these disruptions included the need to establish effective home working across the whole business while maintaining service levels service to customers. Practical limitations included the inability to visit trading partner sites for the required product development testing.	93%
Enhance Executive Team and Board effectiveness/engagement, building on results of 2019 Board Effectiveness Review	33.3%	Following a review of the 2020 Board Effectiveness Review, the Committee felt good progress had been made, with a limited number of further enhancements identified.	84%
Ensure a robust succession plan is in place throughout the business	33.3%	All members of the Leadership Team now have a robust succession plan to cover the Company from the short to the long term, with training plans to support internal individuals and their development.	93%
Total % of personal/strategic objectives	100%		90%

<b>Adam Westwood</b>	<b>Weighting as a % of personal/strategic bonus opportunity</b>	<b>Commentary on performance</b>	<b>Actual performance</b>
<b>Objectives</b>			
Progress IFRS 17 implementation project to include sign-off on key judgements, draft accounts and disclosures, and external assurance where necessary	20%	Implementation of regulations delayed to 2023, however groundwork laid to allow business to action quickly at the appropriate time.	75%
Enhance finance team automation and efficiencies	20%	Good progress evident: new general ledger; accounts payable and expenses systems implemented; smooth transition to electronic payments.	90%
Successful completion of the external audit tender process	20%	Despite COVID-19 disruption, shortlist confirmed, initial meetings conducted remotely, with final decision to be made early in 2021.	90%
Successfully embed the new Company Investment strategy	20%	Completed. New investment strategy delivering as planned.	100%
Create and implement a succession plan for the Finance Team	20%	Robust succession plan for the Finance Team in place, noting the hiring of a Group Financial Controller in late 2019, who was embedded into the business during 2020.	95%
Total % of personal/strategic objectives	100%		90%

### Committee Chair's commentary on Executive Directors' personal performance

Sabre is predominantly a technical underwriting and claims management business. The Company strategy is therefore centred on maintaining a Combined Operating Ratio ("COR") between 70% and 80% throughout all market conditions, treating volume as an output not a target. The strategy does not currently envisage material product development, merger and acquisition activity or territorial expansion. As such, the Committee considers the effective implementation of the strategy to be characterised by the quality of ongoing pricing, claims management and underwriting activity, and primarily assesses Executive performance against these measures.

As outlined in this report, 2020 was a challenging year for motor insurers, with a number of regulatory reviews and ongoing competitive market conditions, in addition to the very significant COVID-19 pandemic impacts. Within this context, the Committee considers the 2020 results to be creditable, with particular reference to COR targets being achieved, whilst accepting that this would deliver lower premium levels. Management were forthright in assessing a claims inflation rate of around 7-8% throughout 2020, with many competitors only latterly referencing these levels. In a similar manner Sabre has maintained, and publicised, a prudent position on the ongoing civil liability reforms which at the time of writing appears to be correct. Furthermore, the Company did not receive any Government assistance or furlough any employees during the year and has maintained the dividend pay-out ratio in-line with shareholder expectations.

The individual performance objectives detailed above for both Geoff Carter and Adam Westwood were determined by the Committee to have been achieved at 90% and 90% respectively.

The range of financial targets set and actual performance against the targets is detailed below:

Financial measure	Weighting as a % of total bonus opportunity	Threshold	Target	Stretch	Actual Performance	Actual bonus payable as a % of total bonus opportunity
Adjusted Profit After Tax	40%	£36.13m	£42.50m	£48.88m	£39.80	44.7%
Return on tangible equity ("ROTE")	20%	33.3%	39.0%	44.9%	36.00%	41.6%

The range of non-financial targets set and actual performance against the targets is detailed below:

Non-financial measure	Weighting as a % of total bonus opportunity	Performance	Actual bonus payable as a % of total bonus opportunity
Geoff Carter	15%	90% See page 78 for detail	13.5%
Adam Westwood	15%	90% See page 78 for detail	13.5%

CONTINUED

Non-financial measure	Weighting as a % of total bonus opportunity	Performance	Detail of Performance	Actual bonus payable as a % of total bonus opportunity
<b>Strategic Focus</b> Maintaining focus on retaining COR position within target range through analysing and adapting to emerging market conditions	25%	90%	This was a far larger challenge than originally envisaged. COVID-19 generated challenges across volume assumptions and claims performance, as well as the emerging FCA and MOJ reviews. In addition there was a successful reinsurance renewal, including changes to technical elements of coverage. Effective claims handling throughout COVID-19 was evident, including early recognition of procedural changes that would be necessary to support delivery of an on-target COR.	22.5%
<b>Customer and Partners</b> Maintain a high-quality service in direct and outsourced processes, ensuring customers are dealt with fairly			There have been no service failures from partners throughout the COVID-19 challenges. Sabre employees remained fully available on a working from home basis. There has been no material increase in customer complaints throughout the COVID-19 disruption. The approach to customers was amended to assist them through challenging times, supporting the ABI principles and applying a more lenient approach to risk changes and premium payment issues.	
<b>Environmental, Social and Governance</b> Enhance our approach to environmental impacts and develop social initiatives			Environmental: – Largely transitioned away from paper to electronic processes – Significant reduction of approximately 30% in printing and paper usage – The removal of over 25% of printers from the office floor, to cement a behavioural target to reduce printing – Continued efforts to reduce reliance on cheques resulted in a year-on-year reduction in cheque printing of 79% – Moved to two new energy suppliers, both supplying energy from fully-sustainable sources – Implementation of heat/light reflective film to all external windows Social: – Ensured support for colleagues' physical and mental health through lockdown via a range of initiatives, including Zoom based quizzes, exercise classes, and HR maintaining contact with vulnerable employees – Continued support of charity committee throughout lockdown, including diverting spend to company chosen and industry related charities. Further information can be found on page 42 – Supported customers through price reductions, relaxation of underwriting requirements and payment flexibility Governance: – Considerable investment in and focus on audit, risk and other governance requirement – Several Internal Audit reports evidenced good standards maintained throughout lockdowns	
<b>People</b> Maintain Sabre's position as a great place to work, ensuring colleagues have an appropriate work/life balance, are able to develop in their careers and strive to ensure Sabre's success			– Close focus on mental and physical wellbeing of employees throughout lockdowns – Considerable investment and focus on ensuring office environment became fully COVID-19 compliant – Recent employee survey showed an increase in employee engagement and confirmed the majority of employees are very happy with approach to welfare in 2020 – Promotion of two internal staff members to HR management roles – All vacancies filled by internal candidates	
<b>Development of the Business</b> Maximising market opportunities			– Deemed commercially sensitive	
<b>Risk and Compliance</b> Comply with regulatory requirements, and successfully manage risk and compliance across the Group			No avoidable risk events in year and unplannable risk events (e.g. COVID-19) well managed. – No adverse regulatory comments from regulators – Engaged well with regulators to allow payment of dividends – New Head of Compliance recruited and embedded in business	

The Committee believes that responsibility for the wider business objectives is shared equally amongst the Executive team, and a consistent score will be given unless specific examples of over/under performance are identified. Taken holistically the Committee considered a score of 90% against these objectives to be appropriate.

The Committee concluded that awards of 62.2% to the Chief Executive Officer and 62.2% to the CFO of the maximum opportunity of 125% should be made. The Committee believes that the annual bonus outcomes are a fair reflection of individual and Company performance in the year and the overall shareholder experience, and therefore has not exercised its discretion to adjust the awards.

## Long Term Incentive Plan ("LTIP")

### Vesting of awards under the LTIP in the financial year ended 31 December 2020

Shortly prior to Admission, shareholders approved the introduction of the Sabre 2017 LTIP. The first award under the 2017 Long Term Incentive Plan was granted in June 2018 based on performance over three years up to 31 December 2020. Under the plan, an award of 125% of salary was made to Geoff Carter and 100% of salary to Adam Westwood. The LTIP was based 50% on Relative TSR targets and 50% on EPS growth targets. The range of targets set and performance against the targets is detailed below:

Financial measure	Weighting as a % of total LTIP opportunity	Threshold	Target	Stretch	Actual Performance	Actual LTIP payable as a % of total LTIP opportunity
Relative TSR vs. FTSE 250, excluding investment trusts and companies in the extractive industries	50%	Median	Straight-line vesting	Upper quartile	Upper quartile	50%
Earnings Per Share ("EPS")	50%	57.2p	60.2p	66.2p	54.2p	0%

The Committee reviewed its ability to use discretion on the achievement of the awards, and felt that based on the Company and individuals' performance, the vesting value of awards were in line with expectations and with shareholder receiving 42.3p per ordinary share of dividends over the performance period (up to 31 December 2020), and share price appreciation. The Committee concluded that awards of 50% to the Chief Executive Officer and 50% to the CFO of the maximum opportunity of 125% and 100% of salary should be made.

### Granting of awards under the LTIP in the financial year ended 31 December 2020

In line with the Company's Directors' Remuneration Policy, both Geoff Carter and Adam Westwood were granted awards (125% and 100% of salary respectively) under the Company's LTIP during the financial year ended 31 December 2020.

The performance conditions applicable to these awards are detailed below. 50% of the award is subject to a challenging cumulative underlying Earnings Per Share ("EPS") target to be achieved in the financial year ended 31 December 2022. 50% of the award is subject to a performance target comparing the Company's Total Shareholder Return ("TSR") against the TSR of FTSE 250 companies, excluding investment trusts and companies in the extractive industries, over the three years commencing 1 January 2020. The awards were granted as nil-cost conditional awards.

### Details of awards granted on 23 April 2020:

Executive Director	Basis of award	Face value	Shares over which awards were granted <sup>1</sup>	Threshold vesting (% of award)	Performance period	Performance measure
Geoff Carter	125% of salary	£543,468.48	193,819	25%	1 January 2020 to 31 December 2022	Cumulative underlying EPS (50%) and relative TSR performance condition (50%)
Adam Westwood	100% of salary	£255,747.23	91,208	25%	1 January 2020 to 31 December 2022	Cumulative underlying EPS (50%) and relative TSR performance condition (50%)

<sup>1</sup> The number of shares granted was calculated on the average share price of the five working days immediately preceding the date of grant of £2.804.

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The performance targets for the 2020 LTIP are detailed below:

**EPS**

<b>Vesting %</b>	<b>Cumulative underlying EPS</b>
Threshold – 25%	48.6p
Target – 60%	54p
Maximum – 100%	59.4p
Straight-line basis	Between Threshold and Target and Target and Maximum

**TSR**

<b>Vesting %</b>	<b>Sabre TSR vs. TSR comparators</b>
Threshold – 25%	Median
Maximum – 100%	Upper quartile
Straight-line basis	Between Threshold and Maximum

Awards will be subject to malus and clawback provisions, in line with the Remuneration Policy approved at the 2018 AGM, and the Committee also retains discretion to adjust the formulaic vesting outcome where necessary. As the awards were granted at a share price of £2.804, which is within 2% of the share price at which the 2019 LTIP awards were granted, the Committee does not consider that the Executive Directors will be in receipt of any share price related windfall gains. As such the Committee does not currently expect to make any adjustments at the time of vesting to reflect this factor.

With regards to the choice of metrics, EPS aligns the Executive Directors with delivering key long-term profitable growth, with TSR providing alignment with shareholders in that vesting will only take place for creating above median returns.

**External appointments (audited)**

Neither of the Executive Directors currently holds a paid external appointment. All appointments must first be agreed by the Committee and must not represent a conflict of their current role.

**Payments to past Directors (audited)**

There were no payments to past Directors in the year.

**Payments for loss of office (audited)**

There were no payments to Directors for loss of office in the year.

**Sourcing of shares (dilution limits)**

The terms of the Group's share plan set limits on the number of newly issued shares that may be issued to satisfy awards. In accordance with guidance from the Investment Association, these limits restrict overall dilution under all plans (the LTIP, the DBP, the Save As You Earn ("SAYE") Plan, the Share Incentive Plan and any other employee share scheme adopted by the Group) to under 10% of the Company's issued share capital over a ten-year period. Furthermore, the LTIP and DBP set a further limitation that not more than 5% of the Company's issued share capital may be issued in any ten-year period on discretionary plans. As at 31 December 2020, Sabre was operating within these limits.

**Share awards and other outstanding share awards granted during the year ending December 2020 (audited)**

Details of awards granted during the year are detailed below. The LTIP is subject to performance targets, which are detailed above.

### Long Term Incentive Plan ("LTIP")

Director		Holding on 1 January 2020	Granted during the Year	Option price (£)	Exercised during the year	Lapsed	Market price at exercise date (£)	Holdings on 31 December 2019	Date of grant	Share price on date of grant (£)	Vesting date	Gain on exercise (£'000)
Geoff Carter	2018	186,289	0	n/a	0	0	n/a	186,289	21 June 2018	2.67	At a date agreed by the Committee, which is after the release of the results for the year ended 31 December 2020	n/a
	2019	183,575	0	n/a	0	0	n/a	183,575	11 April 2019	2.884	At a date agreed by the Committee, which is after the release of the results for the year ended 31 December 2021. An additional two-year holding period applies to these awards, once vested	n/a
	2020	0	193,819	n/a	0	0	n/a	193,819	23 April 2020	2.804	At a date agreed by the Committee, which is after the release of the results for the year ended 31 December 2022. An additional two-year holding period applies to these awards, once vested	n/a
	<b>Total</b>	<b>369,864</b>	<b>193,819</b>				<b>n/a</b>	<b>563,683</b>				
Adam Westwood	2018	83,830	0	n/a	0	0	n/a	83,830	21 June 2018	2.67	At a date agreed by the Committee, which is after the release of the results for the year ended 31 December 2020	n/a
	2019	86,388	0	n/a	0	0	n/a	86,388	11 April 2019	2.884	At a date agreed by the Committee, which is after the release of the results for the year ended 31 December 2021. An additional two-year holding period applies to these awards, once vested	n/a
	2020	0	91,208	n/a	0	0	n/a	91,208	23 April 2020	2.804	At a date agreed by the Committee, which is after the release of the results for the year ended 31 December 2022. An additional two-year holding period applies to these awards, once vested	n/a
	<b>Total</b>	<b>170,218</b>	<b>91,208</b>				<b>n/a</b>	<b>261,426</b>				

### Deferred Bonus Plan ("DBP")

Director	Number of shares granted during the year	Share price used at date of grant <sup>1</sup> (£)	Face value of award at grant <sup>2</sup> (£)	Date of grant	Release date
Geoff Carter	58,893	£2.804	165,136	23 April 2020	23 April 2022
Adam Westwood	34,321	£2.804	96,237	23 April 2020	23 April 2022

1 The share price of £2.804 represents the average share price of the five working days immediately prior to the date of grant.

2 Represents 50% of the 2019 bonus award that was deferred into shares.

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**Save As You Earn ("SAYE") Plan**

Director		Holding on 1 January 2020	Granted during the year	Option price (£)	Exercised during the year	Lapsed	Market price at exercise date (£)	31 December 2020	Date of grant	Share price on date of grant (£)	Exercisable period	Gain on exercise (£'000)
Geoff Carter	2018	4,293	–	2.096	–	–	n/a	4,293	24 May 2018	2.650	1 July 2021 to 31 December 2021	n/a
	2019	3,174	–	2.268	–	–	n/a	3,174	30 April 2019	2.660	1 July 2022 to 31 December 2022	n/a
	2020	–	808	2.226	–	–	n/a	808	12 May 2020	2.840	1 July 2023 to 31 December 2023	n/a
	<b>Total</b>	<b>7,467</b>	<b>808</b>	<b>n/a</b>	<b>–</b>	<b>–</b>	<b>n/a</b>	<b>8,275</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>n/a</b>
Adam Westwood	2018	4,293	–	2.096	–	–	n/a	4,293	24 May 2018	2.650	1 July 2021 to 31 December 2021	n/a
	2019	–	–	n/a	–	–	n/a	–	–	–	–	n/a
	2020	–	–	n/a	–	–	n/a	–	–	–	–	n/a
	<b>Total</b>	<b>4,293</b>	<b>–</b>	<b>n/a</b>	<b>–</b>	<b>–</b>	<b>n/a</b>	<b>4,293</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>n/a</b>

**Share Incentive Plan ("SIP")**

Director	Purchased during the year	Granted during the year in the form of matching shares	Exercised during the year	Lapsed	31 December 2020	Granted in prior years	Total	Vesting date	Gain on exercise (£'000)
Geoff Carter	833	256	–	–	1,515	426		Shares can be exercised with effect from the third anniversary of their grant	n/a
Adam Westwood	704	216	–	–	920	–		Shares can be exercised with effect from the third anniversary of their grant	n/a

**Directors' shareholdings and share interests (audited)**

To further align Executive Directors with shareholders, Executive Directors are required to build up substantial interests in the Company. Executive Directors are expected to build and hold a shareholding with a value of at least 200% of their base salary. To support the implementation of this measure, Executive Directors are required to retain 50% of any share awards vesting (after settling any tax liability) until the 200% requirement is met.

Shareholding requirements and the number of shares held by Directors during the year and as at 31 December 2020 are set out in the table below:

Director	Number of unvested shares subject to performance as at 31 December 2020	Number of unvested shares not subject to performance as at 31 December 2020 <sup>1</sup>	Number of shares held under the Deferred Bonus Plan as at 31 December 2020	Number of shares held as at 31 December 2020	Number of shares held as at 31 December 2019	Shareholding requirement as a % of salary	Shareholding as a % of salary achieved at 31 December 2020 <sup>2</sup>
Current Directors							
Geoff Carter	563,683	9,790	109,314	<b>1,555,372</b>	1,545,372	200%	990%
Adam Westwood	261,426	5,213	62,683	<b>658,320</b>	652,303	200%	706%
Patrick Snowball	n/a	n/a	n/a	<b>n/a</b>	105,288	n/a	n/a
Andy Pomfret	n/a	n/a	n/a	<b>81,278</b>	43,478	n/a	n/a
Catherine Barton	n/a	n/a	n/a	<b>7,797</b>	7,312	n/a	n/a
Ian Clark	n/a	n/a	n/a	<b>265,751</b>	265,761	n/a	n/a
Karen Geary	n/a	n/a	n/a	<b>0</b>	n/a	n/a	n/a
Michael Koller	n/a	n/a	n/a	<b>0</b>	n/a	n/a	n/a
Rebecca Shelley	n/a	n/a	n/a	<b>7,794</b>	7,309	n/a	n/a

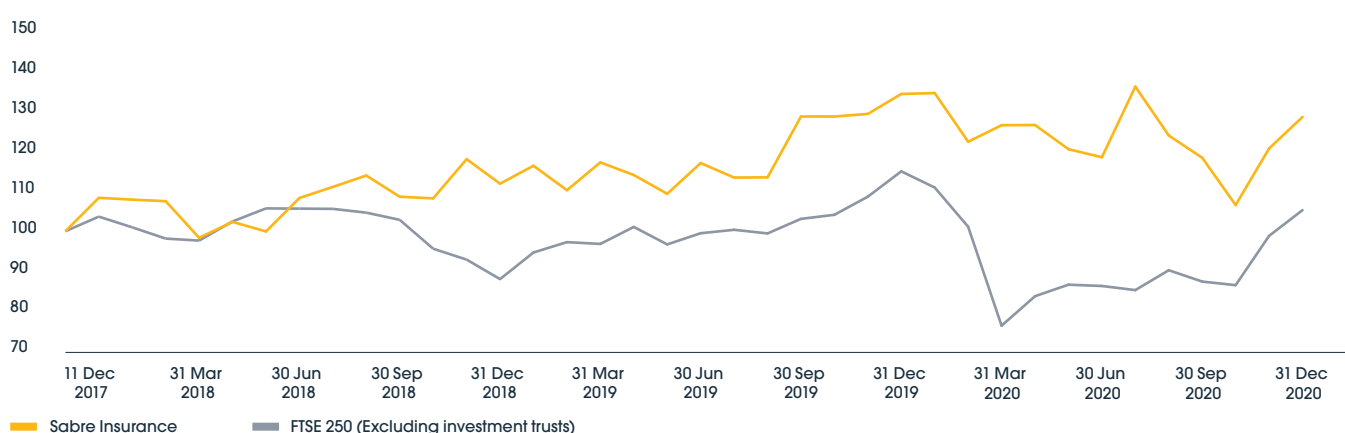
1 These awards relate to share options and share awards under the Company's SIP and SAYE Plans.

2 Calculated using a share price of £2.765 (as at 31 December 2020).

### Company performance – relative Total Shareholder Return

The graph below shows Sabre's relative Total Shareholder Return ("TSR") performance from Admission to 31 December 2020 against the TSR performance of the FTSE 250 Index (excluding investment trusts and companies in the extractive industries). This is a broad equity market index, of which Sabre is a constituent, and which the Committee considers to be the most appropriate comparator.

#### TSR performance vs. FTSE 250 excluding investment trusts since IPO



The following table shows the Chief Executive Officer's remuneration for current and prior years:

	2020 (£)	2019 (£)	2018 (£)	2017 (£)
Single figure of remuneration	1,110	821K	760K	251K
Annual bonus pay-out (as a % of maximum opportunity)	62.2%	63.1%	73.0%	n/a
LTIP vesting (as a % of maximum opportunity)	50%	n/a	n/a	n/a

### Percentage change in remuneration of Directors and employees

The table below shows the percentage change in salary, taxable benefits and annual bonus, for the Directors who served on the Board compared to an average employee of the Company against the prior year for the financial years 2020 and 2019.

