

Annual Members' Review 2020

Building Society
of the year 2020

MONEYAge
AWARDS
2020

WINNER

BUILDING SOCIETY OF THE YEAR



**Saffron
Building
Society**



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Chairman's Statement

A YEAR OF CHALLENGE FOR ALL OF US

This is my first report to you as Chairman, following the retirement of Geoffrey Dunn who served on your Board for nine years, and as Chairman for most of that period. Geoff provided outstanding leadership for the Board and it is unfortunate that we were not able to acknowledge in person his service at the 170th AGM last year.

Sadly this year's AGM will have to be held virtually again and that is perhaps the story of the last 12 months. COVID-19 has been the dominant theme in all our lives and, before commenting on the impact on your Society, it is worth reflecting on the terrible loss of life, serious illness and intolerable strain placed on the NHS and other key workers that this pandemic has imposed.

Naturally, the thoughts of all of us are with those friends, colleagues and fellow citizens who have lost loved ones or have been seriously impacted.

Remarkably, the Saffron Building Society succeeded in moving to 'working from home' fairly seamlessly. Of course, our branches remained open, with amended opening hours, as we continued to serve Members, many of whom value face to face contact in managing their financial affairs. Overall the level of operational losses (a measure of the operational control effectiveness closely monitored by management and the Board) fell to the lowest level for the last five years, despite the disruption caused by COVID-19 and the many transactions the Society processes each year. The Board would like to thank all

of our colleagues for successfully managing through this period of disruption with good humour, despite the upheaval that working from home has entailed or the challenge of remaining in front line roles serving our customers in the branches.

From a governance perspective your Board has continued to operate as normal, although we have all had to undertake a crash course in the etiquette of virtual meetings. It is difficult to predict how long we will continue to have to work with these restrictions but our assumption is that it may be late summer before we are able to meet in person again. Hopefully the rollout of the vaccination programme will continue at pace and the pandemic will be brought to an end.

The vision of the Saffron Building Society is "For our Members and community to have unmatched understanding and control of their finances, achieving money happiness." So it is very pleasing to report that your Society has lent a record £253m to customers seeking to acquire a place to live of their choice and we provided a safe home for over £80m of new Member deposits in 2020.

However, our goal is not just about growth and we recognise that some of our customers have particular circumstances and will be better served by a mortgage from a different provider to the Saffron Building Society. To assist those customers we launched Saffron Mortgage Finders in 2020 to help find the best product for their needs and Colin will talk a little about that initiative in the following pages.

"For our Members and community to have unmatched understanding and control of their finances, achieving money happiness"

During 2020 the Society and its Members have faced the ongoing challenge of very low interest rates with the official Bank of England base rate being reduced from 0.75% to 0.1% in March in response to the pandemic. Although low official interest rates have reduced the cost of credit in the economy, it has reduced deposit income that is so important to many of our Members. The scale of the government support for the economy has been enormous with one commentator suggesting that the cost of the various types of support is 26% of UK GDP vs 1.5% in the 2008 Global Financial Crisis. Unwinding this level of exceptional government support for the economy will undoubtedly result in bumps in the road on the way to recovery and some economists forecast higher unemployment and higher inflation as the support is withdrawn.

Over the past few years management have strengthened the risk management capability of your Society under the guidance of the Chief Risk Officer Rajeev Marwaha. Close attention is being paid to any emerging evidence of increasing credit risk but the Society continues to maintain its credit standards for all new lending. At this stage we are not seeing evidence of any material credit problems emerging in our loan book.

We have also strengthened the Board following the retirement of Liz Kelly and Geoff Dunn, and the departure of our former Chief Financial Officer. Trevor Slater has joined the board as CFO and brings extensive experience in financial services, most recently as Finance Director of the Ipswich Building Society. David Rendell has joined the Board as a non-executive director and Chair of the Board Risk Committee. David is an experienced non-executive director following a long career

in financial services, most recently with GE Capital. Robin Litten joins the Board as a non-executive director. Robin also has very extensive experience in financial services having retired in 2019 as CFO of the Leeds Building Society.

Above all we are a community business: we are a community of staff and Members, we proudly support a number of community activities that Colin has highlighted in the CEO report, and we will always be an ethical community that provides financial services in a manner we hope you can be proud of.

Of course, we are proud to have won the Building Society of the Year award from MoneyAge in 2020 but what is most important to us is the feedback of our Members. In that respect the Board encourages Members to submit questions about any aspect of your Society using the method outlined within your voting communication for the Board to address in the AGM. We have always valued Member engagement throughout the year and particularly at the AGM. So even though this year's AGM will have to be held virtually, we encourage you to participate as far as possible in this environment.

