

2015 Notice of Meeting

Annual General Meeting

Formal notice of the twenty-seventh Annual General Meeting of The Sage Group plc to be held on Tuesday 3 March 2015 is set out in this document. A Form of Proxy is enclosed for members who wish to use one. It should be returned so as to be with the Company's Registrars no later than 10.00am on 1 March 2015. Shareholders with internet access may register their voting instructions online for the forthcoming Annual General Meeting. They may register their vote electronically by going to www.sharevote.co.uk. They will be required to key in the three security numbers printed on the Form of Proxy to access the voting site. CREST members may appoint their proxy or proxies electronically via Equiniti (ID RA19).

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

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

Notice of Meeting

Notice is hereby given that the twenty-seventh Annual General Meeting of The Sage Group plc will be held at North Park, Newcastle upon Tyne NE13 9AA at 10.00am on 3 March 2015 for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 14 (inclusive) and 18 will be proposed as ordinary resolutions and resolutions 15 to 17 (inclusive) will be proposed as special resolutions:

- 1 To receive and consider the Annual Report & Accounts for the year ended 30 September 2014.
- 2 To declare a final dividend recommended by the directors of 8p per ordinary share for the year ended 30 September 2014 to be paid on 6 March 2015 to members whose names appear on the register at the close of business on 13 February 2015.
- 3 To re-elect Mr D H Brydon as a director.
- 4 To re-elect Mr N Berkett as a director.
- 5 To re-elect Mr J W D Hall as director.
- 6 To re-elect Mr S Hare as a director.
- 7 To re-elect Mr J Howell as a director.
- 8 To elect Mr S Kelly as a director.
- 9 To elect Ms I Kuznetsova as a director.
- 10 To re-elect Ms R Markland as a director.
- 11 To appoint Ernst & Young LLP as auditors to the Company.
- 12 To authorise the directors to determine the remuneration of the auditors to the Company.
- 13 To approve the Remuneration report for the year ended 30 September 2014.
- 14 That:
 - (a) the directors be authorised to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company:
 - (i) in accordance with article 7 of the Company's articles of association, up to a maximum nominal amount of £3,772,128 (such amount to be reduced by the nominal amount of any equity securities (as defined in article 8 of the Company's articles of association) allotted under paragraph (ii) below in excess of £3,772,128), and
 - (ii) comprising equity securities (as defined in article 8 of the Company's articles of association) up to a maximum nominal amount of £7,544,256 (such amount to be reduced by any shares allotted or rights granted under paragraph (i) above) in connection with an offer by way of a rights issue (as defined in article 8 of the Company's articles of association);
 - (b) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, or, if earlier, at the close of business on 31 March 2016; and
 - (c) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

- 15 That:
 - (a) in accordance with article 8 of the Company's articles of association, the directors be given power to allot equity securities for cash;
 - (b) the power under paragraph (a) above (other than in connection with a rights issue, as defined in article 8 of the Company's articles of association) shall be limited to the allotment of equity securities having a nominal amount not exceeding in aggregate £566,385;
 - (c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, at the close of business on 31 March 2016; and
 - (d) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.
- 16 That in accordance with the Companies Act 2006 the Company be and is hereby granted general and unconditional authority to make one or more market purchases (within the meaning of section 693 of the Companies Act 2006) of ordinary shares in the capital of the Company on such terms and in such manner as the directors shall determine PROVIDED THAT:
 - (a) the maximum number of ordinary shares which may be acquired pursuant to this authority is 107,683,190 ordinary shares in the capital of the Company;
 - (b) the minimum price which may be paid for each such ordinary share is its nominal value and the maximum price is the higher of 105% of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and the amount stipulated by article 5(1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses);
 - (c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, at close of business on 31 March 2016 unless renewed before that time; and
 - (d) the Company may make a contract or contracts to purchase ordinary shares under this authority before its expiry which will be or may be executed wholly or partly after expiry of this authority and may make a purchase of ordinary shares in pursuance of such contract.
- 17 That a general meeting (other than an Annual General Meeting) may be called on not less than 14 clear days' notice.
- 18 To approve and adopt The Sage Group plc 2015 Performance Share Plan (the "2015 PSP"), the principal terms of which are summarised at the Appendix 2 to this notice and the draft rules for which are produced to the meeting.