	2019 to 2020			2018 to 2019		
	Salary/fees	Taxable benefits	Annual bonus	Salary/fees	Taxable benefits	Annual bonus
Geoff Carter	3.2%	0%	85.0%	4.8%	-86.7%	13%
Adam Westwood	4.2%	0%	103.1%	8.4%	-50.0%	16.4%
Andy Pomfret	38.1%	n/a	n/a	18.6%	n/a	n/a
Catherine Barton	0%	n/a	n/a	0%	n/a	n/a
Ian Clark	-11.6%	n/a	n/a	33.3%	n/a	n/a
Karen Geary*	n/a	n/a	n/a	n/a	n/a	n/a
Michael Koller*	n/a	n/a	n/a	n/a	n/a	n/a
Rebecca Shelley	4.8%	n/a	n/a	0%	n/a	n/a
Average of all employees	2.2%	-1.4%	15.4%	0.5%	11.3%	-0.1%

\* appointed during the financial year ending 31 December 2020.

### Arrangements for the wider workforce

The Committee seeks to align the remuneration of the Executive Directors and Senior Management with consistency in reward practices throughout the Group. In 2018, the Committee increased the maximum monthly contribution under the SAYE Plan and expansion of the SIP to include employee contributions, which is matched by the Company at a 3:1 ratio. These changes came into effect in the financial year ended 31 December 2019. All employees receive a salary at or above the National Living Wage, and all full time employees are eligible to receive a performance-related bonus.

The Company did not receive any Government assistance or furlough any employees during the year, and maintained the Company's dividend.

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**Chief Executive Officer ratio**

The ratio compares the total remuneration of Geoff Carter, the Chief Executive Officer, as set out in the Directors' Remuneration Report, against the remuneration of the median employee, as well as employees in the lower and upper quartiles. We will build up our reporting of these figures over time to cover a ten-year rolling basis. The ratios were calculated using the Option A methodology, which uses the pay and benefits of all UK employees. The Company has chosen Option A as it uses the full time equivalent pay and benefits for all UK employees during the year, and is therefore a more accurate representation of employee pay. The employee pay data used was based on the total remuneration of all of Sabre's full time employees as at 31 December 2020. The Chief Executive Officer's pay is as per the single total figure of remuneration for 2020, as disclosed on page 85. Employee full time equivalent salaries have been calculated by grossing-up the salary and bonus payments received by employees by the number of hours worked with reference to a 35-hour week.

**Total Pay**

	Chief Executive Officer's total pay (£'000)	25th percentile	50th percentile	75th percentile
<b>2018</b>				
Pay ratio		30.4:1	18.6:1	11.7:1
Remuneration values	760	25,000	40,772	64,755
<b>2019</b>				
Pay ratio		33.3:1	19.2:1	12.3:1
Remuneration values	821	24,643	42,651	66,846
<b>2020</b>				
Pay ratio		42.3:1	25.6:1	16.2:1
Remuneration values	1,109	26,196	43,273	68,283

**Salary**

	Chief Executive Officer's salary (£'000)	25th percentile	50th percentile	75th percentile
<b>2018</b>				
Pay ratio		17:1	11:1	6.9:1
Remuneration values	400	23,497	36,325	57,869
<b>2019</b>				
Pay ratio		19.9:1	12.9:1	8.7:1
Remuneration values	419	21,088	32,452	48,149
<b>2020</b>				
Pay ratio		19.3:1	12.6:1	8.7:1
Remuneration values	432	22,386	34,378	49,743

The Committee has considered the pay data and believes that the median pay ratio is consistent with the pay, reward and progression policies for the Company's UK employees. The Chief Executive Officer's single figure of remuneration has increased in 2020 relative to 2019, because 2020 is the first year in which a long-term incentive award has vested and therefore been included within this figure.

### Relative importance of spend on pay

The following table illustrates total remuneration for all employees compared to distributions to shareholders in respect of the last two financial years.

Measure	2020	2019
Total employee remuneration <sup>1</sup>	£13.4m	£11.5m
Shareholder distributions	£43.9m <sup>2</sup>	£43.6m <sup>3</sup>

1 Total employee cost.

2 Includes dividends paid during the financial year ending 31 December 2020.

3 Includes dividends paid during the financial year ending 31 December 2019.

### Implementation of the Policy in 2021

The below sets out how the Committee intends to operate the Remuneration Policy for the year ending 31 December 2021.

#### Salaries

The Executive Directors' salaries were reviewed during the year. The Committee decided to increase the salaries for Geoff Carter and Adam Westwood in line with the average increase given to employees across the Group. The revised salaries, with effect from 1 April 2021, are £440,862 for Geoff Carter, and £259,331 for Adam Westwood. The Committee was comfortable setting base salaries at these levels given the size of the roles and the experience and calibre of the individuals. As per the Policy, the Committee will continue to review salaries on an annual basis, and may make further increases in future years, in line with the Policy.

	Salary as at 1 April 2021	Salary as at 31 December 2020	Increase
Geoff Carter	£440,862	£434,775	1.4%
Adam Westwood	£259,331	£255,750	1.4%

#### Benefits

The Executive Directors will receive life insurance and private medical care.

#### Pension

Pension contributions of 17% of salary and 10% of salary will be made to the Chief Executive Officer and CFO respectively. Pension contributions will be reduced to align with the average employee rate (currently 7.5% of salary) with effect from 1 January 2022.

#### Short Term Incentive Plan

In line with the new Directors' Remuneration Policy, the Committee will use a bonus pool funding and allocation approach for 2021 awards. The pool will be calculated as a percentage of Profit Before Tax ("PBT"), subject to a minimum level of PBT being achieved. For 2021, if £35m of PBT is achieved, a pool of 2% of PBT will be available.

The Executive Directors will be eligible to receive STIP awards of up to 150% of salary in 2021. Awards will be subject to the following performance measures:

Performance measure	Weighting
Profit Before Tax	70%
Non-financial objectives relating specifically to the individual	15%
Non-financial Company-wide objectives, including strategy, customer and partners, ESG, People, development of business, risk and compliance	15%

Specific performance targets will not be disclosed at this time due to the commercially sensitive nature of the objectives. Full retrospective disclosure of the targets, and performance against them, will be included in next year's Annual Report on Directors' Remuneration.

#### Long Term Incentive Plan

Subject to the approval of the Policy and the amendment to the LTIP plan rules at our 2021 AGM, awards will be made under the Company's Long Term Incentive Plan in the form of restricted shares. When considering grant levels each year, the Committee will take into account share price performance over the preceding year. In view of the resilient share price performance over the last year, the Committee currently intends to award the Chief Executive Officer an award equivalent to 75% of salary, and the CFO will receive an award equivalent to 60% of salary. In-line with the Policy, awards will vest after three years, with an additional holding period of two years.

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Awards granted in 2021 will be subject to the following underpins:

- Maintaining a Solvency ratio in excess of 140%
- Achieving a Return on Tangible Equity in excess of 10%
- No material regulatory censure – relating to the Executive Director's time in office
- Overall Committee discretion

If the Company does not meet one or more of the underpins at the date of vesting, then the Committee would review whether or not it was appropriate to reduce the number of shares that vest under the award. Vesting of awards will also be subject to the Committee's overarching discretion in order to ensure that outcomes reflect the underlying performance of the Company and the broader stakeholder experience.

#### Chair and Non-executive Director fees

During the year, the Committee reviewed the Chair's fee in light of the time commitment required of the role, and agreed to no change in 2021.

During the year, the Chair, Chief Executive Officer and Chief Financial Officer reviewed the Non-executive Directors' fees in light of the time commitment required of the role, and agreed to no change in 2021. In light of the COVID-19 pandemic, and the inability to engage in person with employees during the year, the Board agreed to reduce the fee for the Designated Employee Representative Non-executive Director to £3,000.

The fees which will apply in 2021 are as follows:

Role	Fee (£) 2021	Fee (£) 2020
Chair fee (all-inclusive fee)	150,000	150,000
Non-executive Director base fee	60,000	60,000
Senior Independent Director fee	10,000	10,000
Committee Chair fee	10,000	10,000
Designated Employee Representative Non-executive Director	3,000	3,000
Committee member fee	None	None

The Chair and Non-executive Directors' fees for the financial year ended 31 December 2021 are therefore:

Director	Reason for fee	Total annual fee (£)
Andy Pomfret	Company Chair	150,000
Catherine Barton	Non-executive Director Audit Committee Chair	70,000
Ian Clark	Non-executive Director Risk Committee Chair Designated Non-executive Director for Employee Engagement	73,000
Karen Geary	Non-executive Director	60,000
Michael Koller	Non-executive Director	60,000
Rebecca Shelley	Non-executive Director Senior Independent Director Remuneration Committee Chair	80,000

#### REBECCA SHELLEY

Chair of the Remuneration Committee

15 March 2021

# Directors' report

The Directors' Report for the period ended 31 December 2020 comprises the report set out on pages 89 to 92 and the Directors' and Officers' Responsibility Statement on page 93 together with the following sections of this Annual Report which are included by reference:

The Strategic Report set out on pages 2 to 38 which includes:

- the Chair's Letter on pages 6 to 7
- the Chief Executive Officer's Review on pages 10 to 13
- the Principal Risks and Uncertainties on pages 20 to 27
- the Viability Statement on pages 28 to 29
- the Chief Financial Officer's Review on pages 34 to 37
- the Corporate Social Responsibility report on pages 38 to 45

The Governance Report for the period ended 31 December 2020 comprises the Chair's Governance Letter and the Governance Report on pages 46 to 53 and includes the reports of the Audit, Risk, Nomination and Governance and Remuneration Committees on pages 54 to 67.

## Corporate structure and principal activity

The Group's principal and only trading subsidiary is a motor insurance underwriter. Sabre Insurance Group plc is a public company limited by shares and was incorporated in England and Wales on 21 September 2017 with registered number 10974661. Its registered office and principal place of business is at Sabre House, 150 South Street, Dorking, Surrey RH4 2YY. The Group has no branches.

The Group is the holding company of the Sabre Group of companies. Details of the Group's subsidiaries are set out in Note 2 of the Parent Company Financial Statements contained in this Annual Report.

## Directors

The Directors who served throughout the year are as follows:

### Executive Directors

Geoff Carter – Chief Executive Officer

Adam Westwood – Chief Financial Officer

### Non-executive Directors

Andy Pomfret – Chair (with effect from 1 September 2020)

Catherine Barton

Ian Clark

Karen Geary (with effect 7 December 2020)

Michael Koller (with effect from 1 September 2020)

Rebecca Shelley

Patrick Snowball – Chair (until 31 August 2020)

The members of the Board of Directors, their biographical details and the dates of their appointment are set out on pages 48 and 49 of this Annual Report.

### Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Group's Articles, the Companies Act 2006 (the "Companies Act") and related legislation. The Articles provide that Directors may be appointed by ordinary resolution of the shareholders or by the Board. The Board has decided to comply with best corporate governance practice, and all Directors will seek re-election at each AGM. In addition to any powers of removal conferred by the Companies Act, the Group may by special resolution remove any Director before the expiration of his period of office.

The Nomination and Governance Committee is responsible for overseeing the recruitment of Directors and recommending appointments for approval by the Board of Directors. Further details regarding the appointment and replacement of Directors are set out in the Governance Report on pages 50 to 53 and the Nomination and Governance Committee Report on pages 60 to 61.

### Executive Directors' service contracts

Executive Directors are employed under the terms of their service contracts. Details of the effective dates of the service contracts for the current Executive Directors as well as their compensation are set out in the Annual Report on Directors' Remuneration on pages 77 to 88 and the contracts are available for inspection by shareholders at the Group's registered office.

### Non-executive Director appointments

Non-executive Directors are appointed pursuant to a letter of appointment. Such appointments are for an initial period of three years, which is renewable. A Non-executive Director's appointment is terminable by the Non-executive Director or the Group by giving written notice. Details of the effective dates of the letters of appointment for the current Non-executive Directors as well as their fees are set out in the Annual Report on Directors' Remuneration on pages 77 to 88 of the Annual Report and the terms of appointment are available for inspection by shareholders at the Group's registered office.

### Powers

Subject to the provisions of the Articles, the Companies Act and related legislation, and any directions given by special resolution of the shareholders, the business of the Group shall be managed by the Board, which may exercise all the powers of the Group including the Group's powers to borrow money and to issue new shares.

### Directors' indemnities

Each of the Group's Directors has been granted a qualifying third-party indemnity pursuant to which the Group agrees to indemnify the Directors against any liabilities that they may incur as a result of their office as Director, to the extent permitted by the Companies Act.

### Directors' and Officers' Liability Insurance

Directors' and Officers' liability insurance is provided for all Directors of the Group.

### Compensation for loss of office

The Group does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Group's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Annual Report on Directors' Remuneration on pages 77 to 88 of this Annual Report. No such payments were made during the financial year ended 31 December 2020.

### Articles of Association

The Group may alter its Articles by special resolution of the shareholders at a general meeting of the Group. The Articles are available on the Group's website at [www.sabreplc.co.uk](http://www.sabreplc.co.uk).

### Share capital

The Group has one class of ordinary voting shares in issue.

As at 31 December 2020, the issued share capital of the Group comprised 250,000,000 ordinary shares of £0.001 each, all of which are fully paid ("ordinary shares").

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### Rights and obligations attaching to shares

The rights and obligations attached to the Group's shares are governed by the Articles and prevailing legislation. Each ordinary share ranks equally and carries the same rights to receive all shareholder documentation (including notices of general meetings), attend, speak and vote at general meetings, and participate in any distribution of income or capital. All shareholders entitled to attend and vote at a general meeting may appoint a proxy or proxies to attend, speak and vote in their place. None of the ordinary shares carry any special rights with regard to control of the Group and there are no specific restrictions on voting rights, save where the Group is legally entitled to impose such restrictions (for example, where the shareholder is in default of an obligation to the Group). Major shareholders have the same voting rights per share as all other shareholders.

### Restrictions on transfer

There are no restrictions on the transfer or holding of shares in the Company other than (i) as set out in the Articles; and (ii) certain restrictions which may from time to time be imposed by laws and regulations and pursuant to the Listing Rules of the Financial Conduct Authority (the "Listing Rules") whereby Directors and certain officers and employees of the Group require approval to deal in the ordinary shares in accordance with the Group's share dealing policies and the Market Abuse Regulation.

### Distributions

During the financial year ending on 31 December 2019, the Directors became aware that the interim dividend of £17,951k paid during 2018 had been paid in technical infringement of the Companies Act 2006 because interim accounts showing the requisite level of distributable profits had not been filed at Companies House prior to payment. At the Annual General Meeting of the Group's shareholders, held on 21 May 2020, a resolution was proposed and passed which ratified, and authorised the appropriation of distributable profits to, the payment of that interim dividend and releases any right for the Group to pursue shareholders or Directors for repayment of that unlawful dividend. This constituted a related party transaction under IAS 24. It is intended that by the passing of this resolution, all parties were returned to the position they would have been in had the dividend been paid in full compliance with the Act, and the matter closed.

### Power to allot and purchase shares

By a resolution passed at the Annual General Meeting (the "Meeting") of the Group on 21 May 2020, the Group was granted a general authority to allot shares up to the lower of (i) an aggregate nominal amount of £83,333 and (ii) 33.33% of the Group's ordinary share capital. At the Meeting, the Group was also granted authority to allot shares up to the lower of (i) an aggregate nominal amount of £166,666 and (ii) 66.67% of the Group's ordinary share capital by way of a rights issue to ordinary shareholders in proportion to their existing shareholdings (with such amount to be reduced to the extent that the general authority is utilised (if any)).

The Company also received authority to allot shares for cash on a non pre-emptive basis up to the lower of (i) an aggregate nominal amount of £12,500 and (ii) 5% of the Group's ordinary share capital. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2021 AGM and, accordingly, the Board is proposing to renew these authorities at that AGM.

The Group was granted authority by its shareholders at the General Meeting to purchase up to the lower of (i) 25,000,000 ordinary shares and (ii) 10% of the Company's maximum ordinary share capital immediately following the Listing. This authority will expire at the conclusion of the 2021 AGM. No shares have been bought under this authority. The Board is proposing to renew this authority at the 2021 AGM, however the Company does not have any current intention to purchase any of its own ordinary shares.

### Directors' interests in shares

The Directors who held office as at 31 December 2020 had the following interests (including family interests) in the ordinary shares of the Company:

Name of Director	31 December 2020	31 December 2019
Catherine Barton	7,797	7,312
Geoff Carter	1,555,372	1,545,372
Ian Clark	265,761	265,761
Karen Geary	0	n/a
Michael Koller	0	n/a
Andy Pomfret	81,278	43,478
Rebecca Shelley	7,794	7,309
Patrick Snowball	n/a	105,288
Adam Westwood	658,320	652,303

The Directors, as employees and potential beneficiaries, have an interest in 1,012,109 shares held by the Sabre Insurance Group Employee Benefit Trust (offshore) and the Group's SIP Trust (onshore) as at 31 December 2020. As at 31 December 2020, the Sabre Insurance Group Employee Benefit Trust held 580,425 shares and the Group's SIP Trust held 241,764 shares. It is anticipated that these ordinary shares will be used to satisfy awards made under the Group's employee incentive plans. Further details regarding the Group's employee incentive plans can be found in the Annual Report on Directors' Remuneration on pages 77 to 88.

There were no changes in the interests of Directors between 31 December 2020 and 11 March 2021. In line with the Group's Remuneration Policy, half of the value received under the Group's Bonus Plan by Geoff Carter and Adam Westwood for the year ended 31 December 2020 will be deferred into shares, held in the Sabre Insurance Group Employee Benefit Trust.

### Major interests in shares

Information on major interests in shares notified to the Company under the Disclosure Guidance and Transparency Rules (“DTRs”) of the UK Listing Authority is published via a Regulatory Information Service and on the Company’s website [www.sabreplc.co.uk/investors/regulatory-news/](http://www.sabreplc.co.uk/investors/regulatory-news/)

At 31 December 2020, the Company had been notified, in accordance with Chapter 5 of the DTRs, of the following voting rights in respect of 3% or more of the issued share capital of the Company.

Shareholder	Number of ordinary shares	% of voting rights
Ninety One UK Limited	13,113,196	5.25
Unicorn Asset Management Limited	12,505,335	5.00
Aviva plc and its subsidiaries	24,947,347	9.98
M&G PLC	11,867,810	4.74
Kayne Anderson Rudnick Investment Management, LLC	18,636,233	7.45

During the period between 31 December 2020 and 11 March 2021, being the latest practicable date prior to publication of this Annual Report, the following changes were made:

Date of transaction	Shareholder	Number of ordinary shares	% of voting rights	Change
28/01/2021	Kayne Anderson Rudnick Investment Management, LLC	23,104,617	9.24	Increase
26/02/2021	Ninety One UK Limited	12,493,463	5.00	Decrease

### Results and dividends

The audited accounts for the year ended 31 December 2020 are set out on pages 98 to 147. The Group profit for the year after tax was £39.8m (2019: £45.7m).

The Directors recommend a final dividend of 6.8p (2019: 8.1p) and a special dividend of 4.9p (2019: 0p).

The total dividend for the year, including the proposed special dividend and interim dividend paid in 2020 is 21.2p (2019: 12.8p).

### Significant agreements and change of control

The Group is not a party to any material agreements that would take effect, alter or terminate upon a change of control of the Group following a takeover bid.

### Employees and communities

Less than 250 individuals were employed by the Company in each week during the financial year to which this Annual Report relates (further details regarding the Company’s employees are set out in the Corporate Social Responsibility Report on pages 38 to 45 of this Annual Report).

### Environment and emissions

Information on the Group’s greenhouse gas emissions is set out in the Corporate Social Responsibility Report on page 44 of this Annual Report. During the year the Board appointed Adam Westwood as the Executive Director responsible for Environmental, Social and Governance issues.

### Research and development

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

### Financial instruments and risk management

The Group’s financial risk management objective and policies, including information about its use of financial instruments, are contained in Note 21 to the Consolidated Financial Statements on page 142 of this Annual Report.

### Events after the balance sheet date

Refer to Note 21 of the Consolidated Financial Statements on page 142 for information on events after the balance sheet date.

### Charitable and political donations

The donations made by the Group to the charities referred to on page 42 of this Annual Report amounted, in aggregate, to £18,771 (2019: £15,698). The Group made no political donations during the year (2019: £0).

### Annual General Meeting (the “AGM”)

The 2021 AGM will be held at 9:30am on Friday 14 May 2021. Full details about the 2021 AGM, including the venue and explanatory notes, will be contained in the Notice of AGM which will be sent to shareholders in a separate document. The Notice of AGM will set out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company’s website at [www.sabreplc.co.uk/investors/annual-general-meeting/](http://www.sabreplc.co.uk/investors/annual-general-meeting/)

The AGM is the Company’s principal forum for communication with shareholders and the Directors will be available to answer shareholders’ questions at the meeting.

### Independent auditor

The auditor of the Company, EY, has indicated their willingness to continue in office, and resolutions to appoint EY and to authorise the Directors to fix their remuneration will be proposed at the 2021 AGM. Further information on the audit tender process can be found in the Audit Committee Report on page 54 to 57.

### Statement of disclosure of information to the auditor

Each of the Directors who held office at the date of the approval of this Annual Report confirms that, so far as they are each aware, there is no relevant audit information of which the Company’s auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company’s auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

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### Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under Listing Rule 9.8.4 R can be found as follows:

Listing Rule	Description	Page
9.8.4 (4) R	Details of long term incentive schemes required by Listing Rule 9.4.3	81
9.8.4 (12) R		
9.8.4 (13) R	Details of dividends waived	135

### Supplier payment policy

The Group's policy is to agree payment terms with suppliers when entering into each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group (consolidated) at 31 December 2020 were 13 days (2019: 23 days) purchases, based on the average daily amount invoiced by suppliers during the year.