We live in "interesting times". COVID-19 has pushed Brexit out of the headlines, although we are still working through a way to continue to assist ex-pats living in the EU who wish to buy UK property, as the position is now more complex. Also, the impact on our members and their livelihoods of as a result of the new EU trading rules will take time to fully cascade through the economy. The role out of the vaccine and an adjustment to a post Brexit economy will ultimately return our country to a version of normality...and the sooner the better!

On behalf of the Board I would like to thank all of the staff at Saffron Building Society for their continued efforts to support our Members during the pandemic. May I also thank the Members who have supported their Society through 2020 and we hope that you stay safe and healthy during the pandemic and beyond this difficult period.



Nick Treble, Chairman





Chief Executive's Report

2020 was an extraordinary year. The dominant reason for this has been the COVID-19 crisis that has maligned the country and continues to cast a shadow over people's lives in 2021. The virus has been damaging for public health, our routine way of life and for the wider economy. At the time of writing, with the vaccine being distributed across the country, there are reasons for optimism, but it is certain that COVID-19 will continue to impact our way of life over much of 2021 and beyond as the country recovers from its health and economic impact.

Operational and People Impact of the COVID-19 crisis

As the crisis unfolded in March, the Society adapted from operating eight branches and two central locations to instead become a business operating from a multitude of

premises including spare rooms, kitchen tables and home offices. Our branches continued to stay open for Members throughout this challenging period where many would have needed us most, incorporating measures to ensure that we could serve customers in as safe a way as possible. Our processes were reviewed and changed. All face to face meetings were replaced by customer reviews being conducted on the phone. Our branch environment was adapted to be COVID-19 secure, reinforcing distancing measures for customers and implementing Perspex barriers between customers and staff.

To accommodate this required huge effort from our IT, Facilities, Change and People teams as we distributed equipment, revised our systems and connectivity and adapted policies, procedures, and processes to support and protect our people.

Whilst the physical and process adjustment for our branch, office and home workers was a major challenge, just as great a challenge has been the support put in place for our people. Health and safety has been our highest priority throughout the crisis and we have put measures in place to help our people to work effectively and efficiently whilst also giving them the confidence that they would be looked after in the eventuality that they were taken ill or had to self-isolate. All of our operational processes continued to function effectively and we were able to respond well to the needs of customers, whether to help them to secure their home or in helping Members that needed support through the pandemic. Throughout the crisis we continued to recruit and develop our staff; supported our staff on the front line and maintained the operational rigour expected of the Society.

I am immensely proud of all of our staff during one of the most challenging years. I am also delighted that despite the challenges and difficulties faced, the level of staff engagement, measured by our "Peakon" monitoring tool increased from a score of 7 at the start of the year to 8 by the end of the year – clear evidence of the Society coming together during the crisis.

Business Performance

In my report last year, I signalled that following a period of consolidation to improve its capital strength, the Society was ready to return to a growth trajectory. I now can confirm that the Society has made good progress and has achieved significant growth in both savings and the mortgage book.

Savings balances increased by £80m year on year and the Society enjoyed the strongest year of lending in its history, delivering £253m of new lending, which

resulted in the total mortgage book increasing 13.8% year on year.

The total assets of the Society increased 12.8% year on year with the Societies total assets now over £1.2bn. The increase in the growth in the Society's assets is only one part of the growth strategy achieved in the year.

The Society launched Saffron Mortgage Finders, a new business that offers whole of market mortgage advice to Members free of charge, helping Members and Members' families to buy their own homes and providing a further benefit of Membership.

It has been heartening to see the Society return to growth, in terms of assets, deposits and new propositions, but the whole Society was delighted to receive the award of Best Building Society in the MoneyAge Awards. This achievement recognises the huge commitment and energy of our staff over recent years.

Whilst the mortgage growth in the year has been good, 2020 has been another challenging year for Savings Members, who have experienced further reductions in interest rates across all product areas. Once again, the Society has sought to be fair to both savings and mortgage Members, by addressing the reduction in income received with changes to rates payable to saving Members. This is difficult balance to strike and particularly so due to the significant negative impact that rate reductions had on the financial performance of the Society. The overall financial outcome for the Society was influenced by management's decision to cushion savers from the full impact of base rate reductions.

"I am immensely proud of all of our staff during one of the most challenging years."

Financial performance

Whilst the fundamental trading performance of the business has been solid and indeed our performance on costs and in managing bad debt has improved year on year, these factors are overshadowed by a sequence of largely one off issues resulting from lower market interest rates and has resulted in a loss before tax of £3.8m for the financial year.

At a headline level, net interest income reduced by £4.5m, a consequence of a number of factors that I will address in turn.

The reduction in base rate from 0.75% to 0.1% was as unwelcome as it was unanticipated. Firstly, the Society took action to respond to the reduction in rates by reducing both savings rates and SVR on mortgage accounts. The Society staggered the impact to savers to cushion the deterioration as the interest rate environment stabilised and this created a short term negative impact to income. The position later normalised as the second reduction was implemented.