By Order of the Board

M J Robinson

Secretary

Registered office:

North Park, Newcastle upon Tyne NE13 9AA

Registered in England

Company number 2231246

15 January 2015

Explanatory notes

Resolution 1 is to receive and consider the Annual Report & Accounts for the year ended 30 September 2014. The directors are required to present to the meeting the annual accounts and reports which are contained in the Annual Report & Accounts 2014.

Resolution 2 recommends a final dividend of 8p per ordinary share be declared. The final dividend declared cannot exceed the amount recommended by the directors. An interim dividend of 4.12p per share was paid on 6 June 2014. The Board is proposing a final dividend of 8p per share, making a total dividend for the year of 12.12p per share.

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

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

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

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

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

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

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

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

Ms R Markland has a contract for services with the Company for a fixed term of three years from 13 September 2012, terminable within that period by six months' notice from the Company and one months' notice from her.

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

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

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

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

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

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

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

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

Further biographical details of all directors are set out on pages 62 and 63 of the Annual Report & Accounts 2014.

The Nomination Committee, which is the Committee of the Board which considers the balance of the Board and the mix of skills, knowledge and experience of its members, has considered and approved the proposed election of Mr Kelly and Ms Kuznetsova and the re-election of Messrs Brydon, Berkett, Hall, Hare, Howell and Ms Markland. All the proposed appointees have been subject to a formal evaluation procedure in the last 12 months other than Mr Kelly who joined the Board on 5 November 2014. Following that procedure the Chairman confirms the continuing commitment and effective contribution of Messrs Berkett, Hall, Hare and Howell and of Ms Markland and Ms Kuznetsova to their roles and recommends their re-election or, in the case of Ms Kuznetsova, her election. The Chairman further confirms that Ms Markland continues to demonstrate her independence as Senior Independent Non-executive Director and as a member of the Board. Mr Kelly has over 30 years of leadership experience in the SME and technology sectors and has worked as the Chief Executive of growth-oriented companies in both the UK and US. Ms Kuznetsova's extensive experience in technology and sales & marketing, combined with her perspective as a US based executive in global organisations, compliments and strengthens the Board and will help drive the continued development of Sage. Ms Markland, the Senior Independent Director, also confirms Mr Brydon's continuing commitment and effective contribution in his role as Chairman.

Resolutions 11 and 12 relate to the re-appointment of the auditors and determination of their remuneration. During the year, the Audit Committee conducted a formal tender process for the proposed appointment of a new external audit firm. PricewaterhouseCoopers LLP had been external auditors since 1988 and no formal audit process has taken place since that appointment. Therefore, by mutual agreement, it was agreed that they would not be invited to participate in the tender process. Following the formal tender process, the Board decided, on the recommendation of the Audit Committee, to appoint Ernst & Young LLP as the Company's auditors. Ernst & Young LLP was appointed by the Board to fill the casual vacancy following PricewaterhouseCoopers LLP's resignation with effect from 9 January 2015. Resolution 11 is proposed to approve this appointment. Further details of the external audit are set out on page 75 of the Annual Report & Accounts 2014. PricewaterhouseCoopers LLP have, as required by law, issued a statement in relation to the circumstances connected with their ceasing to hold office as auditors of the Company which is included in this notice as Appendix 1.

Resolution 13 is to approve the Remuneration report on pages 77 to 92 of the Annual Report & Accounts 2014.

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

Resolution 14 will be proposed to enable the directors to renew their existing powers to allot ordinary shares in the capital of the Company without the prior consent of shareholders for a period expiring at the conclusion of the next Annual General Meeting of the Company or, if earlier, at the close of business on 31 March 2016.