### Going concern

The Board has considered the business activities of the Group and the factors likely to affect its future performance as well as the Group's principal risks and uncertainties, including the Directors' statement on the viability of the Group over a three-year period which is set out in the Strategic Report on page 28 of this Annual Report and, on the basis of these considerations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months to 31 March 2020 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

By order of the Board

**ANNEKA KINGAN**

Company Secretary

15 March 2021

# Directors' and Officers' Responsibilities Statement

## Responsibility and accountability

The Directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") in conformity with the Companies Act 2006. Under company law the Directors must not approve the Group financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, Group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- In respect of the Group financial statements, state whether IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent Company financial statements, state whether IFRSs in conformity with the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company and the Group will not continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006 and, with respect to the Group financial statements, and the IAS Regulations. They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement (DTR 4.1)

Each of the Directors, whose names and functions are listed on pages 48 and 49 of this Annual Report, confirms that, to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the parent Company and undertakings included in the consolidation taken as a whole
- The Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- They consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy

This responsibility statement was approved by the Board of Directors on 15 March 2021 and is signed on its behalf by:

**GEOFF CARTER**  
Chief Executive Officer

**ADAM WESTWOOD**  
Chief Financial Officer

## Opinion

In our opinion:

- Sabre Insurance Group plc's consolidated financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Sabre Insurance Group plc and its subsidiaries (collectively "the Group") and the parent company financial statements which comprise:

Group	Parent company
Consolidated Statement of Comprehensive Income for the year then ended	
Consolidated Statement of Financial Position as at 31 December 2020	Statement of Financial Position as at 31 December 2020
Consolidated Statement of Changes in Equity for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Statement of Cash Flows for the year then ended
Related notes 1 to 21 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 10 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards to the group financial statements, International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- We obtained management's going concern assessment, including cash forecasts for the going concern period which covers the period up to 31 March 2022. The Group has modelled a number of adverse

scenarios in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the Group.

- We assessed the appropriateness of the factors and assumptions included in each modelled scenario used by management to support their going concern assessment. We considered the appropriateness of the methods used to calculate their solvency position and determined through inspection and testing of the methodology and calculations that the methods utilised were appropriately sophisticated to be able to make an assessment for the group.
- We independently stressed assumptions used by management in their assessment which included the impact of failure of reinsurers, significant downturn in investment return, deterioration of loss reserves, substantial decrease in profitability of future business written to assess the impact on the Group's solvency and liquidity position.
- We considered the mitigating factors included in the forecasts that are within control of the Group. This includes review of the Group's non-operating cash outflows and evaluating the Group's ability to control these outflows as mitigating actions if required.
- We reviewed the results of management's reserve stress testing exercise as well as performed our own independent reserve stress testing in order to identify what factors would lead to the Group utilising all liquidity during the going concern period.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standard.

Additionally we reviewed and challenged the results of management's stress testing to assess the reasonableness of economic assumptions in light of the impact of Covid-19 in terms of their impact on the Group's solvency and liquidity position.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period up to 31 March 2022.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

## Overview of our audit approach

<b>Key audit matter</b>	– Valuation of outstanding claims (Gross and Net of Reinsurance)
<b>Audit scope</b>	– We performed an audit of the complete financial information of the whole Group Function and Sabre Insurance Company Limited. – The components where we performed full audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
<b>Materiality</b>	– Overall group materiality of £2.4m which represents 5% of profit before tax ('PBT')

## An overview of the scope of the parent company and group audits.

### Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we have selected Sabre Insurance Company Limited, which is the principal trading entity within the Group, and Group function which consists of all other group entities (Sabre Insurance Group plc, Binomial Group Limited, Barbados TopCo Limited, Barb IntermediateCo Limited, Barb Midco Limited, Barb Bidco Limited and Barb Holdco Limited). We performed an audit of the complete financial information of Sabre Insurance Company Limited and Group function ("full scope components"), which were selected based on their size or risk characteristics, representing 100% of profit before tax, revenue and assets.

We considered the group's entity -level and financial controls as well as the consistency of the group's operations and processes throughout the year despite the remote working across the organisation due to COVID-19 when determining our audit scope at both a group and entity level. We did not however identify any inconsistencies in the control environment arising as a result of working remotely and thus our risk assessment remained unchanged.

All audit work performed for the purposes of the audit was undertaken by the Group audit team

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Valuation of outstanding claims (£222.9m gross and £130.9m net of reinsurance, PY comparative £208.4m gross and £132.0m net of reinsurance).</b></p> <p><i>Refer to the Audit Committee Report (page 56); Accounting policies (page 108); and Note 3.1 of the Consolidated Financial Statements (page 110)</i></p> <p>Management is required to make an estimation of outstanding claims. We consider the most subjective aspects of this to be the estimation of claims incurred and reported ("case reserves") and claims incurred but not reported ("IBNR").</p> <p>There is a risk that inappropriate assumptions or projections are used in determining the insurance liabilities. This could lead to these liabilities not falling within a reasonable range of possible estimates, resulting in a misstatement in the financial statements.</p> <p>Furthermore, outstanding claims are subject to manipulation, as up until the closure of a case reserve, an element of estimation is required to account for these liabilities. Additionally there is a risk of using inaccurate underlying data.</p> <p>These balances, by nature, are also subject to a risk of management manipulation. Given the magnitude of the balance, a small manipulation of an assumption could have a significant impact on the financial statements.</p>	<p>Utilising EY actuarial specialists as part of our team, we performed the following procedures:</p> <p><b>Control design and implementation:</b> We gained a detailed understanding of the end to end reserving and case reserve process and assessed the design and implementation of key controls within the process, in respect of initiation and setting of case reserves. We tested the operational effectiveness of the key controls over the claims management process.</p> <p><b>Market knowledge and benchmarking:</b> We evaluated management's methodology against market practice and challenged management's assumptions and their assessment of major sensitivities, based on our market knowledge and industry data where available.</p> <p><b>Independent re-projections and sensitivity analysis:</b> We independently re-projected the outstanding claims on both a gross and net of reinsurance basis, we investigated differences between our projections and those of management. We then considered whether the outstanding claims held as at 31 December 2020 fall within a reasonable range of possible estimates.</p> <p>Additionally, we have reviewed management's potential exposure to Periodic Payment Orders. we and assessed key assumptions used by management in their model for reasonableness.</p> <p><b>Test of details:</b> To assess the completeness and accuracy of the paid, reinsurance recoveries and incurred claims data used to project outstanding claims, we re-performed reconciliations between the claims paid, reinsurance recoveries and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations.</p> <p>For a sample of paid and claims outstanding we corroborated the gross and net of reinsurance claims to supporting 3rd party evidence. For paid claims this included claim notifications, which we traced back to bank payment. For reinsurance recoveries we reperformed calculations, and agreed terms back to the underlying Reinsurance contracts. For a sample of outstanding claims we obtained supporting calculations and 3rd party correspondence to corroborate the year-end balances. We also held discussions with claims handlers to further understand the background of the claims.</p>	<p>We consider that Management's judgements in respect of the valuation of outstanding claims are reasonable. The group's booked outstanding claims lie within what we consider to be a reasonable range of estimates.</p> <p>In addition we consider that the disclosures made are satisfactory, and they provide information that assists in understanding the uncertainty inherent in the valuation of outstanding claims.</p>

In the prior year, our auditor's report included a key audit matter in relation to the adequate consideration of COVID-19 in respect of the Group and as an event after the reporting period which was largely due to the uncertainty present at the time of signing the 2019 financial statements. In the current year we do not deem this to warrant a key audit matter as the uncertainty surrounding the impact to the group has decreased and we are satisfied management have appropriately considered and addressed the risks arising from the impact of COVID -19 within their operations with appropriate disclosure in the annual report and accounts.

### Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

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**Materiality**

*The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.*

We determined materiality for the Group to be £2.4 million (2019: £2.8 million): which is 5% of profit before tax. We base our materiality on Profit before tax as this is the key metric used by management in measuring and reporting on the performance of the business. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

We determined materiality for the Parent Company to be £5.8 million (2019: £5.8million), which is 1% (2019: 1%) of net assets. The Parent company primarily holds the investments in Group entities and , therefore, net assets is considered to be the key focus for users of the financial statements.

We calculated materiality at the planning stage of the audit and then during the course of our audit, we reassessed initial materiality based on profit before tax for the year ended 31 December 2020.

**Performance materiality**

*The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.*

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2019: 75%) of our planning materiality, namely £1.8 million (2019: £2.1 million). Our objective in adopting this approach is to ensure that total uncorrected and undetected audit difference do not exceed our materiality of £2.4 million for the financial statements as a whole.

**Reporting threshold**

*An amount below which identified misstatements are considered as being clearly trivial.*

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1 million (2019: £0.1 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

**Other information**

The other information comprises the information included in the Annual Report set out on pages 1 to 152, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

**Corporate Governance Statement**

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 92;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 28;
- Directors' statement on fair, balanced and understandable set out on page 93;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 23;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 20; and;
- The section describing the work of the audit committee set out on page 54 to 57.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 93, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going

concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

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

#### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined below, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the group and management.

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our consideration of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA'), and the UK Listing Authority Rules.
- We understood how Sabre Insurance Group plc is complying with these legal and regulatory frameworks by making enquiries of management, internal audit and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and regulatory bodies, reviewed minutes of the Board Committee, Risk Committee and attended the Audit Committees and gained an understanding of the Group's approach to governance demonstrated by the Board's approval of the Group's governance framework.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group has established to address risks identified by the group, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment and their potential to influence management to manage earnings or influence the perceptions of investors and stakeholders. Where this risk was considered to be higher, within the valuation of insurance gross and net liabilities we performed audit procedures to address the identified fraud risk as detailed in the respective key audit matters above, this included an assessment of the consistency of operations and controls in place within the group as they transitioned to operating largely remotely for a significant proportion of 2020, we made enquiries with management via the use of video conferencing and performed analytical review procedures to assess for unusual movements throughout the year. These procedures to address the risk identified, also incorporated unpredictability into the nature, timing and/or extent of our testing, challenging assumptions and judgements made by management

within their forward looking information. Additionally, we tested manual journals, to provide reasonable assurance that the financial statements were free from fraud or error.

- Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the group. Our procedures involved making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations; inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees both at a group; inquiring about the Group's methods of enforcing and monitoring compliance with such policies; and inspecting significant correspondence with the FCA, PRA and UK Listing Authority
- The Group operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

#### **Other matters we are required to address**

- We were appointed by the company on 8 March 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ending 31 December 2017 to 31 December 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

#### **Use of our report**

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

#### **STUART WILSON (SENIOR STATUTORY AUDITOR)**

for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

15 March 2021

- 1 The maintenance and integrity of the Sabre Insurance plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
<b>Gross written premium</b>		<b>173,235</b>	197,040
Less: Reinsurance premium ceded		<b>(20,390)</b>	(19,780)
<b>Net written premium</b>		<b>152,845</b>	177,260
Less: Change in unearned premium reserve			
Gross amount	3.1.1	<b>12,527</b>	6,640
Reinsurers' share	3.1.1	<b>335</b>	(662)
<b>Net earned premium</b>		<b>165,707</b>	183,238
Interest income on financial assets using effective interest rate method	4.8	<b>1,417</b>	64
Other interest and similar income	4.8	–	8,076
Net losses on financial assets at fair value through profit or loss	4.9	–	(5,735)
Instalment income		<b>4,607</b>	4,093
Other operating income	7	<b>2,171</b>	1,240
<b>Total income</b>		<b>173,902</b>	190,976
Insurance claims	3.4	<b>(104,043)</b>	(110,301)
Insurance claims recoverable from reinsurers	3.4	<b>15,933</b>	8,311
<b>Net insurance claims</b>		<b>(88,110)</b>	(101,990)
Finance costs	5.2	<b>(13)</b>	(18)
Commission expenses		<b>(14,287)</b>	(15,741)
Operating expenses	8	<b>(22,370)</b>	(16,748)
<b>Total expenses</b>		<b>(36,670)</b>	(32,507)
<b>Profit before tax</b>		<b>49,122</b>	56,479
Tax charge	10	<b>(9,324)</b>	(10,768)
<b>Profit for the year attributable to the equity holders of the parent</b>		<b>39,798</b>	45,711
Basic Earnings Per Share (pence per share)	18	<b>15.98</b>	18.35
Diluted Earnings Per Share (pence per share)	18	<b>15.82</b>	18.22

The attached notes on pages 103 to 142 form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
<b>Profit for the year attributable to the equity holders of the parent</b>		<b>39,798</b>	45,711
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Fair value gains on debt securities	4.9	<b>2,436</b>	–
Tax charge		<b>(463)</b>	–
		<b>1,973</b>	–
<i>Items which will not be reclassified to profit or loss</i>			
Revaluation losses on owner-occupied properties	9.1	<b>(165)</b>	–
Tax credit		<b>31</b>	–
		<b>(134)</b>	–
<b>Total for the year</b>		<b>1,839</b>	–
<b>Total comprehensive income for the year attributable to the equity holders of the parent</b>		<b>41,637</b>	45,711

The attached notes on pages 103 to 142 form an integral part of these financial statements.

AS AT 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
<b>Assets</b>			
Goodwill		156,279	156,279
Property, plant and equipment	9.1	4,174	4,568
Right-of-use asset	9.2	189	189
Reinsurance assets	3.1	99,921	83,931
Deferred tax assets	11	–	210
Deferred acquisition costs	3.1.2	14,791	16,211
Insurance receivables	3.2	33,976	37,754
Loans and other receivables	4.4	84	31
Current tax assets		369	–
Prepayments, accrued income and other assets	13	868	3,627
Financial investments	4.1	246,281	263,629
Cash and cash equivalents	4.5	37,904	31,791
<b>Total assets</b>		<b>594,836</b>	<b>598,220</b>
<b>Equity</b>			
Issued share capital	15	250	250
Own shares		(1,494)	(1,061)
Merger reserve		48,525	48,525
FVOCI reserve		2,210	–
Revaluation reserve		831	965
Share-based payments reserve		1,817	1,362
Retained earnings		214,261	217,376
<b>Total equity</b>		<b>266,400</b>	<b>267,417</b>
<b>Liabilities</b>			
Insurance liabilities	3.1	226,546	212,167
Unearned premium reserve	3.1	87,350	99,877
Lease liability	5.1	194	194
Deferred tax liability	11	125	–
Insurance payables	3.3	6,246	6,009
Trade and other payables	5.3	5,530	6,466
Current tax liabilities		–	4,884
Accruals		2,445	1,206
<b>Total liabilities</b>		<b>328,436</b>	<b>330,803</b>
<b>Total equity and liabilities</b>		<b>594,836</b>	<b>598,220</b>

The attached notes on pages 103 to 142 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2021.

Signed on behalf of the Board of Directors by:

**ADAM WESTWOOD**

Chief Financial Officer

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
<b>Ordinary shareholders' equity – at 1 January</b>	15	250	250
<b>At 31 December</b>		250	250
<b>Own shares – at 1 January</b>		(1,061)	(1)
Net movement in own shares		(433)	(1,060)
<b>At 31 December</b>		(1,494)	(1,061)
<b>Merger reserve – at 1 January</b>		48,525	48,525
<b>At 31 December</b>		48,525	48,525
<b>FVOCI reserve – at 1 January</b>		–	–
Implementation of IFRS 9 “Financial Instruments”		237	–
<b>FVOCI reserve – adjusted at 1 January 2020</b>		237	–
Fair value gains on debt securities		2,436	–
Tax charge		(463)	–
<b>At 31 December</b>		2,210	–
<b>Revaluation reserve – at 1 January</b>		965	965
Revaluation losses on owner-occupied properties		(165)	–
Tax credit		31	–
<b>At 31 December</b>		831	965
<b>Share-based payment reserve – at 1 January</b>		1,362	1,036
Settlement of share-based payments		(1,193)	(780)
Charge in respect of share-based payments		1,648	1,106
<b>At 31 December</b>		1,817	1,362
<b>Retained earnings – at 1 January</b>		217,376	214,373
Implementation of IFRS 9 “Financial Instruments”		(237)	–
<b>Retained earnings – adjusted at 1 January 2020</b>		217,139	214,373
Settlement of share-based payments		1,193	780
Share scheme transfer to retained earnings		–	135
Profit for the year attributable to the equity holders of the parent		39,798	45,711
Ordinary dividends paid		(43,869)	(43,623)
<b>At 31 December</b>		214,261	217,376
<b>Total equity at 31 December</b>		266,400	267,417

The revaluation reserve related to owner-occupied properties was previously disclosed as part of retained earnings. This is now shown as a separate component of equity for both 2019 and 2020. The change is presentational to enhance the disclosure of equity components.

The attached notes on pages 103 to 142 form an integral part of these financial statements.

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'k	2019 £'k
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax for the year	49,122	56,479
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	176	165
Depreciation of right-of-use assets	252	251
Share-based payment – equity-settled schemes	1,648	1,106
Investment return	(1,680)	(2,405)
Interest on lease liability	13	–
Expected credit loss	23	–
Impairment loss on owner-occupied buildings	65	–
<b>Operating cash flows before movements in working capital</b>	<b>49,619</b>	<b>55,596</b>
<i>Movements in working capital:</i>		
Change in reinsurance assets	(15,990)	(1,496)
Change in deferred acquisition costs	1,420	(450)
Change in insurance receivables	3,778	(78)
Change in loans and other receivables	(53)	81
Change in prepayments, accrued income and other assets	2,759	911
Change in insurance liabilities	14,379	(3,590)
Change in unearned premium reserve	(12,527)	(6,640)
Change in insurance creditors	237	(1,179)
Change in trade and other payables	(936)	33
Change in accruals	1,239	(3,305)
<b>Cash generated from operating activities before investment of insurance assets</b>	<b>43,925</b>	<b>39,883</b>
Taxes paid	(14,673)	(11,676)
<b>Net cash generated from operating activities before investment of insurance assets</b>	<b>29,252</b>	<b>28,207</b>
Interest and investment income received	7,115	8,148
Net proceeds from the sale, maturity and purchases of invested assets	14,325	17,771
<b>Net cash generated from operating activities</b>	<b>50,692</b>	<b>54,126</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment	(12)	(365)
<b>Net cash used by investing activities</b>	<b>(12)</b>	<b>(365)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment of principal portion of lease liabilities	(264)	(246)
Net cash used in acquiring and disposing of own shares	(433)	(924)
Dividends paid	(43,870)	(43,623)
<b>Net cash used by financing activities</b>	<b>(44,567)</b>	<b>(44,793)</b>
<b>Net increase in cash and cash equivalents</b>	<b>6,113</b>	<b>8,968</b>
Cash and cash equivalents at the beginning of the year	31,791	22,823
<b>Cash and cash equivalents at the end of the year</b>	<b>37,904</b>	<b>31,791</b>

FOR THE YEAR ENDED 31 DECEMBER 2020

## CORPORATE INFORMATION

Sabre Insurance Group plc is a company incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England. The nature of the Group's operations is the writing of general insurance for motor vehicles. The Company's principal activity is that of a holding company.

### 1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise indicated.

#### 1.1. Basis of preparation

The financial statements of the Group have been prepared in accordance with IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have been prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value.

The financial statements values are presented in Pounds Sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

As permitted by IFRS 4 "Insurance Contracts", the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts. The Group has applied UK GAAP.

#### Presentational changes

A number of presentational changes have been made to the financial statements since the last reporting date. These changes have been made to group and present the financial information to the users of the financial statements more clearly. No financial information was restated. Where line items have been split, the comparative information has been split on a consistent basis to ensure current and prior year information is comparable. The key changes made are:

- Statement of comprehensive income previously presented as one single statement is now presented by a separate statement of profit or loss, immediately followed by a statement of comprehensive income
- Gross written premium and net written premium are now shown within the statement of profit or loss rather than a separate note
- The insurance and other receivables line item in the statement of financial position has been split into two separate lines to present the insurance related receivables separate from other receivables
- The trade and other payables including insurance payables line item in the statement of financial position has been split into two separate lines to present the insurance related payables separate from other receivables
- The statement of changes in equity is now presented in a vertical layout rather than horizontal
- The note to the cash flow statement now forms part of the primary statement and is no longer presented separately
- A separate note to the financial statements, grouping all insurance related liabilities and reinsurance related assets, along with relevant insurance related risks and key judgements is now presented
- A separate note to the financial statements, grouping all financial assets, along with relevant risks and key judgements is now presented
- A separate note to the financial statements, grouping all financial liabilities, along with relevant risks and key judgements is now presented
- Accounting policies previously presented in a separate note are now included in each relevant note

#### 1.2. New and amended standards and interpretations adopted by the Group

##### IFRS 9 – "Financial Instruments"

The Group has previously elected to defer the implementation of IFRS 9 "Financial Instruments", but has made a decision to implement IFRS 9 from 1 January 2020.

During 2019 the Group revisited its investment guidelines allowing for investment in corporate bonds while maintaining a high level of conservatism in the portfolio, and appointed a new asset manager in January 2020. As part of the new investment guidelines, a decision was taken to waive the deferral of the implementation of IFRS 9 in line with IFRS 4. As a result, the Group has adopted IFRS 9 effective from 1 January 2020. The new investment guidelines do not change the Group's business model with regards to long-term investments, which are held to back insurance liabilities and to collect contractual cash flows.

The Group has adjusted its opening retained earnings to reflect the application of the requirements of IFRS 9. In accordance with the transition requirements, comparative periods are not restated. The comparative periods in 2019 are reported under the requirements of IAS 39 and are not comparable to the information presented in 2020.

The policies for financial assets and impairments of financial assets have changed from 1 January 2020 following the adoptions of IFRS 9. The revised policies are set out below and the impact is discussed in Note 20.

CONTINUED

**1. ACCOUNTING POLICIES (CONTINUED)****1.3. New and amended standards and interpretations not yet effective in 2020**

In the current year, the Group has applied amendments to IFRS issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The new effective amendments are:

- IFRS 3: Amendment: Definition of a business (IASB effective date: 1 January 2020)
- IAS 1 and IAS 8: Amendment: Definition of Material (IASB effective date: 1 January 2020)
- IFRS 9, IFRS 7 and IAS 39: Amendment: Interest Rate Benchmark Reform (IASB effective date: 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (IASB effective date: 1 January 2020)
- Interest Rate Benchmark Reform (IBOR) – Phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective date: 1 January 2020)
- IFRS 16: COVID-19-Related Rent concessions (2020)

None of the amendments issued by the IASB have had a material impact to the Group.

A number of new standards and interpretations adopted by the EU which are not mandatorily effective, as well as standards interpretations issued by the IASB but not yet adopted by the EU, have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it expects to apply them from their effective dates as determined by their dates of EU endorsement. The Group is still reviewing the upcoming standards to determine their impact:

- Interest Rate Benchmark Reform (IBOR) – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective 1 January 2021)
- IFRS 17: Insurance Contracts (IASB effective date: 1 January 2023)
- IFRS 10 and IAS 28: Amendment: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (IASB effective date: optional)

**IFRS 17 – "Insurance Contracts"**

The effective date for IFRS 17 is 1 January 2023. IFRS 17 will fundamentally change the way insurance contracts are accounted for and reported. Revenue will no longer be equal to premiums written but instead reflect a change in the contract liability on which consideration is expected. On initial assessment the major change will be on the presentation of the statement of profit or loss, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. It is not currently known what impact the new requirements will have on the Group's profit and financial position, but it is expected that the timing of profit recognition will be altered. During 2020, the Group continued to undertake a number of tasks in preparation for IFRS 17. These tasks included completing various modelling exercises to understand the data requirements needed under IFRS 17. The assessment is ongoing and a more detailed update will be provided in the financial statements ending 31 December 2021.

**2. RISK AND CAPITAL MANAGEMENT****2.1. Risk management framework**

The Sabre Insurance Group plc Board is responsible for prudent oversight of the Group's business and financial operations, ensuring that they are conducted in accordance with sound business principles and with applicable laws and regulations, and ensure fair customer outcomes. This includes responsibility to articulate and monitor adherence to the Board's appetite for exposure to all risk types. The Board also ensures that measures are in place to provide independent and objective assurance on the effective identification and management of risk and on the effectiveness of the internal controls in place to mitigate those risks.

The Board has set a robust risk management strategy and framework as an integral element in its pursuit of business objectives and in the fulfilment of its obligations to shareholders, regulators, customers and employees.

The Group's risk management framework is proportionate to the risks that we face. Our assessment of risk is not static; we continually reassess the risk environment in which the Group operates and ensure that we maintain appropriate mitigation in order to remain within our risk appetite. The Group's Risk Management Forum gives management the regular opportunity to review and discuss the risks which the Group faces, including but not limited to any breaches, issues or emerging risks. The Forum also works to ensure that adequate mitigation for the risks the Group is exposed to, are in place.

**2.2. Underwriting risk**

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group issues only motor insurance contracts, which usually cover a 12-month duration. For these contracts, the most significant risks arise from severe weather conditions or single catastrophic events. For longer-tail claims that take some years to settle, there is also inflation risk.

Refer to Note 3.5 for detail on these risks and the way the Group manages them. Note 3.5 also includes the considerations of COVID-19 and climate change.

**2.3. Credit risk**

Credit risk reflects the financial impact of the default of one or more of the Group's counterparties. The Group is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where the Group is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations (Note 4.6)
- Reinsurer default on presentation of a large claim or dispute of cover (Note 3.6)
- Reinsurers default on their share of the Group's insurance liabilities (Note 3.6)
- Default on amounts due from insurance contract intermediaries or policyholders (Note 3.6)

## 2. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### 2.3. Credit risk (continued)

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Committee
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment
- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts

Refer to Notes 3.6 and 4.6 as indicated above for further information on credit risk.

### 2.4. Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch or inability to raise sufficient liquid assets without suffering a substantial loss on realisation. The Group manages its liquidity risk through both ensuring that it holds sufficient cash and cash equivalent assets to meet all short-term liabilities, and matching the maturity profile of its financial investments to the expected cash outflows.

Refer to Note 6 for further information on liquidity risk.

### 2.5. Investment concentration risk

Excessive exposure to particular industry sectors or groups can give rise to concentration risk. The Group has no significant investment in any particular industrial sector and therefore is unlikely to suffer significant losses through its investment portfolio as a result of over-exposure to sectors engaged in similar activities or which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

A significant part of the Group's investment portfolio consists primarily of UK Government bonds and Government backed bonds, therefore the risk of Government default does exist, however the likelihood is extremely remote. The remainder of the portfolio consists of investment grade Corporate bonds. The Group continues to monitor the strength and security of all bonds.

Refer to Note 4.2 for further information on investment concentration risk.

### 2.6. Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

CONTINUED

**2. RISK AND CAPITAL MANAGEMENT (CONTINUED)****2.7. Capital management**

The Board of Directors has ultimate responsibility for ensuring that the Group has sufficient funds to meet its liabilities as they fall due. The Group carries out detailed modelling of its assets and liabilities and the key risks to which these are exposed. This modelling includes the Group's own assessment of its capital requirements for solvency purposes.

The Group has continued to manage its solvency with reference to the Solvency Capital Requirement ("SCR") calculated using the Standard Formula. The Group has developed sufficient processes to ensure that the capital requirements under Solvency II are not breached, including the maintenance of capital at a level higher than that required through the Standard Formula. The Group considers its capital position to be its net assets on a Solvency II basis and monitors this in the context of the Solvency II SCR.

The Group aims to retain sufficient capital such that in all reasonably foreseeable scenarios it will hold regulatory capital in excess of its Solvency Capital Requirement. The Directors currently consider that this is achieved through maintaining a regulatory capital surplus of 140% to 160%. As at 31 December 2020, the Group holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

	As at 31 December	
	2020 £'k	2019 £'k
<b>Equity</b>		
Issued share capital	250	250
Own shares	(1,494)	(1,061)
Merger reserve	48,525	48,525
FVOCI reserve	2,210	–
Revaluation reserve	831	965
Share-based payments	1,817	1,362
Retained earnings	214,261	217,376
<b>Total</b>	<b>266,400</b>	<b>267,417</b>

The Solvency II position of the Group both before and after final dividend is given below:

	As at 31 December	
	2020 £'k	2019 £'k
<b>Pre-dividend</b>		
Total tier 1 capital	122,500	127,086
SCR	60,327	59,495
Excess capital	62,173	67,591
Solvency coverage ratio (%)	203%	214%

	As at 31 December	
	2020 £'k	2019 £'k
<b>Post-dividend</b>		
Total tier 1 capital	93,250	106,836
SCR	60,327	59,495
Excess capital	32,923	47,341
Solvency coverage ratio (%)	155%	180%

## 2. RISK AND CAPITAL MANAGEMENT (CONTINUED)

### 2.7. Capital management (continued)

The following table sets out a reconciliation between IFRS net assets and Solvency II net assets before final dividend:

	As at 31 December	
	2020 £'k	2019 £'k
<b>Adjusted IFRS net assets</b>	<b>110,121</b>	111,138
Unearned premium reserve	87,350	99,877
Deferred acquisition costs	(14,791)	(16,211)
Solvency II premium provision	(60,675)	(69,493)
IFRS risk margin <sup>(1)</sup>	11,643	12,003
Discount claims provision	(284)	1,769
Solvency II risk margin	(7,961)	(8,255)
Change in deferred tax	(2,904)	(3,742)
<b>Solvency II net assets</b>	<b>122,500</b>	127,086

(1) In line with industry practice, the IFRS risk margin is an explicit additional reserve in excess of the actuarial best estimate which is designed to create a margin held in reserves to allow for adverse development in open claims.

The adjustments set out in the above table have been made for the following reasons:

- **Adjusted IFRS net assets:** Equals Group net assets on an IFRS basis, less goodwill
- **Removal of unearned premium reserve and deferred acquisition costs:** The unearned premium reserve must be added back as premium and deferred acquisition costs must be removed as they are not deferred under Solvency II.
- **Solvency II premium provision:** A premium reserve reflecting the future cash in and out flows in respect of insurance contracts is calculated and this must be discounted under Solvency II.
- **IFRS risk margin:** Solvency II reserves must reflect a true “best estimate” basis. Therefore, the IFRS risk margin is removed from the claims reserve.
- **Discount claims provision:** The provision held against future claims expenditure for claims incurred is discounted in the same way as the Solvency II premium provision.
- **Solvency II risk margin:** The Solvency II risk margin represents the premium that would be required were the Group to transfer its technical provisions to a third party, and essentially reflects the SCR required to cover run-off of claims on existing business. This amount is calculated by the Group through modelling the discounted SCR on a projected future balance sheet for each year of claims run-off.
- **Change in deferred tax:** As the move to a Solvency II basis balance sheet increases the net asset position of the Group, a deferred tax liability is generated to offset the increase.

Sabre Insurance Group plc’s SCR, expressed on a risk module basis, is set out in the following table:

	as at 31 December 2020			as at 31 December 2019		
	£'k	£'k	£'k	£'k	£'k	£'k
Interest rate risk			3,706			1,019
Equity risk			–			–
Property risk			956			1,014
Spread risk			4,748			–
Currency risk			1,073			470
Concentration risk			–			–
Correlation impact			(3,560)			(840)
<b>Market risk</b>		<b>6,923</b>			1,663	
Counterparty risk		2,386			2,211	
Underwriting risk		53,236			55,149	
Correlation impact		(5,991)			(2,395)	
<b>Basic SCR</b>	<b>56,554</b>			56,628		
Operating risk	6,677			6,609		
Loss absorbing effect of deferred taxes	(2,904)			(3,742)		
<b>Total Solvency Capital Requirement</b>	<b>60,327</b>			59,495		

The total Solvency Capital Requirement (“SCR”) is primarily driven by the underwriting risk element, which is a function of the Group’s net earned premium (or projected net earned premium) and the level of reserves held. Therefore, the SCR is broadly driven by the size of the business. Because during 2020 the revised investment strategy resulted in the purchase of certain corporate bonds (which carry spread risk) much of the reduction in SCR is offset by an increase in market risk.

The Group’s capital management objectives are:

- To ensure that the Group will be able to continue as going concern
- To maximise the income and capital return to its equity

The Board monitors and review the broad structure of the Group’s capital on an ongoing basis. This review includes consideration of the extent to which revenue in excess of that which is required to be distributed should be retained.

The Group’s objectives, policies and processes for managing capital have not changed during the historical period.

CONTINUED

### 3. INSURANCE LIABILITIES AND REINSURANCE ASSETS

#### ACCOUNTING POLICY

Claims incurred include all losses occurring through the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability claims, the ultimate cost of which cannot be known with certainty at the balance sheet date. Reinsurance recoveries (or amounts due from reinsurers) are accounted for in the same period as the related claim.

#### A. Provision for claims outstanding

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the profit or loss account. Claims provisions are not discounted, with the exception of PPOs (periodic payment orders), which are discussed more fully in the "Critical accounting estimates and judgements" in Note 3.1.2.

The provision for claims outstanding includes the following:

- Claims Incurred and Reported (individual case estimates)
- Claims Incurred but Not Reported ("IBNR")/Claims Incurred But Not Enough Reported ("IBNER")
- Claims Handling Provision

#### (i) Claims Incurred and Reported (individual case estimates)

When claims are initially reported, case estimates are set at fixed levels based on previous average claims settlements. As soon as sufficient information becomes available, the case estimate is amended by a claim handler within the Claims Department to reflect the expected ultimate settlement cost of the claim, including external claims handling costs. The case estimate will be amended throughout the life of a claim as further information emerges. Case estimates generally do not allow for possible reductions in our liability due to contributory negligence, favourable court judgments or settlements until these are known to a high probability. Because of this, the outstanding case reserve recorded is generally greater than the probability-weighted likely settlement amount of the claim.

#### (ii) Claims Incurred But Not Reported ("IBNR")/Claims Incurred But Not Enough Reported ("IBNER")

The Claims Incurred But Not Reported ("IBNR") provision consists of two elements:

- **IBNR** – An amount in respect of claims incurred but not yet recorded on the policy administration system ("pure" IBNR), which is typically a "positive"
- **IBNER** – An adjustment to open case reserves, booked at a portfolio level, which converts the open reserve recorded on our underwriting system to a true "best estimate" basis. If the case reserves held are in excess of a "best estimate" basis, this will result in a "negative" IBNER. If the case reserves are below a 'best estimate' basis, this will result in a "positive" IBNER

The Group refers to these collectively as "IBNR" and unless stated otherwise, when referring to IBNR this always include both elements.

These reserves are calculated using standard actuarial modelling techniques such as chain ladder and Bornhuetter-Ferguson methods. The IBNR adjustment is set after considering the results of these statistical methods based on, inter alia, historical claims development trends, average claims costs and expected inflation rates.

#### (iii) Claims Handling Provision

A provision for claims handling costs is estimated based on the number of outstanding claims at the balance sheet date and the estimated average internal cost of settling claims.

#### B. Provision for unexpired risks

Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset when business classes are managed together and a provision is made if an aggregate deficit arises.

At each reporting date, a liability assessment is performed to ensure the adequacy of the claims liabilities net of deferred acquisition costs and unearned premium reserves. In performing this assessment, current best estimates of future contractual cash flows and claims handling expenses are used. Any deficiency is immediately charged to the statement of profit or loss, initially by writing off deferred acquisition costs and subsequently by establishing a provision for losses arising from the liability assessment ("unexpired risk provision"). There is currently no unexpired risk provision.

#### C. Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned. Such costs are identified as being directly attributable to the acquisition of business, or are indirectly attributed to acquisition activity through an allocation exercise.

#### D. Gross written premiums

Gross written premiums comprise all amounts during the financial year in respect of contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year. All premiums are shown gross of commission payable to intermediaries (where applicable) and are exclusive of taxes, duties and levies thereon. Insurance premiums are adjusted by an unearned premium provision which represents the proportion of premiums written that relate to periods of risk subsequent the balance sheet date.

### 3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

#### ACCOUNTING POLICY (CONTINUED)

##### E. Provision for unearned premiums

Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.

#### RISK MANAGEMENT

Refer to Notes 3.5 and 3.6 for detail on risks relating to insurance liabilities and reinsurance assets, and the management thereof.

#### CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

##### Valuation of insurance contracts

The three key elements impacting the valuation of insurance contracts are:

##### i. Insurance contracts

For the valuation of insurance contracts, estimates are made both for the expected ultimate cost of claims reported at the reporting date, consisting of a reserve for claims incurred and reported, and an estimate of the sufficiency of these reserves (through the calculation of an Incurred But Not Enough Reported ("IBNER") estimate, and for the expected ultimate cost of claims incurred, but not yet reported ("IBNR"), at the reporting date). It can take a significant period of time before the ultimate claims cost can be established with certainty.

##### ii. Outstanding claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by accident years and types of claim. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

##### iii. Periodic Payment Orders

Liability claims may be settled through a Periodic Payment Order ("PPO"), established under the Courts Act 2003, which allows a UK court to award damages for future loss or any other damages in respect of personal injury. The court may order that the damages either partly or fully take the form of a PPO. To date, the Group has two PPOs within its reserve for claims incurred and reported. Reinsurance is applied at the claim level, and therefore as PPOs generally result in a liability in excess of the Group's reinsurance retention, the net liability on acquisition of a PPO is not significantly different to that arising in a non-PPO situation. Management will continue to monitor the level of PPO activity. Where management expect the total probability-weighted cash flows for actual and potential PPOs to generate a net outflow following settlement of reinsurance recoveries, this is reflected within the IBNR calculation.

The Group's insurance liabilities and reinsurance assets are summarised below:

	Notes	2020 £'k	2019 £'k
Insurance liabilities	3.1	313,896	312,044
Reinsurance assets	3.1	(99,921)	(83,931)
Receivables arising from insurance and reinsurance contracts	3.2	(33,976)	(37,754)
Payables arising from insurance and reinsurance contracts	3.3	6,246	6,009
		186,245	196,368

CONTINUED

**3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)****3.1 Insurance liabilities and reinsurance assets**

	Notes	2020 £'k	2019 £'k
<b>GROSS</b>			
Claims incurred and reported		313,164	290,963
Claims incurred but not reported		(90,267)	(82,565)
Claims handling provision		3,649	3,769
<b>Outstanding claims liabilities</b>	3.1.1	<b>226,546</b>	212,167
Provision for unearned premiums		87,350	99,877
<b>Total insurance liabilities – Gross</b>		<b>313,896</b>	312,044
Expected to be settled within 12 months (excluding UPR)		100,794	95,975
Expected to be settled after 12 months (excluding UPR)		125,752	116,192
<b>RECOVERABLE FROM REINSURERS</b>			
Claims incurred and reported		(123,440)	(97,788)
Claims incurred but not reported		31,424	21,427
<b>Outstanding claims liabilities</b>	3.1.1	<b>(92,016)</b>	(76,361)
Provision for unearned premiums		(7,905)	(7,570)
<b>Total reinsurers' share of insurance liabilities</b>		<b>(99,921)</b>	(83,931)
Expected to be settled within 12 months (excluding UPR)		(33,541)	(24,883)
Expected to be settled after 12 months (excluding UPR)		(58,475)	(51,478)
<b>NET</b>			
Claims incurred and reported		189,724	193,175
Claims incurred but not reported		(58,843)	(61,138)
Claims handling provision		3,649	3,769
<b>Outstanding claims liabilities</b>	3.1.1	<b>134,530</b>	135,806
Provision for unearned premiums		79,445	92,307
<b>Total insurance liabilities – Net</b>		<b>213,975</b>	228,113

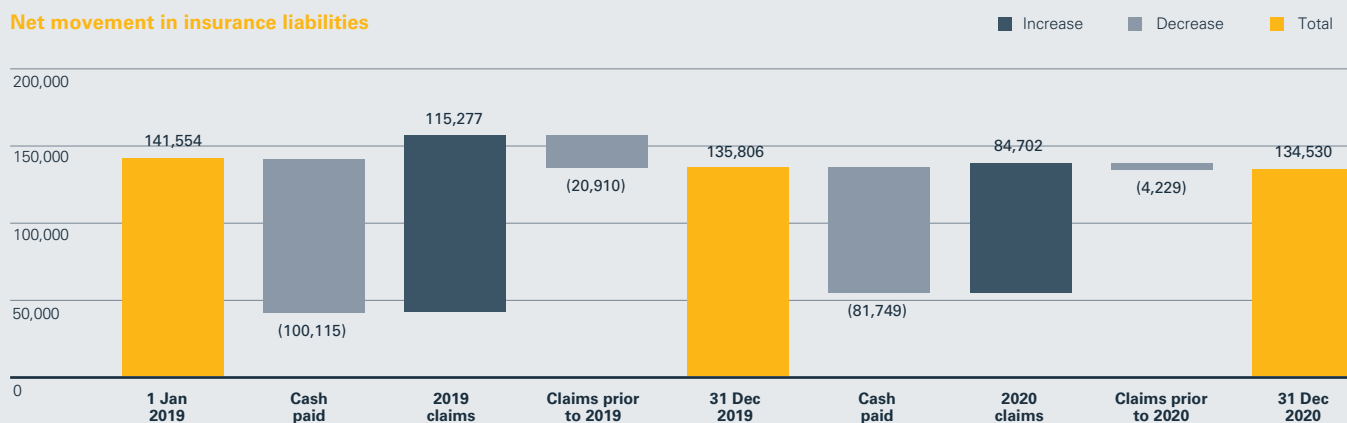
### 3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

#### 3.1.1 Movement in insurance liabilities and reinsurance assets

	2020			2019		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
<b>CLAIMS AND CLAIMS HANDLING EXPENSES</b>						
Claims incurred and reported	290,963	(97,788)	193,175	284,491	(96,138)	188,353
Claims incurred but not reported	(82,565)	21,427	(61,138)	(72,236)	21,935	(50,301)
Claims handling provision	3,769	–	3,769	3,502	–	3,502
<b>Total at the beginning of the year</b>	<b>212,167</b>	<b>(76,361)</b>	<b>135,806</b>	<b>215,757</b>	<b>(74,203)</b>	<b>141,554</b>
Cash paid for claims settled in the year	(82,027)	278	(81,749)	(106,268)	6,153	(100,115)
Increase in liabilities						
– arising from current year claims	100,944	(16,242)	84,702	127,247	(11,970)	115,277
– arising from prior year claims	(4,538)	309	(4,229)	(24,569)	3,659	(20,910)
<b>Total at the end of the year</b>	<b>226,546</b>	<b>(92,016)</b>	<b>134,530</b>	<b>212,167</b>	<b>(76,361)</b>	<b>135,806</b>
Claims incurred and reported	313,164	(123,440)	189,724	290,963	(97,788)	193,175
Claims incurred but not reported	(90,267)	31,424	(58,843)	(82,565)	21,427	(61,138)
Claims handling provision	3,649	–	3,649	3,769	–	3,769
<b>Total at the end of the year</b>	<b>226,546</b>	<b>(92,016)</b>	<b>134,530</b>	<b>212,167</b>	<b>(76,361)</b>	<b>135,806</b>

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in Note 3.2.