Paragraph (a)(i) of resolution 14 will allow the directors to allot ordinary shares up to an aggregate maximum nominal amount of £3,772,128 (representing 33.3% of the nominal value of the Company's issued share capital, excluding shares held in treasury, on 5 January 2015, the latest practicable date prior to the publication of this document).

In accordance with the latest institutional guidelines issued by the Investment Management Association (renamed The Investment Association ("IA")), paragraph (a)(ii) of resolution 14 will allow directors to allot, including the ordinary shares referred to in paragraph (a)(i) of resolution 14, further of the Company's ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of £7,544,256 (representing approximately 66.6% of the Company's existing issued share capital, excluding shares held in treasury, on 5 January 2015, the latest practicable date prior to the publication of this document). The directors have no present intention of exercising this authority. However, if they do exercise the authority, the directors intend to follow best practice as regards its use as recommended by the IA.

As at 5 January 2015, the latest practicable date prior to the publication of this document, the Company holds 39,522,431 shares in treasury, which represents approximately 3.54% of the total ordinary share capital in issue.

Resolution 15 will allow the directors to allot equity securities for cash without first being required to offer such shares to existing shareholders. If approved, the resolution will authorise the directors to issue shares in connection with a rights issue or other pre-emptive offer and otherwise to issue shares for cash up to an aggregate maximum nominal amount of £566,385 (representing approximately 5% of the issued ordinary share capital of the Company, excluding shares held in treasury, on 5 January 2015, the latest practicable date prior to the publication of this document), which includes the sale on a non-pre-emptive basis of any shares the Company holds in treasury for cash. The directors do not have any present intention of exercising this authority and do not intend to issue more than 7.5% of the issued share capital of the Company for cash on a non-pre-emptive basis in any rolling three-year period without prior consultation with the relevant investor groups.

Resolution 16 will be proposed to continue to enable the Company to purchase its own shares in accordance with the Companies Act 2006 on such terms and in such manner as the directors determine, subject to the following:

- the price which may be paid for each ordinary share will not be less than the nominal value of the share and will not exceed the higher of 5% above the average of the middle market quotations for prices of the ordinary shares of the Company (as derived from the London Stock Exchange Daily Official List) for the five business days before the purchase is made and the amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003, in each case exclusive of any expenses payable by the Company;
- the maximum aggregate number of shares that may be purchased pursuant to this authority shall be limited to 107,683,190 shares which is equivalent to approximately 10% of the Company's issued share capital, excluding shares held as treasury, as at 5 January 2015, the latest practicable date prior to publication of this document; and
- the authority will remain in force until the conclusion of the next Annual General Meeting of the Company but will terminate on 31 March 2016 if the Annual General Meeting has not been held by that date.

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

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

A listed company may hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the Company in accordance with the Companies Act 2006. Shares held in treasury in this manner will be available for resale by the Company or may be transferred for the purpose of or pursuant to an employees' share scheme. Accordingly, if the directors exercise the authority conferred by resolution 16, the Company will have the option of holding those shares in treasury, rather than cancelling them. Your Board will have regard to any guidelines published by any of the investor groups in force at the time of any such purchase, holding or resale of treasury shares.

In the twelve months ended 30 September 2014, the Company purchased 24,206,805 of its shares in accordance with the authority given by shareholders at the Annual General Meeting on 6 March 2014 (and, prior to 6 March 2014, in accordance with the previous similar authority given by shareholders). In the period from 1 October 2014 to 5 January 2015, the Company purchased 3,457,020 of its shares also in accordance with the authority given by shareholders. The Company currently holds these shares in treasury and may use them to satisfy requirements under certain of its employee share plans, as authorised by shareholders.

The total number of options to subscribe for ordinary shares and awards to be satisfied by newly issued ordinary shares under other long-term incentive plans of the Group that were outstanding at 5 January 2015 (being the latest practicable date prior to the publication of this document) was 18,930,799. The proportion of issued share capital, excluding shares held in treasury, that they represented at that time was 1.8% and the proportion of issued share capital that they will represent if the full authority to purchase shares, existing and being sought, is used is 2.1%.