#### Net movement in insurance liabilities



	2020			2019		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
<b>UNEARNED PREMIUM RESERVE</b>						
At the beginning of the year	99,877	(7,570)	92,307	106,517	(8,232)	98,285
Charged to the profit or loss account	(12,527)	(335)	(12,862)	(6,640)	662	(5,978)
<b>Total at the end of the year</b>	<b>87,350</b>	<b>(7,905)</b>	<b>79,445</b>	<b>99,877</b>	<b>(7,570)</b>	<b>92,307</b>

#### 3.1.2 Movement in deferred acquisition costs

	2020 £'k	2019 £'k
<b>DEFERRED ACQUISITION COSTS</b>		
At the beginning of the year	16,211	15,761
Net (decrease)/increase during the year	(1,420)	450
<b>Total at the end of the year</b>	<b>14,791</b>	<b>16,211</b>

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**3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)****3.2 Receivables arising from insurance and reinsurance contracts****ACCOUNTING POLICY**

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss account.

	<b>2020</b>	<b>2019</b>
	<b>£'k</b>	<b>£'k</b>
Due from brokers and intermediaries	<b>11,374</b>	15,328
Due from policyholders	<b>22,702</b>	22,526
Due from reinsurers	–	–
Less: provision for impairment of broker and intermediary receivables	<b>(100)</b>	(100)
<b>Total at the end of the year</b>	<b>33,976</b>	37,754

The carrying value of insurance and other receivables approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

**3.3 Payables arising from insurance and reinsurance contracts****ACCOUNTING POLICY**

Payables are recognised when due. Reinsurance payables represent premiums payable to reinsurers in respect of contracts which have been entered into at the date of the financial position.

	<b>2020</b>	<b>2019</b>
	<b>£'k</b>	<b>£'k</b>
Insurance creditors	<b>1,034</b>	1,073
Amounts due to reinsurers	<b>5,212</b>	4,936
<b>Total at the end of the year</b>	<b>6,246</b>	6,009

Payables arising from insurance and reinsurance contracts are expected to be settled within 12 months. The carrying value of payables approximates fair value.

### 3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

#### 3.4 Insurance claims

	2020			2019		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
Movement in claims provision <sup>(1)</sup>	96,525	(15,933)	80,592	102,476	(8,311)	94,165
Movement in claims handling provision	(119)	–	(119)	267	–	267
Claims handling expenses allocated	7,637	–	7,637	7,558	–	7,558
<b>Net insurance claims</b>	<b>104,043</b>	<b>(15,933)</b>	<b>88,110</b>	<b>110,301</b>	<b>(8,311)</b>	<b>101,990</b>

(1) The movement in the claims provision includes both the movement in the provision for claims outstanding and claims paid during the year.

#### 3.4.1 Claims development tables

The presentation of the claims development tables for the Group is based on the actual date of the event that caused the claim (accident year basis).

#### Gross outstanding claims liabilities

Accident year	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	2019 £'k	2020 £'k	Total £'k
<b>Estimate of ultimate claims costs</b>											
At the end of the accident year	98,735	103,139	84,939	75,649	103,599	111,518	165,707	120,077	126,981	101,965	
– One year later	95,818	103,989	70,567	65,639	90,133	100,935	131,803	108,089	122,663		
– Two years later	90,631	94,297	63,197	62,039	82,537	94,294	123,651	107,988			
– Three years later	92,478	65,313	79,845	60,301	79,845	91,336	122,674				
– Four years later	81,715	97,170	97,170	59,149	77,095	90,789					
– Five years later	80,514	94,150	64,290	58,367	77,038						
– Six years later	80,738	88,795	63,153	58,718							
– Seven years later	80,511	88,016	63,088								
– Eight years later	80,502	87,295									
– Nine years later	80,572										
Current estimate of cumulative claims	80,572	87,295	63,088	58,718	77,038	90,789	122,674	107,988	122,663	101,965	
Cumulative payments to date	(80,244)	(83,076)	(59,719)	(57,193)	(73,576)	(79,536)	(75,924)	(78,808)	(80,102)	(37,136)	
<b>Liability recognised in balance sheet</b>	328	4,219	3,369	1,525	3,462	11,253	46,750	29,180	42,561	64,829	<b>207,476</b>
2010 and prior											<b>15,421</b>
Claims handling provision											<b>3,649</b>
<b>Total</b>											<b>226,546</b>

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**3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)****3.4 Insurance claims (continued)****3.4.1 Claims development tables (continued)**

Net outstanding claims liabilities

Accident year	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	2019 £'k	2020 £'k	Total £'k
<b>Estimate of ultimate claims costs</b>											
At the end of the accident year	94,171	89,901	77,316	74,609	97,288	104,808	106,478	111,433	115,011	85,723	
– One year later	90,742	81,403	64,071	65,639	85,814	93,664	96,446	99,649	111,550		
– Two years later	87,494	75,938	59,301	60,953	81,164	87,824	91,806	98,641			
– Three years later	81,950	73,606	57,739	59,741	77,869	85,243	91,179				
– Four years later	78,509	74,304	56,947	59,008	76,409	84,995					
– Five years later	77,534	72,731	56,892	58,259	76,254						
– Six years later	77,496	76,624	56,593	58,481							
– Seven years later	77,266	72,296	56,572								
– Eight years later	77,256	72,237									
– Nine years later	77,326										
Current estimate of cumulative claims	77,326	72,237	56,572	58,481	76,254	84,995	91,179	98,641	111,550	85,723	
Cumulative payments to date	(76,998)	(72,213)	(54,404)	(57,193)	(73,487)	(79,438)	(75,842)	(78,808)	(80,102)	(37,136)	
<b>Liability recognised in balance sheet</b>	328	24	2,168	1,288	2,767	5,557	15,337	19,833	31,448	48,587	<b>127,337</b>
2010 and prior											<b>3,544</b>
Claims handling provision											<b>3,649</b>
<b>Total</b>											<b>134,530</b>

**3.5 Underwriting risk**

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group issues only motor insurance contracts, which usually cover a 12-month duration. For these contracts, the most significant risks arise from severe weather conditions or single catastrophic events. For longer-tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of policyholders and geographical areas within the UK. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across policyholders. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on a non-proportional basis. This non-proportional reinsurance is excess-of-loss, designed to mitigate the Group's net exposure to single large claims or catastrophe losses. The current reinsurance programme in place has a retention limit of £1m, with no upper limit. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded reinsurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. There is no single counterparty exposure that exceeds 25% of total reinsurance assets at the reporting date.

### 3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)

#### 3.5 Underwriting risk (continued)

##### Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

##### Sensitivities

The motor claim liabilities are primarily sensitive to the reserving assumptions noted above. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The table shows the impact of a 10% increase in the gross loss ratio applied to all underwriting years which have a material outstanding claims reserve, and a 10% increase in gross outstanding claims across all underwriting years, taking into account the impact of an increase in the operational costs associated with handling those claims.

	Increase/(decrease) in profit after tax <sup>(1)</sup>		Increase/(decrease) In total equity	
	2020 £'k	2019 £'k	2020 £'k	2019 £'k
<b>At 31 December</b>				
Insurance risk				
Impact of a 10% increase in gross loss ratio	(9,945)	(10,814)	(9,945)	(10,814)
Impact of a 10% increase in gross outstanding claims and claims provision	(8,971)	(9,473)	(8,971)	(9,473)

A substantial increase in individually large claims which are over our reinsurance retention limit, generally will have no impact on profit before tax. The table shows the impact of a 10% increase on a net basis.

	Increase/(decrease) in profit after tax <sup>(1)</sup>		Increase/(decrease) In total equity	
	2020 £'k	2019 £'k	2020 £'k	2019 £'k
<b>At 31 December</b>				
Insurance risk				
Impact of a 10% increase in net loss ratio	(12,239)	(10,872)	(12,239)	(10,872)
Impact of a 10% increase in net outstanding claims and claims provision	(10,897)	(9,160)	(10,897)	(9,160)

(1) In prior year note disclosures the impact was disclosed as profit before tax.

##### COVID-19

Management has evaluated the short-term impact of COVID-19 on the Group's earnings and capital position, and has assessed the risks associated with this. The most material risk in the short term is a significant drop in premium. Expectations regarding claims frequency and changes in claims costs and settlement patterns have been considered in calculating the Group's insurance liabilities.

##### Climate change

Management has assessed the short, medium and long-term risks which result from climate change. The short-term risk is low. Given the geographical diversity of the Group's policyholders within the UK and the Group's reinsurance programme, it is highly unlikely that a climate event will materially impact the Group's ability to continue trading. More likely is that the costs associated with the transition to a low-carbon economy will impact the Group's indemnity spend in the medium term, as electronic vehicles are currently relatively expensive to fix. This is somewhat, or perhaps completely, offset by advances in technology reducing the frequency of claims, in particular bodily injury claims which are generally far more expensive than damage to vehicles. These changes in the costs of claims are gradual and as such reflected in the Group's claims experience and fed into the pricing of policies. However, if the propensity to travel by car decreases overall this could impact the Group's income in the long term.

#### 3.6 Insurance related credit risk

Key insurance related areas where the Group is exposed to credit default risk are:

- Reinsurers default on presentation of a large claim or dispute of cover
- Reinsurers default on their share of the Group's insurance liabilities
- Default on amounts due from insurance contract intermediaries or policyholders

Sabre uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their credit worthiness. Sabre's largest reinsurance counterparty is Munich Re. The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

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**3. INSURANCE LIABILITIES AND REINSURANCE ASSETS (CONTINUED)****3.6 Insurance related credit risk (continued)**

The following tables demonstrate the Group's exposure to credit risk in respect of overdue insurance debt and counterparty creditworthiness. Unearned premium reserve ("UPR") is excluded as there are no credit risks inherent in them. In previous years UPR was included and has now been excluded in the comparative numbers.

**Overdue insurance related debt**

	Neither past due nor impaired £'k	Past due 1-90 days £'k	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
<b>At 31 December 2020</b>					
Reinsurance assets (excluding UPR)	92,016	–	–	–	92,016
Insurance receivables	33,821	155	–	–	33,976
<b>Total</b>	<b>125,992</b>	<b>155</b>	<b>–</b>	<b>–</b>	<b>126,147</b>

	Neither past due nor impaired £'k	Past due 1-90 days £'k	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
<b>At 31 December 2019</b>					
Reinsurance assets (excluding UPR)	76,361	–	–	–	76,361
Insurance receivables	37,669	85	–	–	37,754
<b>Total</b>	<b>114,030</b>	<b>85</b>	<b>–</b>	<b>–</b>	<b>114,115</b>

**Exposure by credit rating**

	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
<b>At 31 December 2020</b>							
Reinsurance assets (excluding UPR)	–	45,809	46,207	–	–	–	92,016
Insurance receivables	–	–	–	–	–	33,976	33,976
<b>Total</b>	<b>–</b>	<b>66,489</b>	<b>25,527</b>	<b>–</b>	<b>–</b>	<b>33,976</b>	<b>125,992</b>

	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
<b>At 31 December 2019</b>							
Reinsurance assets (excluding UPR)	–	56,856	19,505	–	–	–	76,361
Insurance receivables	–	–	–	–	–	37,754	37,754
<b>Total</b>	<b>–</b>	<b>56,856</b>	<b>19,505</b>	<b>–</b>	<b>–</b>	<b>37,754</b>	<b>114,115</b>

**4. FINANCIAL ASSETS****RISK MANAGEMENT**

Refer to the following notes for detail on risks relating to financial assets:

Investment concentration risk – Note 4.2

Credit risk – Note 4.6

Liquidity risk – Note 6

The Group's financial assets are summarised below:

	Notes	2020 £'k	2019 £'k
Debt securities held at fair value through other comprehensive income	4.1.1	246,281	–
Debt securities held at fair value through the profit or loss account	4.1.2	–	263,629
Loans and receivables	4.4	84	31
Cash and cash equivalents	4.5	37,904	31,791
<b>Total financial assets</b>		<b>284,269</b>	<b>295,451</b>

## 4. FINANCIAL ASSETS (CONTINUED)

### 4.1 Debt securities at fair value

#### 4.1.1 Debt securities held at fair value through other comprehensive income

##### ACCOUNTING POLICY – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME UNDER IFRS 9 (FROM 1 JANUARY 2020)

###### Classification

The Group classifies the following financial assets at fair value through other comprehensive income ("FVOCI"):

- Debt securities

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at fair value through the profit or loss account ("FVTPL"):

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding on specified dates

###### Recognition and measurement

At initial recognition, the Group measures debt securities through other comprehensive income at fair value, plus the transaction costs that are directly attributable to the acquisition of the financial asset. Debt securities at fair value through other comprehensive income are subsequently measured at fair value.

###### Impairment

At each reporting date, the Group assesses debt securities at FVOCI for impairment. Under IFRS 9 a "three-stage" model for calculated Expected Credit Losses ("ECL") is used, and is based on changes in credit quality since initial recognition. Refer to Note 4.6.

The Group's debt securities held at fair value through other comprehensive income are summarised below:

	2020		2019	
	£'k	% holdings	£'k	% holdings
Government bonds	121,859	49.48%	–	0.00%
Government-backed securities	84,210	34.19%	–	0.00%
Corporate bonds	40,212	16.33%	–	0.00%
<b>Total debt securities</b>	<b>246,281</b>	<b>100.00%</b>	–	0.00%

#### 4.1.2 Debt securities held at fair value through the profit or loss account

##### ACCOUNTING POLICY – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS UNDER IAS 39 (PRIOR TO 2020 FINANCIAL YEAR)

###### Classification

On initial recognition, management designated the following financial assets at fair value through profit or loss:

- Debt securities

The Group has previously elected to designate debt instruments as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. Debt instruments at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed through profit or loss.

###### Recognition and measurement

Subsequent to initial recognition, debt securities at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss in the period in which they arise.

Debt securities held at fair value through profit or loss are shown in the balance sheet at market bid price at the date of the statement of financial position less accrued interest where applicable.

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**4. FINANCIAL ASSETS (CONTINUED)****4.1.2 Debt securities held at fair value through the profit or loss account (continued)**

The Group's debt securities held at fair value through the profit or loss account:

	2020		2019	
	£'k	% holdings	£'k	% holdings
Government bonds	–	0.00%	263,629	100.00%
Government-backed securities	–	0.00%	–	0.00%
Corporate bonds	–	0.00%	–	0.00%
<b>Total debt securities</b>	<b>–</b>	<b>0.00%</b>	<b>263,629</b>	<b>100.00%</b>

**4.2. Investment concentration risk**

Excessive exposure to particular industry sectors or groups can give rise to concentration risk. The Group has no significant investment in any particular industrial sector and therefore is unlikely to suffer significant losses through its investment portfolio as a result of over-exposure to sectors engaged in similar activities or which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

A significant part of the Group's investment portfolio consists primarily of UK Government bonds and Government backed bonds, therefore the risk of Government default does exist, however the likelihood is extremely remote. The remainder of the portfolio consists of investment grade Corporate bonds. The Group continues to monitor the strength and security of all bonds.

The Group's exposure by geographical area is outlined below:

	Government bonds £'k	Government-backed securities £'k	Corporate bonds £'k	Total £'k	% holdings
<b>At 31 December 2020</b>					
United Kingdom	121,859	10,505	17,922	150,286	61.02%
Europe	–	61,018	15,727	76,745	31.16%
North America	–	12,687	6,563	19,250	7.82%
<b>Total</b>	<b>121,859</b>	<b>84,210</b>	<b>40,212</b>	<b>246,281</b>	<b>100.00%</b>

	Government bonds £'k	Government-backed securities £'k	Corporate bonds £'k	Total £'k	% holdings
<b>At 31 December 2019</b>					
United Kingdom	263,629	–	–	263,629	100.00%
Europe	–	–	–	–	0.00%
North America	–	–	–	–	0.00%
<b>Total</b>	<b>263,629</b>	<b>–</b>	<b>–</b>	<b>263,629</b>	<b>100.00%</b>

The Group's exposure by investment type for government-backed securities and corporate bonds is outlined below:

	Agency £'k	Supranational £'k	Total £'k
<b>At 31 December 2020</b>			
Government-backed securities	59,309	24,901	84,210
% of holdings	70.43%	29.57%	100.00%

	Financial £'k	Industrial £'k	Utilities £'k	Total £'k
<b>At 31 December 2020</b>				
Corporate bonds	21,863	16,160	2,189	40,212
% of holdings	54.37%	40.19%	5.44%	100.00%

The Group held no government-backed securities or corporate bonds as at 31 December 2019.

## 4. FINANCIAL ASSETS (CONTINUED)

### 4.3. Fair value

#### ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date.

The Group measures the fair value of an instrument using the quoted bid price in an active market for that instrument. A market is regarded as active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing bid price.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's view of market assumptions in the absence of observable market information.

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- **Level 1:** fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3:** fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (unobservable inputs)

#### Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing bid price. These instruments are included in Level 1 and comprise only debt securities classified as fair value through other comprehensive income.

#### Level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in Level 2. The Group has no Level 2 financial instruments.

#### Level 3

If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The Group has no Level 3 financial instruments.

The following table summarises the classification of financial instruments:

As at 31 December 2020	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
<b>Assets held at fair value</b>				
Financial investments	246,281	–	–	246,281
<b>Total assets</b>	<b>246,281</b>	<b>–</b>	<b>–</b>	<b>246,281</b>
As at 31 December 2019	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
<b>Assets held at fair value</b>				
Financial investments	263,629	–	–	263,629
<b>Total assets</b>	<b>263,629</b>	<b>–</b>	<b>–</b>	<b>263,629</b>

#### Transfers between levels

There have been no transfers between levels during the year (2019: no transfers).

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## 4. FINANCIAL ASSETS (CONTINUED)

### 4.4. Loans and receivables

#### ACCOUNTING POLICY

##### Classification

The Group classifies its loans and receivables as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows
- The contractual terms give rise to cash flows that are solely payments of principle and interest

##### Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

##### Impairment

The Group applies the general approach to providing for expected credit losses prescribed by IFRS 9. To measure the expected credit losses, loans and receivables have been grouped based on shared credit risk characteristics and the days past due to create the categories namely performing, underperforming and not performing. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before year end. The loss rates are adjusted to reflect current and forward-looking information on macro-economic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables. Receivables that are 30 days or more past due are considered to be "not performing" and the default rebuttable presumption of 90 days prescribed by IFRS 9 is not applied.

##### Performing

Customers have a low risk of default and a strong capacity to meet contractual cash flows.

##### Underperforming

Loans for which there is a significant increase in credit risk. A significant increase in credit risk is presumed if interest and/or principle repayments are past due.

##### Not performing

Interest and/or principle repayments are 30 days past due.

The Group's loans and receivables comprises of:

	2020 £'k	2019 £'k
Other debtors	86	31
Provision for expected credit losses	(2)	–
<b>Total</b>	<b>84</b>	<b>31</b>

The estimated fair values of loans and receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximates fair value. Provision for expected credit losses are based on the recoverability of the individual loans and receivables.

	ECL rate £'k	ECL method £'k	Gross £'k	Provision opening balance £'k	(Released)/ raised in the period £'k	Provision closing balance £'k	Net £'k
<b>At 31 December 2020</b>							
Performing	2.5%	Lifetime	86	–	(2)	(2)	84
Underperforming	25.0%	Lifetime	–	–	–	–	–
Not performing	50.0%	Lifetime	–	–	–	–	–
<b>Total</b>			<b>86</b>	<b>–</b>	<b>(2)</b>	<b>(2)</b>	<b>84</b>

The forward-looking information considered was deemed to have an immaterial impact on expected credit losses.

## 4. FINANCIAL ASSETS (CONTINUED)

### 4.5. Cash and cash equivalents

#### ACCOUNTING POLICY – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held on call with banks. Cash and cash equivalents are carried at amortised cost.

	2020 £'k	2019 £'k
Cash and cash equivalents	37,904	31,791
<b>Total</b>	<b>37,904</b>	<b>31,791</b>

Cash and cash equivalents include money market funds with no notice period for withdrawal.

The carrying value of cash and cash equivalents approximates fair value. The full value is expected to be realised within 12 months. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 the identified impairment loss was immaterial.

### 4.6. Credit risk

#### ACCOUNTING POLICY – IMPAIRMENT UNDER IFRS 9 (SINCE 1 JANUARY 2020)

##### Impairment of financial assets

At each reporting date, the Group assesses financial assets measured at amortised cost and debt securities at FVOCI for impairment. Under IFRS 9 a “three-stage” model for calculated Expected Credit Losses (“ECL”) is used, and is based on changes in credit quality since initial recognition as summarised below:

##### Performing financial assets

- Stage 1: From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date (“12-month ECL”).
- Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset (“Lifetime ECL”). The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default (“PD”). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

##### Impaired financial assets

- Stage 3: When a financial asset is considered to be credit-impaired, the allowance for credit losses (“ACL”) continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

##### Application of the new impairment model

The Group applies IFRS 9’s new ECL model to two main types of financial assets that are measured at amortised cost or FVOCI:

- **Other receivables**, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one.
- **Debt securities**, to which the general three-stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. The probability is determined by the estimated risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, from investment grade to non-investment grade, allowances are recognised without a change in the expected cash flows (although typically expected cash flows do also change) and expected credit losses are rebased from 12-month to lifetime expectations.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions.

##### Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in the profit or loss account and accounted for as a transfer from OCI to profit or loss, instead of reducing the carrying amount of the asset.

##### Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

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## 4. FINANCIAL ASSETS (CONTINUED)

## 4.6. Credit risk (continued)

## Exposure by credit rating

At 31 December 2020	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
UK Government bonds	–	121,859	–	–	–	–	121,859
Government-backed securities	61,649	12,164	10,397	–	–	–	84,210
Corporate bonds	–	2,087	20,094	18,031	–	–	40,212
Loans and other receivables	–	–	–	–	–	84	84
Cash and cash equivalents	20,957	63	16,884	–	–	–	37,904
<b>Total</b>	<b>82,606</b>	<b>136,173</b>	<b>47,375</b>	<b>18,031</b>	<b>–</b>	<b>84</b>	<b>284,269</b>

At 31 December 2019	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
UK Government bonds	–	263,629	–	–	–	–	263,629
Government-backed securities	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–
Loans and other receivables	–	–	–	–	–	31	31
Cash and cash equivalents	–	18,840	–	12,951	–	–	31,791
<b>Total</b>	<b>–</b>	<b>282,469</b>	<b>–</b>	<b>12,951</b>	<b>–</b>	<b>31</b>	<b>295,451</b>

With exception of loans and other receivables, all the Company's financial assets are investment grade (AAA to BBB).

## Analysis of credit risk and allowance for ECL

The following table provides an overview of the allowance for ECL provided for on the types of financial assets held by the Group where credit risk is prevalent.

At 31 December 2020	Gross carrying amount £'k	Allowance for ECL £'k	Carrying value in the balance sheet £'k
Government bonds	121,859	(10)	121,849
Government-backed securities	84,210	(2)	84,208
Corporate bonds	40,212	(36)	40,176
Loans and other receivables	84	(2)	82
Cash and cash equivalents	37,904	–	37,904
<b>Total</b>	<b>284,269</b>	<b>(50)</b>	<b>284,219</b>

At 31 December 2019	Gross carrying amount £'k	Allowance for ECL £'k	Carrying value in the balance sheet £'k
Government bonds	263,629	–	263,629
Government-backed securities	–	–	–
Corporate bonds	–	–	–
Loans and other receivables	31	–	31
Cash and cash equivalents	31,791	–	31,791
<b>Total</b>	<b>295,451</b>	<b>–</b>	<b>295,451</b>

## 4.7. Interest rate risk – financial assets

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. Currently the Group holds only fixed rate securities.

The Group's interest risk policy requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group has a concentration of interest rate risk in UK Government Bonds and other fixed-income securities.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Note that the Group's investment portfolio has been designed such that the cash flows yielded from investments match the projected outflows inherent primarily within the claims reserve. While these insurance liabilities are shown on an undiscounted basis under IFRS, their economic value will move broadly in line with the underlying assets.

#### 4. FINANCIAL ASSETS (CONTINUED)

##### 4.7. Interest rate risk – financial assets (continued)

The impact of any movement in market values, such as those caused by changes in interest rates, is taken through other comprehensive income, and not profit after tax, in 2020. In 2019, such movements were taken through the profit or loss account.

At 31 December	Increase/(decrease) in profit after tax		Increase/(decrease) in total equity	
	2020 £'k	2019 £'k	2020 £'k	2019 £'k
<b>Interest rate</b>				
Impact of a 100-basis point increase in interest rates on financial investments	–	(2,157)	(1,958)	(2,157)

##### 4.8. Investment income

###### ACCOUNTING POLICY

Debt instruments classified as FVOCI are measured using the effective interest rate which allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

	2020 £'k	2019 £'k
<b>Amounts recognised in profit or loss</b>		
<b>Interest income on financial assets using effective interest rate method</b>		
Interest income from debt securities	1,680	–
Investment fees	(331)	–
Interest income from cash and cash equivalents	68	64
	1,417	64
<b>Other interest and similar income</b>		
Interest income from debt securities	–	8,163
Investment fees	–	(87)
	–	8,076
<b>Total investment income</b>	1,417	8,140

##### 4.9. Net gains/(losses) from fair value adjustments on financial assets

###### ACCOUNTING POLICY

Movements in the fair value of debt instruments classified as FVOCI are taken through the OCI. When the instruments are derecognised, the cumulative gain or losses previously recognised in OCI is reclassified to profit or loss.

	2020 £'k	2019 £'k
<b>Profit or loss</b>		
Realised losses on debt securities at fair value through profit or loss	–	(8,403)
Unrealised gains on debt securities at fair value through profit or loss	–	2,668
<b>Net fair value losses on financial assets at fair value through profit or loss</b>	–	(5,735)
<b>Other Comprehensive Income</b>		
Fair value gains on debt securities	2,415	–
Expected credit loss through OCI	21	–
<b>Net fair value gains on debts securities through other comprehensive income</b>	2,436	–

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**5. FINANCIAL LIABILITIES**

The Group's financial liabilities are summarised below:

	Notes	2020 £'k	2019 £'k
<i>Financial liabilities at amortised cost</i>			
Lease liabilities	5.1	194	194
Trade and other payables, excluding insurance payables	5.3	5,530	6,466
<b>Total financial liabilities</b>		<b>5,724</b>	<b>6,660</b>

**5.1. Lease liability**

	2020 £'k	2019 £'k
<b>As at the beginning of the year</b>	<b>194</b>	<b>440</b>
<i>Cash movements</i>		
Lease payments	(264)	(264)
<i>Non-cash movements</i>		
Lease extension during the year	251	–
Interest	13	18
<b>As at 31 December 2019</b>	<b>194</b>	<b>194</b>
Current	194	194
Non-current	–	–

**5.2. Finance costs****ACCOUNTING POLICY**

Finance costs are recognised using the effective-interest method.

	2020 £'k	2019 £'k
Interest on lease liabilities	13	18
<b>Total</b>	<b>13</b>	<b>18</b>

**5.3. Trade and other payables, excluding insurance payables****ACCOUNTING POLICY**

Trade and other payables, including accruals, are recognised when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Group. Trade and other payables are carried at amortised cost.

	2020 £'k	2019 £'k
Trade and other creditors	1,345	1,053
Other taxes	4,185	5,413
<b>Total</b>	<b>5,530</b>	<b>6,466</b>

## 6. LIQUIDITY RISK

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch or inability to raise sufficient liquid assets without suffering a substantial loss on realisation. The Group manages its liquidity risk through both ensuring that it holds sufficient cash and cash equivalent assets to meet all short-term liabilities, and matching the maturity profile of its financial investments to the expected cash outflows.

The liquidity of the Group's insurance liabilities and supporting assets is given in the tables below.

At 31 December 2020	Total £'k	Within 1 year £'k	1-3 years £'k	3-5 years £'k	5-10 years £'k	Over 10 years £'k
Reinsurance assets, excluding UPR <sup>(1)</sup>	92,016	33,541	34,203	17,654	6,618	–
Government bonds	121,859	60,861	43,158	14,019	3,821	–
Government-backed securities	84,210	–	17,338	66,872	–	–
Corporate bonds	40,212	–	6,763	31,263	2,186	–
Cash and cash equivalents <sup>(2)</sup>	37,904	37,904	–	–	–	–
<b>Total</b>	<b>376,201</b>	<b>132,306</b>	<b>101,462</b>	<b>129,808</b>	<b>12,625</b>	<b>–</b>

At 31 December 2020	Total £'k	Within 1 year £'k	1-3 years £'k	3-5 years £'k	5-10 years £'k	Over 10 years £'k
Insurance liabilities, excluding UPR <sup>(1)</sup>	226,546	100,794	82,568	33,113	10,071	–
Insurance payable	6,246	6,246	–	–	–	–
Lease liabilities	194	194	–	–	–	–
Trade and other payables	5,530	5,530	–	–	–	–
<b>Total</b>	<b>238,516</b>	<b>112,764</b>	<b>82,568</b>	<b>33,113</b>	<b>10,071</b>	<b>–</b>

(1) Unearned premiums are excluded as there are no liquidity risks inherent in them.

(2) Includes money market funds with no notice period for withdrawal.

At 31 December 2019	Total £'k	Within 1 year £'k	1-3 years £'k	3-5 years £'k	5-10 years £'k	Over 10 years £'k
Reinsurance assets, excluding UPR <sup>(1)</sup>	76,361	24,883	28,299	17,543	5,636	–
UK Government bonds	263,629	154,080	78,343	22,640	8,566	–
Government-backed securities	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Cash and cash equivalents <sup>(2)</sup>	31,791	31,791	–	–	–	–
<b>Total</b>	<b>371,781</b>	<b>210,754</b>	<b>106,642</b>	<b>40,183</b>	<b>14,202</b>	<b>–</b>

At 31 December 2019	Total £'k	Within 1 year £'k	1-3 years £'k	3-5 years £'k	5-10 years £'k	Over 10 years £'k
Insurance liabilities, excluding UPR <sup>(1)</sup>	212,167	95,975	74,970	32,729	8,493	–
Insurance payables	6,009	6,009	–	–	–	–
Lease liabilities	194	194	–	–	–	–
Trade and other payables	6,466	6,466	–	–	–	–
<b>Total</b>	<b>224,836</b>	<b>108,644</b>	<b>74,970</b>	<b>32,729</b>	<b>8,493</b>	<b>–</b>

(1) Unearned premiums are excluded as there are no liquidity risks inherent in them.

(2) Includes money market funds with no notice period for withdrawal.

The above tables include the expected claims on unearned premiums within insurance liabilities. The maturity of insurance liabilities is based upon an estimate of expected settlement date.

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## 7. OTHER OPERATING INCOME

### ACCOUNTING POLICY

Other operating income consists of marketing fees, commissions resulting from the sale of ancillary products connected to the Group's direct business, and other non-insurance income such as administrative fees charged on direct business. Such income is recognised once the related service has been performed. Typically, this will be at the point of sale of the product.

	2020 £'k	2019 £'k
Marketing fees	834	1,061
Fee income from the sale of auxiliary products and services	113	123
Administration fees	1,224	56
<b>Total</b>	<b>2,171</b>	<b>1,240</b>

The year-on-year increase in administration fees is a result of a change in classification for certain refunds, which were previously classified within other technical income but are now classified within premium.

The Group provides only one product to clients, which is motor insurance, which is written solely in the UK. The Group has no other lines of business, nor does it operate outside of the UK. Information is reported to the chief operating decision makers and the Board on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board. Premium numbers are disclosed on the face of the profit or loss account and does not have a separate disclosure note. Other income relates to auxiliary products and services, including marketing and administration fees, all relating to the motor insurance business. The Group does not have a single client which accounts for more than 10% of revenue.

## 8. OPERATING EXPENSES

	Notes	2020 £'k	2019 £'k
Employee expenses	8.1	13,518	12,581
Property expenses		394	384
IT expense including IT depreciation		4,965	5,274
Other depreciation		45	45
Industry levies		5,170	1,812
Policy servicing costs		2,463	2,334
Other operating expenses		3,055	3,053
Expected credit loss on financial assets		23	–
Impairment loss on owner occupied properties	9.1	65	–
<b>Before adjustments for deferred acquisition costs and claims handling expenses</b>		<b>29,698</b>	<b>25,483</b>
<i>Adjusted for:</i>			
Claims handling expense reclassification		(7,637)	(7,559)
Movement in deferred acquisition costs		309	(1,176)
<b>Total operating expenses</b>		<b>22,370</b>	<b>16,748</b>

The Group makes provision for all industry levies, such as Motor Insurance Bureau and Financial Conduct Authority. During 2019 the accrual in respect of the Motor Insurance Bureau levy was reduced by £3,325k, reflecting a decreased uncertainty over the level of future levies. There is not an equivalent release in 2020.

## 8. OPERATING EXPENSES (CONTINUED)

### 8.1. Employee expenses

#### ACCOUNTING POLICY

##### A. Pensions

For staff who were employees on 8 February 2002, the Group operates a non-contributory defined contribution Group personal pension scheme. The contribution by the Group depends on the age of the employee.

For employees joining since 8 February 2002, the Group operates a matched contribution Group personal pension scheme where the Group contributes an amount matching the contribution made by the staff member.

Contributions to defined contribution schemes are recognised in the profit or loss account in the period in which they become payable.

##### B. Share-based payments

The fair value of equity instruments granted under share-based payment plans are recognised as an expense and spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date, excluding the impact of any non-market vesting conditions. At the date of each statement of financial position, the Group revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit or loss account, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

##### C. Leave pay

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

The aggregate remuneration of those employed by the Group's operations comprised:

	2020 £'k	2019 £'k
Wages and salaries	9,568	9,471
Issue of share-based payments	1,648	1,106
Social security expenses	1,460	1,250
Pension expenses	511	471
Other staff expenses	331	283
<b>Before adjustments for deferred acquisition costs and claims handling expenses</b>	<b>13,518</b>	<b>12,581</b>
<i>Adjusted for:</i>		
Claims handling expense reclassification	(5,696)	(5,528)
Movement in deferred acquisition costs	(26)	(1,072)
<b>Employee expenses</b>	<b>7,796</b>	<b>5,981</b>

Employee costs of £5,696k (2019: £5,528k) have been classified as part of claims handling expenses (Note 3.4). Wages and salaries include a net movement in deferred acquisition costs (Note 3.1.2) of £26k (2019: £1,072k).

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**8. OPERATING EXPENSES (CONTINUED)****8.2. Number of employees**

The table below analyses the average monthly number of persons employed by the Group's operations.

	2020	2019
Operations	130	131
Support	31	29
<b>Total</b>	<b>161</b>	<b>160</b>

**8.3. Directors' remuneration**

Amounts paid to Directors are disclosed within the Remuneration Committee Report on page 77 of the Annual Report and Accounts.

**8.4. Auditors' remuneration**

The table below analyses the Auditor's remuneration in respect of the Group's operations.

	2020 £'k	2019 £'k
Audit of these financial statements	110	56
Audit of financial statements of subsidiaries of the Group	295	208
<b>Total audit fees</b>	<b>405</b>	<b>264</b>
Fees for non-audit services – Audit related assurance services	78	78
<b>Total non-audit fees</b>	<b>78</b>	<b>78</b>
<b>Total auditor remuneration</b>	<b>483</b>	<b>342</b>

The above fees exclude irrecoverable VAT of 20%

**9. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of owned and leased assets that do not meet the definition of investment property.

	2020 £'k	2019 £'k
Property, plant and equipment – owned	4,174	4,568
Property, plant and equipment – leased (Right-of-use assets)	189	189
<b>Total</b>	<b>4,363</b>	<b>4,757</b>

**9.1. Owned assets****ACCOUNTING POLICY****A. Owner-occupied property**

Owner-occupied properties are held by the Group for use in the supply of services or, for its own administration purposes.

Owner-occupied property is held at fair value, with subsequent revaluation gains taken through other comprehensive income. A fair value assessment of the owner-occupied property is undertaken at each reporting date with any material changes in fair value recognised.

Owner-occupied property is also revalued by an external qualified surveyor, at least every three years. Owner-occupied land is not depreciated. As the depreciation of owner-occupied buildings is immaterial and properties are revalued every three years, no depreciation is charged on owner-occupied buildings.

**B. Fixtures, fittings and computer equipment**

Fixtures, fittings and computer equipment are stated at historical cost less accumulated depreciation and impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the profit or loss account over the estimated useful life of each significant part of an item of fixtures, fittings and computer equipment, using the straight-line basis.

*Estimate useful lives are as follow:*

Fixtures and fittings	5 years
Computer equipment	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax.

Repairs and maintenance costs are charged to the profit or loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits from the existing asset will flow to the Group.

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 9.1. Owned assets (continued)

	Owner-occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
<b>Cost/Valuation</b>				
<b>At 1 January 2020</b>	4,055	235	813	5,103
Additions	–	–	12	12
Disposals	–	–	–	–
Revaluation	(165)	–	–	(165)
<b>At 31 December 2020</b>	3,890	235	825	4,950
<b>Accumulated depreciation and impairment</b>				
<b>At 1 January 2020</b>	–	140	395	535
Depreciation charge for the year	–	45	131	176
Disposals	–	–	–	–
Impairment losses on revaluation	65	–	–	65
<b>At 31 December 2020</b>	65	185	526	776
<b>Carrying amount</b>				
<b>As at 31 December 2020</b>	3,825	50	299	4,174

	Owner-occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
<b>Cost/Valuation</b>				
<b>At 1 January 2019</b>	4,055	720	1,997	6,772
Additions	–	19	344	363
Disposals	–	(504)	(1,528)	(2,032)
Revaluation	–	–	–	–
<b>At 31 December 2019</b>	4,055	235	813	5,103
<b>Accumulated depreciation and impairment</b>				
<b>At 1 January 2019</b>	–	599	1,803	2,402
Depreciation charge for the year	–	45	120	165
Disposals	–	(504)	(1,528)	(2,032)
Impairment losses on revaluation	–	–	–	–
<b>At 31 December 2019</b>	–	140	395	535
<b>Carrying amount</b>				
<b>As at 31 December 2019</b>	4,055	95	418	4,568

The Group holds two owner-occupied properties, Sabre House and The Old House, which are both managed by the Group. In accordance with the Group's accounting policies, owner-occupied buildings are not depreciated. The properties are measured at fair value which is arrived at on the basis of a valuation carried out on 1 December 2020 by Hurst Warne and Partners LLP. The valuation was carried out on an open-market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. Whilst transaction evidence underpins the valuation process, the definition of market value, including the commentary, in practice requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historical market sentiment based on historical transactional comparables.

The fair value of the owner-occupied properties was derived using the investment method supported by comparable evidence. The significant non-observable inputs used in the valuations are the expected rental values per square foot and the capitalisation rates. The fair value of the owner-occupied properties valuation would increase (decrease) if the expected rental values per square foot were to be higher (lower) and the capitalisation rates were to be lower (higher).

The fair value measurement of owner-occupied properties of £3,825k (2019: £4,055k), has been categorised as a Level 3 fair value based on the non-observable inputs to the valuation technique used.

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**9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****9.1. Owned assets (continued)**

The following table shows reconciliation to the closing fair value for the Level 3 owner-occupied property at valuation:

Owner-occupied	2020 £'k	2019 £'k
<b>At 1 January</b>	<b>4,055</b>	4,055
Purchase	–	–
Revaluation losses	<b>(165)</b>	–
Impairment losses	<b>(65)</b>	–
<b>At 31 December</b>	<b>3,825</b>	4,055

Revaluation losses are charged against the related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. Any additional losses are charged as an impairment loss in the profit or loss account. Reversal of such impairment losses in future periods will be credited to the profit or loss account to the extent losses were previously charged to the profit or loss account.

The table below shows the impact a 15% decrease in property markets will have on the Company's profit after tax and equity:

At 31 December	Increase/(decrease) in profit after tax		Increase/(decrease) in total equity	
	2020 £'k	2019 £'k	2020 £'k	2019 £'k
<b>Owner-occupied property</b>				
Impact of a 15% decrease in property markets	<b>(131)</b>	–	<b>(465)</b>	(493)

**Historical cost model values**

If owner-occupied properties were carried under the cost model (historical costs, less accumulated depreciation and impairment losses), the value of owner-occupied properties in the balance sheet would have been £3,074k (2019: £3,129k).

**9.2. Leased assets****ACCOUNTING POLICY****Right-of-use assets**

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**Lease liabilities**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprises the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

**Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### 9.2. Leased assets (continued)

The Group has one lease contract for computer equipment used in its operations, with the exception of short-term leases and leases of low-value underlying assets. This lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9.1).

Leases of computer equipment generally have lease terms between zero and five years. The lease payments are fixed and the lease is not linked to revenue or annual changes in an index (such as the Consumer Price Index ("CPI")).

The right-of-use asset can only be used by the Group and the Group cannot sub-lease the asset. The Group is prohibited from selling or pledging the underlying assets as security. The lease may only be cancelled by incurring a termination fee. The Group's obligations under the lease are secured by the lessor's title to the leased assets. No lease contracts require the Group to maintain certain financial ratios.

The table below describes the nature of the Group's leasing activity by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	No of assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with option to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Computer equipment	1	0 to 1 years	0.75 years	1	–	–	1

### Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

	Computer equipment £'k	Total £'k
<b>As at 1 January 2020</b>	<b>189</b>	<b>189</b>
Additions	252	252
Depreciation	(252)	(252)
<b>As at 31 December 2020</b>	<b>189</b>	<b>189</b>
	Computer equipment £'k	Total £'k
<b>As at 1 January 2019 (adjusted)</b>	<b>440</b>	<b>440</b>
Additions	–	–
Depreciation	(251)	(251)
<b>As at 31 December 2019</b>	<b>189</b>	<b>189</b>

The right-of-use assets are included in the same line items as where the corresponding underlying assets would be presented if they were owned.

### Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	2020 £'k	2019 £'k
<b>As at 1 January</b>	<b>194</b>	440
Additions	252	–
Accretion of interest	13	18
Payments	(264)	(264)
<b>As at 31 December</b>	<b>195</b>	194
Current	195	194
Non-current	–	–

The maturity analysis of lease liabilities is disclosed in Note 6.