Resolution 17 will be proposed to allow the Company to call general meetings (other than an Annual General Meeting) on 14 clear days' notice. A resolution in the same terms was passed at the Annual General Meeting in 2014. The notice period required by the Companies Act 2006 for general meetings of the Company is 21 days unless shareholders approve a shorter notice period, which cannot, however, be less than 14 clear days. Annual General Meetings must always be held on at least 21 clear days' notice. It is intended that the flexibility offered by this resolution will only be used for time-sensitive, non-routine business and where merited in the interests of shareholders as a whole and noting also the recommendations of the UK Corporate Governance Code 2014 with which the Company would intend to comply. The approval will be effective until the Company's next Annual General Meeting, when it is intended that a similar resolution will be proposed. In order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

Resolution 18 is to approve and adopt the rules of the Sage Group plc 2015 Performance Share Plan ("2015 PSP"), the principal terms of which are summarised at the Appendix 2 to this notice and the draft rules for which are produced to the meeting, and to authorise the Directors to do all such acts and things as they may consider necessary or expedient for the purposes of implementing and giving effect to the 2015 PSP. The 2015 PSP replaces the Company's existing Performance Share Plan, which expires on 2 March 2015.

Recommendation

The directors believe that the proposals in resolutions 1 to 18 are in the best interests of shareholders as a whole and, accordingly, they unanimously recommend that you vote in favour of all the resolutions.

By Order of the Board

M J Robinson
Secretary

15 January 2015

Notes

- (i) A member entitled to attend and to speak and vote at the meeting may appoint one or more proxies to exercise all or any of his/her rights to attend and to speak and vote instead of him/her. A proxy need not also be a member. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
- (ii) To be valid, a Form of Proxy and any power of attorney or other authority (if any) under which it is signed (or a duly certified copy thereof) must be lodged with the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA no later than 10.00am on 1 March 2015. The completion and return of a Form of Proxy will not prevent a member who wishes to do so from attending and voting in person. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. As an alternative to completing a hard copy Form of Proxy, a member can appoint a proxy electronically by visiting www.sharevote.co.uk. For security purposes, you will need to provide your voting ID, task ID and shareholder reference number (which are shown under your name on the Form of Proxy). Full instructions are given on the website. The proxy appointment and instructions should reach the Company's Registrars not later than 10.00am on 1 March 2015. CREST members may appoint a proxy through the CREST electronic proxy appointment service (please see note (xv) below). You must inform the Company's Registrars in writing of any termination of the authority of a proxy.
- (iii) If you do not have a Form of Proxy and believe you should have one, or if you require additional forms, please contact the Company's Registrars, Equiniti, on 0871 384 2859, calls to this number cost 8p per minute plus network extras. Non-UK callers should dial +44(0) 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday.
- (iv) Any corporation that is a member can appoint one or more corporate representatives who may exercise on its behalf all of the same powers as the corporation could exercise if it were an individual member provided that they do not do so in relation to the same shares.
- (v) Copies of the service contracts and terms of appointment of the directors are available for inspection at North Park, Newcastle upon Tyne, NE13 9AA during normal business hours on any weekday (public holidays excepted) and will be available at the Annual General Meeting (for at least 15 minutes prior to and during the meeting). A copy of the draft rules of The Sage Group plc 2015 Performance Share Plan will be available for inspection at the offices of Allen & Overy LLP, One Bishops Square, London, E1 6AD during normal business hours from the date of this Notice until the conclusion of the meeting and also at the place of the Annual General Meeting from at least 15 minutes prior to and during the meeting.
- (vi) Only those members registered in the register of members of the Company as at 6.00pm on 1 March 2015 or, in the event that this meeting is adjourned, in the register of members as at 6.00pm on the day two days before the time of any adjourned meeting shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00pm on 1 March 2015 or, in the event that this meeting is adjourned, in the register of members after 6.00pm on the day two days before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend and vote at the meeting.
- (vii) If you return paper and electronic proxy instructions, those received last by the Registrars before the latest time for receipt of proxies will take precedence. You are advised to read the website terms and conditions of use carefully. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged.
- (viii) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated (the "Relevant Member"), have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (ix) The statement of the rights of shareholders in relation to the appointment of proxies in notes (i), (ii) and (iii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
- (x) As at 5 January 2015 (being the last practicable date prior to the publication of this document) the Company's issued share capital consists of 1,116,354,339 ordinary shares, carrying one vote each, of which 39,522,431 are held in treasury. Therefore, the total exercisable voting rights in the Company as at 5 January 2015 are 1,076,831,908.
- (xi) It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting or relating to any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual reports and accounts were laid. The Company may not require the members requesting such website publication to pay its expenses in complying with section 527 or 528 of the Companies Act 2006 and it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.

- (xii) A member attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the Companies Act 2006. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xiii) In accordance with section 311A of the Companies Act 2006, the contents of this notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting, the total voting rights members are entitled to exercise at the Annual General Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice can be found at www.sage.com.
- (xiv) Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (a) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (b) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (i) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (ii) it is defamatory of any person, or (iii) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 19 January 2015, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.
- (xv) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of that meeting by using the procedures described in the CREST Manual, which is available at www.euroclear.com. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (xvi) Except as provided above, members who have general queries about the Annual General Meeting should use the following means of communication (no other methods of communication will be accepted): calling our shareholder helpline on 0871 384 2859, calls to this number cost 8p per minute plus network extras. Non-UK callers should dial +44(0) 121 415 7047. Lines are open 8.30am to 5.30pm, Monday to Friday; or writing to the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing BN99 6DA. You may not use any electronic address provided either in this notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- (xvii) All resolutions will be put to vote on a poll. This will result in a more accurate reflection of the views of shareholders by ensuring that every vote is recognised, including the votes of all shareholders who are unable to attend the meeting but who appoint a proxy for the meeting. On a poll, each shareholder has one vote for every share held.

Appendix 1

The Directors
The Sage Group plc
North Park
Newcastle upon Tyne
NE13 9AA

9 January 2015

Dear Sirs,

Statement of Circumstances connected with ceasing to hold office as Auditors

In accordance with Section 519 of the Companies Act 2006, we set out below the circumstances connected with our ceasing to hold office as auditors of The Sage Group plc, registered no: 02231246 (the Company) effective from 9 January 2015.

We state that the reason we resigned was that the Company undertook a tender process for the position of statutory auditor and Ernst & Young LLP's proposal was accepted. We were not invited to participate in the tender process because of our length of tenure and the desire by the Company to adhere to the principles of the Corporate Governance Code relating to auditor rotation.

Yours faithfully,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, Central Square South, Orchard Street, Newcastle upon Tyne, NE1 3AZ
T: +44 (0) 191 232 8493, F: +44 (0) 191 269 4400, www.pwc.co.uk

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Appendix 2

Summary of the principal terms of the Sage Group plc 2015 Performance Share Plan (the 2015 PSP)

1.1 Purpose

The purpose of the 2015 PSP will be to reward, incentivise and retain the employees who are selected to receive 2015 PSP awards (**Awards**).

1.2 Eligibility

All employees of The Sage Group plc (**the Company**) or any of its subsidiaries (**the Group**), including executive directors, will be eligible to participate in the 2015 PSP. Employees will be eligible to participate at the discretion of the board of the Company, or any duly authorised committee of the board (**the Board**), and the Board will have responsibility for determining who will be granted Awards.

1.3 Grant of Awards

Awards will normally be granted within 42 days commencing on the dealing day after the announcement of the Company's results for any period. Awards may also be granted during the period of 42 days commencing on the day on which the 2015 PSP is approved by shareholders or at any other time if the Board determines that there are exceptional circumstances which justify the grant of Awards. No Award may be granted during a close period of the Company.