The following are the amounts recognised in the profit or loss account:

	2020 £'k	2019 £'k
Depreciation expense of right-of-use assets	252	251
Interest expense on lease liabilities	13	18
Expenses relating to short-term leases (included in IT expenses)	–	6
Expenses relating to low-value assets (included in other operating expenses)	14	14
Variable lease payments	–	–
<b>Total</b>	<b>279</b>	289

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**9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****9.2. Leased assets (continued)**

The Group had total cash outflows for leases of £278k in 2020 (2019: £284k). The Group had no non-cash additions to right-of-use assets or lease liabilities. The Group has not entered into any lease agreements which have not yet commenced.

The Group has no lease contracts that contains variable payments.

The Group's lease contract expired in October 2020. Under the lease contract, the Group can extend the lease for 12 months. Due to COVID-19, management decided to extend the lease for 12 months to minimise any disruption a new lease might have during the pandemic. At the extension date, the contract no longer contains a termination option. Management has the option to extend the lease every year for another 12-month period. Given the uncertainty on how the ongoing pandemic might impact the Group and its suppliers, no decision on extending or terminating the lease has yet been taken.

**10. TAX CHARGE****ACCOUNTING POLICY**

The taxation charge in the profit or loss account is based on the taxable profits for the year. It is Group policy to relieve profits where possible by the surrender of losses from Group companies with payment for value.

	2020 £'k	2019 £'k
<b>Current taxation</b>		
Charge for the year	9,452	10,761
	9,452	10,761
<b>Deferred taxation (Note 11)</b>		
Origination and reversal of temporary differences	(128)	7
	(128)	7
Current taxation	9,452	10,761
Deferred taxation (Note 11)	(128)	7
<b>Tax charge for the year</b>	<b>9,324</b>	<b>10,768</b>

Tax recorded in other comprehensive income is as follows.

	2020 £'k	2019 £'k
Current taxation	(31)	–
Deferred taxation	463	–
	432	–

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 19.00% (2019: 19.00%) as follows:

	2020 £'k	2019 £'k
Profit before tax	49,122	56,479
Expected tax charge	9,333	10,731
Effect of:		
Expenses not deductible for tax purposes	2	14
Adjustment of deferred tax to average rate of 19%	(24)	22
Other permanent difference	7	–
Income/loss not subject to UK taxation	7	10
Other Income Tax Adjustments	(1)	(9)
<b>Tax charge for the year</b>	<b>9,324</b>	<b>10,768</b>
Effective income tax rate	<b>18.98%</b>	19.07%

The UK Government announced on 4 March 2021 that the UK corporation tax rate would increase to 25% from 1 April 2023. It is expected that this rate increase will be enacted as a prospective measure as part of the forthcoming Finance Bill. We deem the impact of this rate increases on the deferred tax balances as at 31 December 2020 would not be material to the group.

## 11. DEFERRED TAX CHARGE

### ACCOUNTING POLICY

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

	Provisions and other temporary differences £'k	Depreciation in excess of capital allowances £'k	Share-based Payments £'k	Fair value movements in debt securities at FVOCI £'k	Total £'k
<b>At 1 January 2019</b>	17	3	197	–	217
(Debit)/Credit to the profit or loss	2	(44)	35	–	(7)
(Debit)/Credit to other comprehensive income	–	–	–	–	–
<b>At 31 December 2019</b>	19	(41)	232	–	210
(Debit)/Credit to the profit or loss	<b>2</b>	<b>17</b>	<b>115</b>	<b>(6)</b>	<b>128</b>
(Debit)/Credit to other comprehensive income	–	–	–	<b>(463)</b>	<b>(463)</b>
<b>At 31 December 2020</b>	<b>21</b>	<b>(24)</b>	<b>347</b>	<b>(469)</b>	<b>(125)</b>
				<b>2020 £'k</b>	<b>2019 £'k</b>
Per statement of financial position:					
Deferred tax assets				<b>368</b>	251
Deferred tax liabilities				<b>(493)</b>	(41)
				<b>(125)</b>	210

## 12. DIVIDENDS

### ACCOUNTING POLICY – DIVIDEND DISTRIBUTION

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the Board of Directors approves the dividend.

	2020		2019	
	pence per share	£'k	pence per share	£'k
<b>Amounts recognised as distributions to equity holders in the period</b>				
Interim dividend for the current year	<b>9.5</b>	<b>23,680</b>	4.7	11,710
Final dividend for the prior year	<b>8.1</b>	<b>20,190</b>	12.8	31,913
	<b>17.5</b>	<b>43,870</b>	17.4	43,623
<b>Proposed dividends</b>				
Final dividend <sup>(1)</sup>	<b>11.7</b>	<b>29,250</b>	8.1	20,250

(1) Subsequent to 31 December 2020, the Directors declared a final dividend for 2020 of 11.7 p per ordinary share. This dividend will be accounted for as an appropriation of retained earnings in the year ended 31 December 2021 and is not included as a liability in the Statement of Financial Position as at 31 December 2020.

The trustees of the employee share trusts waived their entitlement to dividends on shares held in the trusts to meet obligation arising on share incentive schemes, which reduced the dividends paid for the year ended 31 December 2020 by £130k (2019: £127k).

CONTINUED

**13. PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS**

	<b>2020</b>	<b>2019</b>
	<b>£'k</b>	<b>£'k</b>
Prepayments and accrued income	<b>868</b>	1,182
Accrued interest	–	2,445
<b>Total</b>	<b>868</b>	3,627

Under IFRS 9, accrued interest is reflected as part of the fair value of debt securities and no accrual is made for interest on debt securities from 1 January 2020.

The carrying value of prepayments, accrued income and other assets approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

**14. GOODWILL**

On 3 January 2014 the Group acquired Binomial Group Limited, the parent of Sabre Insurance Company Limited, for a consideration of £245,485k satisfied by cash. As from 1 January 2014, the date of transition to IFRS, goodwill was no longer amortised but is subject to annual impairment testing. The recoverable amount of the insurance business unit is based on its fair value less cost to sell.

The goodwill recorded in respect of this transaction at the date of acquisition was £156,279k. There has been no impairment to goodwill since this date, and no additional goodwill has been recognised by the Group.

The Group performed its annual impairment test as at 31 December 2020 and 31 December 2019. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020 and 31 December 2019, the Group's securities were traded on a liquid market, therefore market value could be used as a definitive indicator of market capitalisation.

**Key assumptions**

The valuation uses fair value less costs to sell. The key assumption on which management have based this value is:

- Market capitalisation of the Group at 31 December 2020 of £691,250k (2019: £770,000k).

The Directors conclude that the recoverable amount of the business unit would remain in excess of its carrying value even after reasonably possible changes in the key inputs and assumptions affecting its market value, such as a significant fall in demand for its product or a significant adverse change in the volume of claims and increase in other expenses, before the recoverable amount of the business units would reduce to less than its carrying value. Therefore, the Directors are of the opinion that there are no indicators of impairment as at 31 December 2020.

**15. SHARE CAPITAL**

	<b>2020</b>	<b>2019</b>
	<b>£'k</b>	<b>£'k</b>
<b>Authorised</b>		
250,000,000 Ordinary shares of £0.001 each	<b>250</b>	250
<b>Issued and fully paid: equity shares</b>		
250,000,000 Ordinary shares of £0.001 each	<b>250</b>	250

All shares are unrestricted and carry equal voting rights.

## 16. SHARE-BASED PAYMENTS

The Group operates equity-settled share-based schemes for all employees in the form of a Long Term Incentive Plan ("LTIP"), Deferred Bonus Plan ("DBP") and Share Incentive Plans ("SIP"), including Free Shares and Save As You Earn ("SAYE"). The shares are in the ultimate parent company, Sabre Insurance Group plc.

	Free shares donated at listing			Shares bought/(sold) on open market			
	Number of shares	Average price (pence)	£	Number of shares	Average price (pence)	£	£
<b>As at 31 December 2018</b>	869,566	0.001	870	–	–	–	870
Shares purchased	–	0.001	–	395,587	268.073	1,060,461	1,060,461
Shares disposed	(42,325)	0.001	(42)	–	–	–	(42)
Shares vested	(286,658)	0.001	(287)	–	–	–	(287)
<b>As at 31 December 2019</b>	540,583	0.001	541	395,587	268.073	1,060,461	1,061,002
Shares purchased	–	–	–	<b>145,621</b>	<b>297.443</b>	<b>433,140</b>	<b>433,140</b>
Shares disposed	<b>(38,961)</b>	<b>0.001</b>	<b>(39)</b>	–	–	–	<b>(39)</b>
Shares vested	<b>(438,591)</b>	<b>0.001</b>	<b>(439)</b>	–	–	–	<b>(439)</b>
<b>As at 31 December 2020</b>	<b>63,031</b>	<b>0.001</b>	<b>63</b>	<b>541,208</b>	<b>275.975</b>	<b>1,493,601</b>	<b>1,493,664</b>
<b>In thousands</b>			<b>£'k</b>			<b>£'k</b>	<b>£'k</b>
As at 31 December 2019			1			1,060	1,061
As at 31 December 2020			–			<b>1,494</b>	<b>1,494</b>

The Group recognised a total expense in the profit or loss for the year ending 31 December 2020 of £1,648k (2019: £1,106k), relating to equity settled share-based plans.

### Long Term Incentive Plan ("LTIP")

The LTIP is a discretionary share plan, under which the Board may grant share-based awards ("LTIP Awards") to incentivise and retain eligible employees. The vesting of LTIP Awards may (and, in the case of an LTIP Award to an Executive Director other than a Recruitment Award, will) be subject to the satisfaction of performance conditions. Any performance condition may be amended or substituted if one or more events occur which cause the Board to consider that an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy.

LTIP Awards which are subject to performance conditions will normally have those conditions assessed as soon as reasonably practicable after the end of the relevant performance period and, to the extent that the performance conditions have been met, the LTIP Awards will vest either on that date or such later date as the Board determines. LTIP Awards (other than Recruitment Awards) granted to the Executive Directors will normally be subject to a performance period of at least three years. LTIP Awards (other than Recruitment Awards) which are not subject to performance conditions will normally vest on the third anniversary of the date of grant or such other date as the Board determines.

### LTIP Awards without performance conditions

In 2017, shares gifted to employees at IPO were held in trust under the Long Term Incentive Plan, without performance conditions, with a vesting period of two years (50%) and three years (50%). The final shares vested in December 2020 and the scheme no longer exists.

CONTINUED

**16. SHARE-BASED PAYMENTS (CONTINUED)****LTIP Awards with performance conditions**

During 2020, further share options were issued to management and senior employees under the LTIP, with performance conditions attached.

The following table lists the inputs to the model used to value the three plans for the year ended 31 December 2020. The fair value of the options granted is measured using the Monte Carlo method considering the terms and conditions upon which the options were granted. The amount recognised as an expense under IFRS 2 is adjusted to reflect the actual number of share options that vest.

	2020 LTIP grant	2019 LTIP grant	2018 LTIP grant
<b>Weighted average share price (per award)</b>	<b>226 pence</b>	206 pence	227 pence
Expected term	<b>4.43 years</b>	4.51 years	2.8 years
Expected volatility	<b>30.09%</b>	23.26%	22.81%
Expected exercise price on outstanding awards	<b>NIL</b>	NIL	NIL
Grant-date TSR performance of the Group	<b>-2.73%</b>	8.54%	16.09%
Average risk – free interest rate	<b>0.10%</b>	0.81%	0.73%

Shares granted under the LTIP with performance conditions have a three-year vesting period. Shares granted under the 2018 LTIP due to vest on 12 April 2021.

The tables below detail the movement in the LTIP:

	LTIP without performance conditions		LTIP with performance conditions	
	Number and WAEP <sup>(1)</sup>		Number and WAEP	
	Number	£	Number	£
<b>Outstanding at 1 January 2020</b>	<b>274,539</b>	<b>NIL</b>	<b>1,217,394</b>	<b>NIL</b>
Granted	–	<b>NIL</b>	<b>717,730</b>	<b>NIL</b>
Forfeited	–	<b>NIL</b>	–	<b>NIL</b>
Vested	<b>(274,539)</b>	<b>NIL</b>	–	<b>NIL</b>
<b>Outstanding at 31 December 2020</b>	<b>–</b>	<b>NIL</b>	<b>1,935,124</b>	<b>NIL</b>

(1) Weighted average exercise price – as a proxy for fair value.

	LTIP without performance conditions		LTIP with performance conditions	
	Number and WAEP		Number and WAEP	
	Number	£	Number	£
<b>Outstanding at 1 January 2019</b>	569,530	NIL	572,649	NIL
Granted	–	NIL	644,745	NIL
Forfeited	(8,333)	NIL	–	NIL
Vested	(286,658)	NIL	–	NIL
<b>Outstanding at 31 December 2019</b>	<b>274,539</b>	<b>NIL</b>	<b>1,217,394</b>	<b>NIL</b>

**Deferred Bonus Plan (“DBP”)**

To encourage behaviour which does not benefit short-term profitability over longer term value. Directors and some key staff were awarded shares in lieu of a bonus, to be deferred for two years, using the market value at the grant date. The total numbers of shares awarded under the scheme was 220,130 (2019: 163,386) with an estimate fair value at grant date of £621k (2019: £471k). Of this award, the number of shares awarded to Directors and PDMRs was 200,065 (2019: 145,317) with an estimated fair value of £564k (2019: £419k). All shares are subject to a two-year service period and are not subject to performance conditions.

The DBP is recognised in the profit or loss account on a straight-line basis over a period of two years from grant date.

**Share Incentive Plans (“SIPs”)**

The Sabre Share Incentive Plans provide for the award of free Sabre Insurance Group plc shares, Partnership Shares, Matching Shares and Dividend Shares. The shares are owned by the Employee Benefit Trust to satisfy awards under the plans. These shares are either purchased on the market and carried at fair value or issued by the parent company to the trust.

**Free Shares**

On 29 December 2017, Free Share awards were granted with a vesting period of three years from the award date. Vesting was unconditional for participants still in service at the vesting date. As at 31 December 2019, 166,698 shares were held on behalf of employees. 2,646 shares were forfeited during the year. A total of 164,052 shares with a value of £446k vested in December 2020 and no further shares are outstanding.

## 16. SHARE-BASED PAYMENTS (CONTINUED)

### Matching Shares

The Group has a Matching Shares scheme under which employees are entitled to invest between £10 and £150 each month through the share trust from their pre-tax pay. The Group supplements the number of shares purchased by giving employees 1 free matching share for every 3 shares purchased up to £1,800. Matching shares are subject to a three-year service period before the matching shares are awarded. Dividends are paid on shares, including matching shares, held in the trust by means of dividends shares. The fair value of such awards is estimated to be the market value of the awards on grant date.

In the year ending 31 December 2020, 7,366 (2019: 2,875) matching shares were granted to employees with an estimated fair value of £20k (2019: £9k).

As at 31 December 2020, 9,851 (2,875) matching shares were held on behalf of employees with an estimated fair value of £27k (2019: £9k). The average unexpired life of Matching Share awards is 1.8 years (2019: 2.3 years).

### Save as You Earn ("SAYE")

The SAYE scheme allows employees to enter into a regular savings contract of between £5 and £500 per month over a three-year period, coupled with a corresponding option over shares. The grant price is equal to 80% of the quoted market price of the shares on the invitation date.

## 17. RELATED PARTY TRANSACTIONS

Sabre Insurance Group plc is the ultimate parent and ultimate controlling party of the Group. The following entities included below form the Group.

Name	Principle Business	Registered Address
Binomial Group Limited	Intermediate holding company	Sabre House, 150 South Street, Dorking, Surrey, United Kingdom, RH4 2YY
Sabre Insurance Company Limited	Motor insurance underwriter	Sabre House, 150 South Street, Dorking, Surrey, United Kingdom, RH4 2YY
Barbados TopCo Limited	Non-Trading	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY
Barb IntermediateCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb MidCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb BidCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb HoldCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
<b>Other controlled entities</b>		
EBT – UK SIP	Trust	Ocorian, 26 New Street, St Helier, Jersey, JE2 3RA
The Sabre Insurance Group Employee Benefit Trust	Trust	26 New Street, St Helier, Jersey, JE2 3RA

No single party holds a significant influence (>20%) over Sabre Insurance Group plc.

Both Employee Benefit Trusts ("EBTs") were established to assist in the administration of the Group's employee equity-based compensation schemes. UK registered EBT holds the all-employee Share Incentive Plan ("SIP"). The Jersey-registered EBT holds the Long Term Incentive Plan ("LTIP") and Deferred Bonus Plan ("DBP").

While the Group does not have legal ownership of the EBTs and the ability of the Group to influence the actions of the EBTs is limited to a trust deed, the EBT was set up by the Group with the sole purpose of assisting in the administration of these schemes, and is in essence controlled by the Group and therefore consolidated.

During the period ended 31 December 2020, the Group donated no shares to the EBTs (2019: NIL).

### Key Management compensation

Key Management includes Executive Directors, Non-executive Directors and other senior management personnel. Further details of Directors' shareholdings and remuneration can be found in the Directors' Remuneration Report on pages 77 to 88.

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**18. EARNINGS PER SHARE****Basic earnings per share**

	2020		2019	
	After tax £'k	Per share pence	After tax £'k	Per share pence
Profit for the year attributable to equity holders	39,798	15.98	45,711	18.35

**Diluted earnings per share**

	2020		
	After tax £'k	Weighted average number of shares £'k	Per share pence
Profit for the year attributable to equity holders	39,798	249,113	15.98
Net shares under options allocable for no further consideration		2,452	(0.16)
Total diluted earnings		251,565	15.82

	2019		
	After tax £'k	Weighted average number of shares £'k	Per share pence
Profit for the year attributable to equity holders	45,711	249,064	18.35
Net shares under options allocable for no further consideration		1,876	(0.14)
Total diluted earnings		250,940	18.22

**19. CONTINGENT LIABILITY**

In 2019 HMRC issued a determination in relation to the 2015 corporation tax filing of a subsidiary of the Group, which is currently dormant. This asserted that the interest rate applied on intercompany debt, and the resultant allowable expense, was inconsistent with transfer pricing rules and was excessive. The excess interest per the determination is £2.7m, tax relief for which equates to a reduction in the Group's overall tax liability of £0.5m. The Directors obtained professional advice both at the time the return was filed and subsequent to the determination, and are satisfied that the Group's application of transfer pricing rules was correct. As such an appeal has been raised against the determination. The Board does not consider it likely that the subsidiary will be required to resubmit its 2015 filing, or either of the two subsequent tax filings for the years in which the intercompany debt remained in place.

**20. DETAIL ON ADOPTION OF IFRS 9**

Classification and measurement of financial assets and financial liabilities – From 1 January 2020

**20.1 Recognition and initial measurement**

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition.

**20.2 Classification and subsequent measurement**

On initial recognition a financial asset is classified as measured at:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI") debt instrument
- Fair value through other comprehensive income ("FVOCI") equity investment
- Fair value through profit or loss ("FVTPL")

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. This classification determines the subsequent measurement basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## 20. DETAIL ON ADOPTION OF IFRS 9 (CONTINUED)

### 20.2 Classification and subsequent measurement (continued)

#### 20.2.1 Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

#### 20.2.2 Financial assets at FVOCI

##### Debt security investments

A debt security instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on specified dates

The Group has previously elected to designate debt instruments as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. On transition to IFRS 9 and the change in investment manager, the Group has considered the classification of assets held within its investment portfolio as at the date of transition. All debt instruments are primarily held within a business model whose objective is achieved primarily through collecting contractual cash flows of principle and interest and by selling securities where appropriate.

##### Equity investments

The Group holds no equity investments.

#### 20.2.3 Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The investment portfolio is held primarily to back the Group’s insurance liabilities. The Group’s aim is to hold a low-risk investment portfolio, with limited exposure to default and market fluctuations, and to earn a steady stream of income. The primary focus of the Group is on underwriting performance and not investment return. Taking increased market risk in order to achieve far higher investment returns would risk the ability of the Group to make steady dividend payments and as such, receiving a steady income stream from its investment portfolio best supports its business objectives.

Management is not compensated based on investment return, but on the overall performance of the Group. The Group’s strategy is to deliver consistent and reliable returns by achieving market-leading underwriting performance. Investment return is not a key performance measure for the Group. Management information primarily focuses on the underwriting result of the Group.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### 20.2.4 Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayments and extension features
- Terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principle and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset, acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant from initial recognition.

CONTINUED

**20. DETAIL ON ADOPTION OF IFRS 9 (CONTINUED)****20.2 Classification and subsequent measurement (continued)****20.2.4 Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (continued)****Financial assets: Subsequent measurement and gains and losses**

Measurement basis	Accounting policies
<b>Amortised cost</b>	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
<b>Debt securities at FVOCI</b>	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**20.3 Derecognition****20.3.1 Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**20.3.2 Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**20.4 Derivative financial instruments and hedge accounting**

The Group holds no derivative financial instruments and does not apply hedge accounting.

**20.5 Impairment of financial assets**

At each reporting date, the Group assesses financial assets measured at amortised cost and debt securities at FVOCI for impairment. Under IFRS 9 a "three-stage" model for calculated Expected Credit Losses ("ECL") is used, and is based on changes in credit quality since initial recognition as summarised below:

**20.5.1 Performing financial assets**

Stage 1: From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("12-month ECL").

Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("Lifetime ECL"). The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

**20.5.2 Impaired financial assets**

Stage 3: When a financial asset is considered to be credit-impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

**20.5.3 Application of the new impairment model**

The Group applies IFRS 9's new ECL model to two main types of financial assets that are measured at amortised cost or FVOCI:

- Other receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one
- Debt securities, to which the general three-stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance

ECLs are a probability-weighted estimate of credit losses. The probability is determined by the estimated risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, from investment grade to non-investment grade, allowances are recognised without a change in the expected cash flows (although typically expected cash flows do also change) and expected credit losses are rebased from 12-month to lifetime expectations.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions.

## 20. DETAIL ON ADOPTION OF IFRS 9 (CONTINUED)

### 20.5 Impairment of financial assets (continued)

#### 20.5.4 Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in the profit or loss account and accounted for as a transfer from OCI to profit or loss, instead of reducing the carrying amount of the asset.

#### 20.5.5 Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

### 20.6 Transitional disclosures

Assessments have been carried out on the basis of the facts and circumstances that existed at the date of initial application to determine the business model within which a financial asset is held and to establish the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that, in accordance with the transitional provisions in IFRS 9, comparative information for prior periods has not been restated. Accordingly, all comparative period information is presented in accordance with the Group's previous accounting policies, as described in the 2019 Annual Report and Accounts. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2020.

#### 20.6.1 Classification and measurement

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2020.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 Dec 2019 £'k	New carrying amount under IFRS 9 as at 1 January 2020 £'k
<b>Financial assets</b>					
Other receivables	(a)	Loans and receivables	Amortised cost	31	<b>31</b>
Financial investments – Debt securities	(b)	FVTPL (designated)	FVOCI – Debt instrument	263,629	<b>266,074</b>
Cash and cash equivalents		Loans and receivables	Amortised cost	31,791	<b>31,791</b>
<b>Total financial assets</b>				295,451	<b>297,896</b>
<b>Financial liabilities</b>					
Trade and other payables		Amortised cost	Amortised cost	12,475	<b>12,475</b>
<b>Total financial liabilities</b>				12,475	<b>12,475</b>

(a) Other receivables does not include receivables relating to insurance contracts, which are out of scope for IFRS 9. There was no increase in the allowance for credit losses over these other receivables on transition to IFRS 9.

(b) During 2019 the Group carried out a review of its investment portfolio, which resulted in the adoption of updated investment guidelines and the appointment of an investment manager in January 2020. As part of this review, the Board considered the timing of the Group's implementation of IFRS 9 "Financial Instruments", which had been previously delayed under an exemption for insurance companies. The Board elected to dis-apply the delayed implementation of IFRS 9, in order to bring in the new standard concurrently with the application of the revised investment guidelines and the appointment of a new investment manager.

These investments comprise debt instruments that the Group has previously elected to designated as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. On transition to IFRS 9 and the change in investment manager, the Group has considered the classification of assets held within its investment portfolio as at the date of transition. All debt instruments are primarily held within a business model whose objective is achieved primarily through collecting contractual cash flows of principle and interest and by selling securities where appropriate. The corporate and Government debt securities mature in 0.1 to 7.1 years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9, which is in line with the Group's business model. On transition to IFRS 9, an expected credit loss of £27k was recognised as a decrease in opening retaining earnings and an increase in fair value reserves at 1 January 2020.

CONTINUED

**20. DETAIL ON ADOPTION OF IFRS 9 (CONTINUED)****20.6 Transitional disclosures (continued)****20.6.1 Classification and measurement (continued)**

The following table reconciles the carrying amounts of the financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2020.

	IAS 39 carrying amount at 31 December 2019 £'k	Reclassify £'k	Remeasure £'k	IFRS 9 carrying amount at 1 January 2020 £'k
<b>Assets</b>				
Goodwill	156,279	–	–	156,279
Property, plant and equipment	4,568	–	–	4,568
Right-of-use asset	189	–	–	189
Reinsurance assets	83,931	–	–	83,931
Deferred tax assets	210	–	–	210
Deferred acquisition costs	16,211	–	–	16,211
Insurance and other receivables	37,785	–	–	37,785
Prepayments, accrued income and other assets	3,627	–	(2,445)	1,182
Financial investments – FVTPL	263,629	(263,629)	–	–
Financial investments – FVOCI	–	263,629	2,445	266,074
Cash and cash equivalents	31,791	–	–	31,791
<b>Total assets</b>	<b>598,220</b>	<b>–</b>	<b>–</b>	<b>598,220</b>
<b>Equity</b>				
Issued ordinary share capital	250	–	–	250
Own shares	(1,061)	–	–	(1,061)
Merger reserve	48,525	–	–	48,525
Share-based payment reserve	1,362	–	–	1,362
FVOCI reserve	–	237	–	237
Retained earnings	218,341	(237)	–	218,104
<b>Total equity</b>	<b>267,417</b>	<b>–</b>	<b>–</b>	<b>267,417</b>
<b>Liabilities</b>				
Insurance liabilities	212,167	–	–	212,167
Unearned premium reserve	99,877	–	–	99,877
Lease liability	194	–	–	194
Trade and other payables including insurance payables	12,475	–	–	12,475
Current tax liabilities	4,884	–	–	4,884
Accruals	1,206	–	–	1,206
Total liabilities	330,803	–	–	330,803
<b>Total equity and liabilities</b>	<b>598,220</b>	<b>–</b>	<b>–</b>	<b>598,220</b>

**20.6.2 Classification and measurement**

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2020 results in an additional expected credit loss as follows.

	£'k
<b>Loss allowance as at 31 December 2019 under IAS 39</b>	<b>–</b>
<i>Additional expected credit loss recognised at 1 January 2020 on:</i>	
Other receivables	–
Debt securities at FVOCI	27
<b>Expected credit loss allowance at 1 January 2020 under IFRS 9</b>	<b>27</b>

**21. EVENTS AFTER THE BALANCE SHEET DATE**

Other than the declaration of a final dividend as disclosed in Note 12 and an announcement of a change in the UK corporation tax from April 2023 as disclosed in Note 10, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the statement of financial position date.

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
<b>Assets</b>			
Investments	2	579,889	578,142
Debtors	4	81	–
Prepayments		168	33
Cash and cash equivalents		745	1,121
<b>Total assets</b>		<b>580,883</b>	579,296
<b>Equity</b>			
Issued share capital	5	250	250
Own shares		(1,494)	(1,061)
Merger reserve		369,515	369,515
Share-based payments reserve		1,817	1,362
Retained earnings		210,449	207,743
<b>Total equity</b>		<b>580,537</b>	577,809
<b>Liabilities</b>			
Creditors: Amounts falling due within one year	3	183	1,487
Accruals		163	–
<b>Total liabilities</b>		<b>346</b>	1,487
<b>Total equity and liabilities</b>		<b>580,883</b>	579,296

No income statement is presented for Sabre Insurance Group plc as permitted by section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was £45,284k (2019: £43,491k)

The attached notes on pages 146 to 147 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2021.

Signed on behalf of the Board of Directors by:

**ADAM WESTWOOD**

Chief Financial Officer

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
<b>Ordinary shareholders' equity – at 1 January</b>		250	250
<b>At 31 December</b>		250	250
<b>Own shares – at 1 January</b>		(1,061)	(1)
Net movement in own shares		(433)	(1,060)
<b>At 31 December</b>		(1,494)	(1,061)
<b>Merger reserve – at 1 January</b>		369,515	369,515
<b>At 31 December</b>		369,515	369,515
<b>Share-based payment reserve – at 1 January</b>		1,362	1,036
Settlement of share-based payments		(1,193)	(780)
Charge in respect of share-based payments		1,648	1,106
<b>At 31 December</b>		1,817	1,362
<b>Retained earnings – at 1 January</b>		207,743	206,960
Settlement of share-based payments		1,193	780
Share scheme transfer to retained earnings		98	135
Profit for the year		45,284	43,491
Ordinary dividends paid		(43,869)	(43,623)
<b>At 31 December</b>		210,449	207,743
<b>Total equity at 31 December</b>		580,537	577,809

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'k	2019 £'k
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit after tax for the year	45,284	43,491
<b>Operating cash flows before movements in working capital</b>	<b>45,284</b>	<b>43,491</b>
<i>Movements in working capital:</i>		
Change in debtors	(81)	–
Change in prepayments	(135)	(4)
Change in trade and other payables	(1,304)	973
Change in accruals	163	–
<b>Net cash generated from operating activities</b>	<b>43,927</b>	<b>44,460</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash used in acquiring and disposing of own shares	(433)	(924)
Dividends paid	(43,870)	(43,623)
<b>Net cash used by financing activities</b>	<b>(44,303)</b>	<b>(44,547)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(376)</b>	<b>(87)</b>
Cash and cash equivalents at the beginning of the year	1,121	1,208
<b>Cash and cash equivalents at the end of the year</b>	<b>745</b>	<b>1,121</b>

AS AT 31 DECEMBER 2020

## 1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise indicated.

### 1.1 Basis of preparation

These financial statements present the Sabre Insurance Group plc company financial statements for the period ended 31 December 2020, comprising the parent company statement of financial position, parent company statement of changes in equity, parent company statement of cash flows, and related notes.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company's income statement and related notes have not been presented in these separate financial statements.

The financial statements have been prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value.

The financial statements values are presented in Pounds Sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated.

The accounting policies that are used in the preparation of these separate financial statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of Sabre Insurance Group plc as set out in those financial statements.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented. The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

## 2. INVESTMENTS

The Company's financial assets are summarised below:

	2020 £'k	2019 £'k
Investment in subsidiary undertakings	579,889	578,142
<b>Total</b>	<b>579,889</b>	<b>578,142</b>

### 2.1 Investment in subsidiary undertakings

#### ACCOUNTING POLICY – INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in subsidiaries is stated at cost less any impairment.

	2020 £'k	2019 £'k
As at 1 January	578,142	577,036
Additions	1,747	1,106
<b>As at 31 December</b>	<b>579,889</b>	<b>578,142</b>

The only operating insurance subsidiary of the Company is Sabre Insurance Company Limited, from which the value of the Group is wholly derived, as there are no other trading entities within the Group. The Company performed its annual impairment test as at 31 December 2020 and 31 December 2019. The Company considers the relationship between the Group's market capitalisation and the book value of its subsidiary undertakings, among other factors, when reviewing for indicators of impairment. As at 31 December 2020 and 31 December 2019, the Company's securities were traded on a liquid market, therefore market value could be used as a definitive indicator of market capitalisation.

#### Key assumptions

The valuation uses fair value less costs to sell. The key assumption on which management have based this value is:

- Market capitalisation of the Company at 31 December 2020 of £691,250k (2019: £770,000k).

The Directors conclude that the recoverable amounts of the Company's subsidiary undertakings remain in excess of their book value even after reasonably possible changes in the key inputs and assumptions affecting its market value, such as a significant fall in demand for the product of Sabre Insurance Company Limited or a significant adverse change in the volume of claims and increase in other expenses, before the recoverable amount of Sabre Insurance Company Limited would reduce to less than its book value. Therefore, the Directors are of the opinion that there are no indicators of impairment as at 31 December 2020.

The subsidiary undertakings of the Company are set out on the next page. Their capital consists of ordinary shares which are unlisted. In all cases, the Company owns 100% of the ordinary shares, either directly or through its ownership of other subsidiaries.

## 2. INVESTMENTS (CONTINUED)

Name of subsidiary	Place of incorporation	Principal activity
<b>Directly held by the Company</b>		
Binomial Group Limited	United Kingdom	Intermediate holding company
Barbados TopCo Limited	Guernsey	Non-trading company
Barb IntermediateCo Limited	Jersey	Non-trading company
Barb MidCo Limited	Jersey	Non-trading company
Barb BidCo Limited	Jersey	Non-trading company
Barb HoldCo Limited	Jersey	Non-trading company
<b>Indirectly held by the Company</b>		
Sabre Insurance Company Limited	United Kingdom	Motor insurance underwriter

The registered office of each subsidiary is disclosed within Note 137 of the consolidated Group accounts.

## 3. CREDITORS

	2020 £'k	2019 £'k
Due within one year		
Creditors	183	–
Amounts owed by Group undertakings	–	1,487
<b>As at 31 December</b>	<b>183</b>	<b>1,487</b>

## 4. DEBTORS

	2020 £'k	2019 £'k
Due within one year		
Amounts owed to Group undertakings	81	–
<b>As at 31 December</b>	<b>81</b>	<b>–</b>

## 5. SHARE CAPITAL

Full details of the share capital of the Company are set out in Note 15 to the consolidated financial statements.

## 6. DIVIDEND INCOME

### ACCOUNTING POLICY – DIVIDEND INCOME

Dividend income from investment in subsidiaries is recognised when the right to receive payment is established.

## 7. RELATED PARTY TRANSACTIONS

Sabre Insurance Group plc, which is incorporated in the United Kingdom and registered in England and Wales, is the ultimate parent undertaking of the Sabre Insurance Group of companies.

The following balances were outstanding with related parties at year end:

	2020 £'k	2019 £'k
<b>Due from/(to)</b>		
Sabre Insurance Company Limited	81	(1,005)
Barbados TopCo Limited	–	(482)
<b>Total</b>	<b>81</b>	<b>(1,487)</b>

The outstanding balance represents cash transactions effected by Sabre Insurance Company Limited on behalf of its parent company, and will be settled within one year.

## 8. SHARE-BASED PAYMENTS

Full details of share-based compensation plans are provided in Note 16 to the consolidated financial statements.

## 9. RISK MANAGEMENT

The risks faced by the Company, arising from its investment in subsidiaries, are considered to be the same as those presented by the operations of the Group. Details of the key risks and the steps taken to manage them are disclosed in Note 3 to the consolidated financial statements.

## 10. DIRECTORS AND KEY MANAGEMENT REMUNERATION

The Directors and key management of the Group and the Company are the same. The aggregate emoluments of the Directors and the remuneration and pension benefits payable in respect of the highest paid Director are included in the Directors' Remuneration Report in the Governance section of the Annual Report and Accounts.

AS AT 31 DECEMBER 2020

**Adjusted Profit Before Tax**

	2020 £'k	2019 £'k	2018 £'k
Profit before tax	49,122	56,479	61,363
<i>Add:</i>			
Amortisation of intangible assets	–	–	501
Exceptional items	–	–	–
<b>Adjusted profit before tax</b>	<b>49,122</b>	<b>56,479</b>	<b>61,864</b>

**Adjusted Profit After Tax**

	2020 £'k	2019 £'k	2018 £'k
Profit after tax	39,798	45,711	49,568
<i>Add:</i>			
Amortisation of intangible assets	–	–	501
Exceptional items	–	–	–
Tax on exceptional items	–	–	–
<b>Adjusted profit after tax</b>	<b>39,798</b>	<b>45,711</b>	<b>50,069</b>

**Net Loss Ratio**

	2020 £'k	2019 £'k	2018 £'k
Net insurance claims	88,110	101,990	97,861
<i>Less:</i> Claims handling expenses	(7,637)	(7,558)	(6,536)
<b>Net claims incurred</b>	<b>80,473</b>	<b>94,432</b>	<b>91,325</b>
Net earned premium	165,707	183,238	188,235
<b>Net loss ratio</b>	<b>48.6%</b>	<b>51.5%</b>	<b>48.5%</b>

**Expense Ratio**

	2020 £'k	2019 £'k	2018 £'k
Total expenses	36,670	32,507	34,994
<i>Plus:</i> Claims handling expenses	7,637	7,558	6,536
<b>Net operating expenses</b>	<b>44,307</b>	<b>40,065</b>	<b>41,530</b>
Net earned premium	165,707	183,238	188,235
<b>Expense ratio</b>	<b>26.7%</b>	<b>21.9%</b>	<b>22.1%</b>

**Combined Operating Ratio**

	2020 £'k	2019 £'k	2018 £'k
Total expenses	36,670	32,507	34,994
Net insurance claims	88,110	101,990	97,861
	<b>124,780</b>	134,497	132,855
Net earned premium	165,707	183,238	188,235
<b>Combined operating ratio</b>	<b>75.3%</b>	<b>73.4%</b>	<b>70.6%</b>

**Solvency Coverage Ratio – Pre Dividend**

	2020 £'k	2019 £'k	2018 £'k
Solvency II net assets	122,500	127,086	130,019
Solvency capital requirement	60,327	59,495	60,995
<b>Solvency coverage ratio</b>	<b>203.1%</b>	213.6%	213.2%

**Solvency Coverage Ratio – Post Dividend**

	2020 £'k	2019 £'k	2018 £'k
Solvency II net assets	122,500	127,086	130,019
Less: Final dividend	(29,250)	(20,250)	(32,000)
Solvency II net assets (post dividend)	93,250	106,836	98,019
Solvency capital requirement	60,327	59,495	60,995
<b>Solvency coverage ratio – post dividend</b>	<b>154.6%</b>	179.6%	160.7%

**Return on Tangible Equity**

	2020 £'k	2019 £'k	2018 £'k
IFRS net assets at year end	266,400	267,417	265,148
Less:			
Intangible assets at year end	–	–	–
Goodwill at year end	(156,279)	(156,279)	(156,279)
Closing tangible equity	110,121	111,138	108,869
Opening tangible equity	111,138	108,869	75,213
Average tangible equity	110,630	110,004	92,041
Adjusted profit after tax	39,798	45,711	50,570
<b>Return on tangible equity</b>	<b>36.0%</b>	41.6%	54.9%

**Return on Opening SCR**

	2020 £'k	2019 £'k	2018 £'k
Opening SCR	59,495	60,995	61,087
Adjusted profit after tax	39,798	45,711	50,069
Return on SCR	66.9%	74.9%	82.6%

**Gross Earned Premium**

	2020 £'k	2019 £'k	2018 £'k
Gross written premium	173,235	197,040	210,017
Movement in unearned premium reserve	12,527	6,640	(1,395)
Gross earned premium	185,762	203,680	208,622

**Dividend Payout Ratio**

	2020 £'k	2019 £'k	2018 £'k
Adjusted profit after tax	39,798	45,711	50,570
Dividend declared in respect of the financial year	53,000	32,000	50,000
2019 deferred special dividend	(13,000)	13,000	–
Effective dividend declared in respect of the financial year	40,000	45,000	50,000
Dividend payout ratio	100.5%	98.4%	98.9%

## SHAREHOLDER PROFILE AS AT 31 DECEMBER 2020

Range of holdings	Number of shareholders	% of total shareholders	Ordinary shares	% of issued share capital
1-100	11	2.81	582	0.00
101-1,000	43	10.97	22,773	0.01
1,001-10,000	92	23.47	384,153	0.15
10,001-100,000	97	24.74	3,772,233	1.51
100,001-1,000,000	102	26.02	37,511,467	15.00
1,000,001- highest	47	11.99	208,308,792	83.32
<b>Total</b>	<b>392</b>	<b>100</b>	<b>250,000,000</b>	<b>100</b>

Category	Number of shareholders	% of total shareholders	Ordinary shares	% of issued share capital
Private individuals	44	11.22	576,494	0.23
Nominee companies	255	65.05	208,565,115	83.43
Limited and public limited companies	62	15.82	32,349,978	12.94
Other organisations and banks	31	7.91	8,508,413	3.40
<b>Total</b>	<b>392</b>	<b>100</b>	<b>250,000,000</b>	<b>100</b>

## SHARE PRICE

London Stock Exchange, pence per 0.01 pence share

Highest	332.50p
Lowest	221.00p

## FINANCIAL CALENDAR

Full Year Results	16 March 2021
Trading Update	14 May 2021
Annual General Meeting	14 May 2021
Half Year Results	27 July 2021
Trading Update	14 October 2021

## DIVIDEND CALENDAR

**Final dividend 2020**

Ex-dividend date	22 April 2021
Record date	23 April 2021
Payment date	20 May 2021

**Interim dividend 2021**

Ex-dividend date	19 August 2021
Record date	20 August 2021
Payment date	16 September 2021

### DIVIDEND MANDATES

Shareholders who wish dividends to be paid directly into a bank or building society should contact the Company's Registrar, Equiniti Limited, for a dividend mandate form. This method of payment removes the risk of delay or loss of dividend cheques in the post and ensures that your account is credited on the due date.

### SHARE DEALING SERVICES

The Company's Registrar, Equiniti Limited, offers a telephone and internet dealing service, Shareview, which provides a simple and convenient way of buying and selling shares. For telephone dealings call 0345 603 7037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealings log onto [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing)

### ELECTRONIC COMMUNICATIONS

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at [www.shareview.co.uk](http://www.shareview.co.uk). This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering you will need your shareholder reference number which can be found on your share certificate or proxy form. Please contact Equiniti Limited if you require any assistance or further information. Equiniti Limited's shareholder helpline is 0371 384 2030 (UK), +44 121 415 7047 (International) and 0371 384 2255 (Mini Com). Lines are open 9.00am to 5.00pm, Monday to Friday, excluding Bank Holidays in England and Wales.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report includes statements that are forward looking in nature. Forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules, Disclosure and Transparency Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date of this Annual Report.

**DIRECTORS****Andrew Pomfret**

Chair

**Catherine Barton**

Non-executive Director

**Geoff Carter**

Chief Executive Officer

**Ian Clark**

Non-executive Director

**Karen Geary**

Non-executive Director

**Michael Koller**

Non-executive Director

**Rebecca Shelley**

Senior Independent Director and Non-executive Director

**Adam Westwood**

Chief Financial Officer

**COMPANY SECRETARY****Aneka Kingan****REGISTERED OFFICE**

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150 South Street,  
Dorking,  
Surrey,  
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**REGISTRATION NUMBER**

10974661

**WEBSITE**

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**COMPANY BROKERS****Barclays Bank plc**

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