The 2015 PSP permits the grant of conditional share awards (**Conditional Awards**) or nil-cost options (**Nil-Cost Options**). Conditional Awards are structured as contingent rights to receive fully paid ordinary shares in the capital of the Company (**Shares**) and Nil-Cost Options are structured as contingent rights to acquire Shares which may be exercised at nil cost. Awards will not be pensionable. Awards may also be structured as rights to receive a cash amount which relates to a number of notional Shares (and references in this summary to Shares include references to these notional Shares).

1.4 Individual limits on the grant of Awards

For the purposes of the 2015 PSP, the maximum value of Shares which may normally be put under Award to an Award holder (**a Participant**) in respect of any financial year will not exceed 300 per cent of a Participant's annual salary. In the event that the Participant is granted a second Award within 12 months of becoming an employee of the Group, the 300 per cent limit will apply separately in respect of that second Award.

1.5 Plan limits

The Board must not grant an Award which would cause the number of Shares allocated in any ten year period under the 2015 PSP and under any other employee share plan adopted by the Company to exceed 10 per cent. of the issued share capital of the Company from time to time. Within this limit, not more than 5 per cent. of the issued share capital of the Company from time to time may be allocated in a ten year period under the 2015 PSP and any other employee share plan operated by the Company on a selective basis. Shares are treated as allocated if they are (or are to be) newly issued or transferred from treasury, including Shares issued or transferred from treasury to any trustee of an employee benefit trust. Shares subject to options or awards which have lapsed or been released, and Shares allocated in respect of Awards which are then satisfied in cash, are excluded when calculating this limit.

1.6 Performance condition

The release of Awards granted under the 2015 PSP may (and in the case of executive directors will) be subject to the achievement of performance conditions, which will be measured over a period of at least three years (or such other period as the Board may determine).

1.7 Dividend equivalents

The Board may at any time prior to the issue or transfer of the Shares to which an Award relates, decide that Participants will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those Shares by reference to dividend record dates falling between the date of grant and the date of release. This amount may assume the reinvestment of the dividends in Shares.

1.8 Holding period

The Board may determine at the time of grant that following the vesting of an Award, the Award may be subject to a holding period of two years (or such other period as the Board may determine at the time of grant) before the Award is released and Shares may be transferred to the relevant Participant.

1.9 Normal vesting

As soon as reasonably practicable after the expiry of the performance period, the Board will determine to what extent the performance condition has been satisfied. To the extent the performance condition has been satisfied the Award vests, provided that the Participant is still employed within the Group at that time. To the extent that any performance condition has not been satisfied in full, the remainder of the Award will lapse.

An Award will be released on the date the Award vests if no holding period applies and on the day immediately following the holding period if a holding period does apply, unless on the day the Award is released a dealing restriction applies. In that case the Award will be released on the date when such dealing restriction is lifted. Following the date of release, a Nil-Cost Option may be exercised until the tenth anniversary of the date of grant (or such earlier date as the Board may determine on or prior to the grant date).

1.10 Malus and clawback

The 2015 PSP includes malus provisions under which the Board may reduce the number of Shares to which an Award relates, cancel an Award or impose further conditions on an Award. The 2015 PSP also includes clawback provisions which provide that at any time prior to the third anniversary on which an Award was released, the Participant may be required to transfer or repay some or all of the Shares or cash received following such release on such basis as the Board may determine. Alternatively, the Board may impose clawback by reducing the amount of any future bonus, or future or subsisting Award, and/or applying further conditions to such bonus or Awards. Circumstances where malus and/or clawback may apply include a material misstatement of the Company's audited results or a material failure of risk management by, or serious reputational damage (as a result of the Participant's misconduct or otherwise) to, the Company, any member of the Group or a relevant business unit.

1.11 Cash equivalent

The Board may at any time prior to the date on which an Award is released or exercised, in lieu of the Participant's right to receive Shares, make a cash payment equal to the market value of the Shares which would otherwise have been issued or transferred.

1.12 Cessation of employment

If a Participant ceases to be an officer or employee of the Group before the date the Award vests because of injury, ill-health or disability, because of the sale of the Participant's employing company or business out of the Group, or for any other reason as the Board may determine (except where a Participant is summarily dismissed), the Participant's Award will vest and be released on the normal date or, at the discretion of the Board, as soon as practicable following the date of cessation. In such circumstances, a Nil-Cost Option will remain exercisable for a period of six months after release, after which time it will lapse. If the Participant ceases to be an officer or employee of the Group before the date an Award has vested in other circumstances, his Award will lapse. The extent to which an unvested Award vests will be determined by the Board taking into account the extent to which the relevant performance condition has been satisfied and unless the Board determines otherwise, the period of time that has elapsed from the grant date to the date of cessation as a proportion of 36 months (or such other period as the Board may determine).

In the event of the death of a Participant, unless the Board determines otherwise, vesting and release will occur on the date of death, and an Award granted as a Nil-Cost Option may be exercised during a period of 12 months from the date of death. The extent to which an unvested Award vests will be determined by the Board taking into account the extent to which the relevant performance condition has been satisfied and, if the Board so determines, the period of time that has elapsed from the grant date to the date of death as a proportion of 36 months (or such other period as the Board may determine).

If a Participant ceases to be an officer or employee of the Group for any reason on or after his Award vests (except where he is summarily dismissed, in which case his Award will lapse on cessation) his Award will be released on the normal date, unless the Board determines that the Award will be released as soon as practicable following the date of cessation. Any Nil-Cost Option may be exercised for a period of six months (or such other period as the Board may determine) from the date of cessation or, if later, the release date, after which time it will lapse (unless the Participant is summarily dismissed, in which case his Award will lapse on cessation).

1.13 Corporate events

If there is a change of control of the Company, vested Awards will be released and unvested Awards will vest and be released. Unvested Awards will vest to the extent the Board determines, taking into account the extent that the relevant performance condition has been satisfied at that time based on all factors the Board considers relevant, and, unless the Board determines otherwise, the period of time that has elapsed between the date

of grant of the Award and the date of the change of control as a proportion of 36 months (or such other period as the Board may determine), provided that the Board may vary the extent to which an Award is released if it determines that exceptional circumstances warrant such a variation. Nil-Cost Options will be exercisable for one month from the date of the relevant event.

Awards will not be released but will be exchanged for the grant of equivalent new awards if an offer to exchange the Award is made and accepted by the Participant, or if the Board decides that Awards will be automatically exchanged.

In the event of a winding up of the Company or if the Company is or may be affected by a demerger, delisting, special dividend or other event which may, in the Board's opinion, materially affect the current or future value of Shares and it would not be appropriate or practical to adjust Awards, the Board will determine whether and to what extent Awards will be released. The Board will also determine the period during which any Nil-Cost Option may be exercised.

1.14 Adjustments

If there is a variation of share capital or a demerger, delisting, special dividend or other event which may, in the opinion of the Board affect the current or future value of Shares, the number of Shares over which an Award is granted may be adjusted in such manner as the Board determines.

1.15 Amendments

The Board may amend the rules of the 2015 PSP or the terms of any Award, provided that no amendment to the advantage of eligible employees or Participants may be made to provisions relating to:

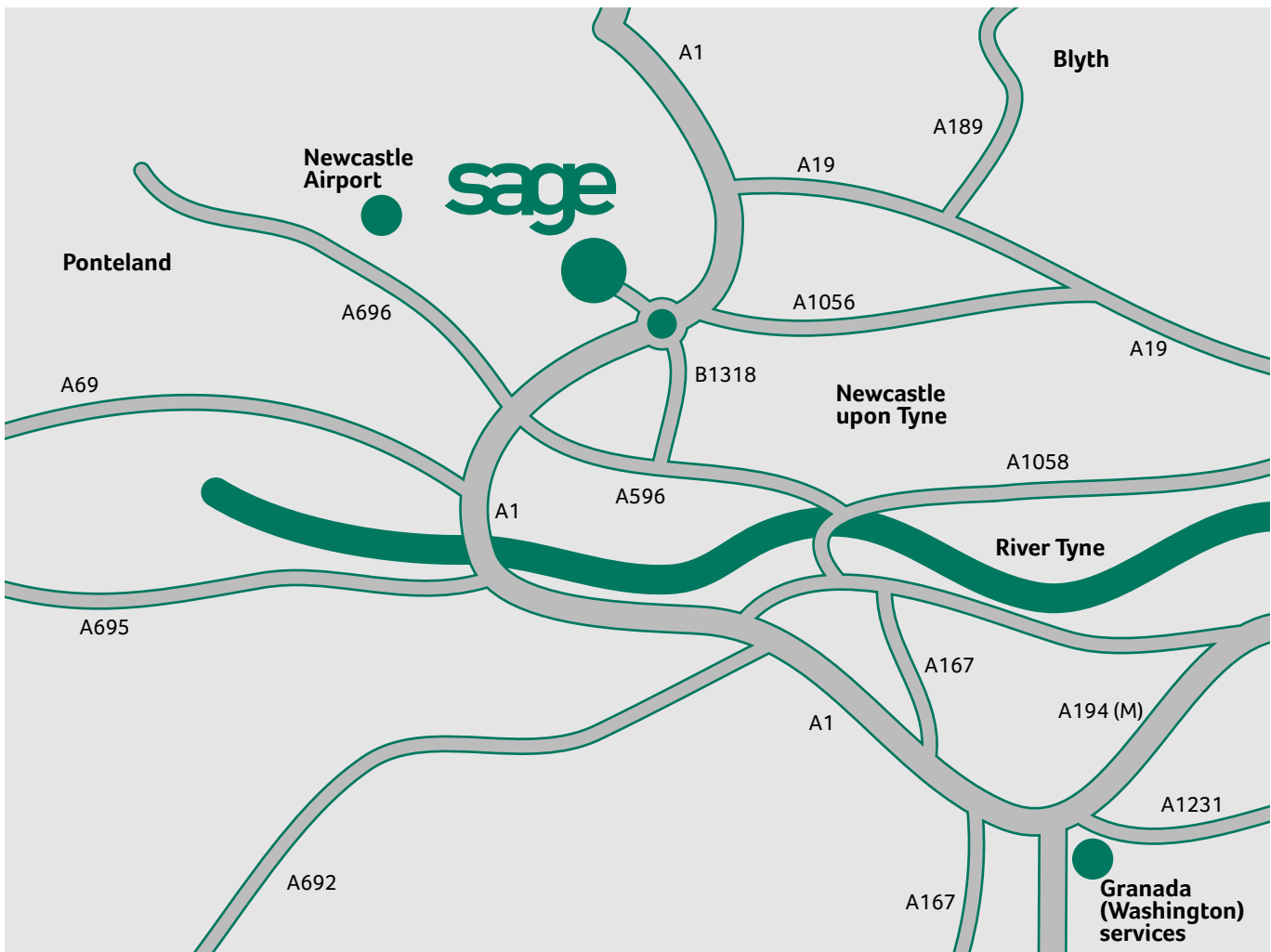
- (a) who is eligible to be a Participant under the 2015 PSP;
- (b) the limits on the number of Shares or cash which can be allocated under the 2015 PSP;
- (c) the maximum entitlement for any one Participant;
- (d) the basis for determining a Participant's entitlement to, and the terms of, an Award; and
- (e) the adjustment of Awards in the event of a variation of capital,

without the prior approval of the members of the Company in general meeting, unless the amendment is minor and made to benefit the administration of the 2015 PSP, to take account of a change in legislation or to obtain favourable taxation, exchange control or regulatory treatment.

No amendment may be made to the material disadvantage of existing rights of Participants (other than in respect of the performance conditions) without the approval of a majority of the affected Participants who express a view on the amendment.

How to get to the Annual General Meeting

The twenty-seventh Annual General Meeting of The Sage Group plc will be held on Tuesday 3 March 2015 at 10:00am.



The Sage Group plc
North Park
Newcastle upon Tyne
NE13 9AA
United Kingdom

www.sage.com