The second area of deterioration related to the interest flows on the interest rate derivative contracts that are used to hedge interest rate exposure to changes in interest rates. At the start of the year, the Society had £349m of such contracts that had been originated in line with the prevailing market interest rate view at the time. The interest received under the derivatives reduced by around the same 65 basis point reduction in base rate. Ordinarily, a material movement in derivative earnings is offset by changing rates to savers, but with rates being so low, this was not possible with saving rates reaching a floor in many cases. Fixed rate savings are gradually maturing off higher

rates which has now started to flow through to monthly earnings and significantly improves the outlook over the coming year.

The third material area to impact on net interest margin has been the £1.6m reduction in the Effective Interest Rate asset. The principle of EIR is to reflect the anticipated income and costs associated with a mortgage asset evenly across the time that it is anticipated to be held by the Society. During 2020, two factors impacted the future anticipated returns from mortgage assets and as a consequence the EIR asset held. Firstly the reduction in SVR means that future SVR earnings are anticipated to be lower and secondly a change in the estimated behavioural life of the mortgages. In total this resulted in a reduction of £1.6m which management do not expect to be repeated in future periods.

Over recent years reports, I have consistently referenced the negative impact that the relatively small legacy portfolio of £40m equity release Mortgages has had on the financial performance of the Society. This has again resulted in a charge to the Income Statement of £2.8m in the period. As a result of the interest rate movements, there was a fall in the rate of the supporting derivatives of £4.4m and this is compared with an increase in the carrying value of the corresponding mortgage asset of £1.6m. Whilst certain factors in this asymmetry such as early redemptions may not reverse over time, it is anticipated other elements are timing related although the profile of future earnings remains potentially volatile due to the nature of the risks.

The reduction on Net Interest Income has been significant in the year, but if I am to take some comfort from the result, it is that

the reductions are likely to be one off in nature, with forecasted income for 2021 returning to levels experienced in the prior year, supported by the growth in mortgage lending experienced in 2020.

I am pleased with the consistent progress that we have made in controlling our expenses, which reduced 9%. We continue to focus on making the Society more efficient and making the money that we spend work harder for Members and our People.

Despite the impact of COVID-19 and the subsequent impact on the economy, Impairment remains benign for now, but we anticipate that this position will worsen over 2021.

Community

One of our core goals is to improve the wellbeing of our wider community. With this in mind, our partnerships and community activities have continued to develop throughout 2020.

At the beginning of the year Saffron Community Fund awarded £13,600 to five different charities, and whilst COVID-19 has prevented us meeting the charities in person as we normally would do, we have been in contact and know the funding received has been vital. The restrictions put in place by the pandemic have restricted the physical meeting of the Saffron Community Choir, but they have continued to meet virtually through video conference. Prior to the lockdown taking hold, Saffron Community Choir and Friends performed a Love concert raising over £6000 for Addenbrookes Charitable Trust (Oncology) and East Anglian Children's Hospice and they look forward to the time when they will again be able to sing together.

Our branches have continued their fundraising throughout the year. NHS Heroes have been at the centre of the majority of our fundraisers and in total our people have raised over £800 and provided toiletries to hospitals. The end of this year saw our Hertfordshire based branches partnering with Small Acts of Kindness by distributing "Warm in Winter" gift bags to our elderly customers.

The Society has also supported a number of local clubs and societies that will positively impact the lives of local people. We made a significant donation of £10,000 to Saffron Walden Community Football 3G pitch, which will, when complete, benefit over 800 junior players. In September we became official sponsors of Saffron Walden Town Football Club, building on a relationship that has been in place over the last few years and is an essential local amenity that has been hard hit by COVID-19 restrictions. We look forward to seeing grass roots football return as soon as is safe to do so. Our partnership with WizeUp Financial Education has continued although many sessions were unable to be held in schools as initially planned, we still pledged our funds to help build and provide online learning and Zoom workshops. Our staff have continued to share their expertise with secondary schools in our heartland by participating in mock interviews, career coaching and enterprise days.

This has been an exceptionally difficult time for all communities and we are very proud of the positive impact that we have had. For 2021, we will seek to further improve this impact. We have launched an initiative that will provide volunteering opportunities to our staff and we have other plans in place to provide more support to help both Members and our community to improve their financial wellbeing.

“This has been an exceptionally difficult time for all communities and we are very proud of the positive impact that we have had.”

Looking ahead

Whilst it is likely that life will resemble something like normal at some point in 2021, it is also likely that restrictions will continue through a significant part of the year. We will continue to prioritise the health and safety of our people and Members, whilst also maintaining service.

The impact on the UK economy and the finances of our members as a result of the new Brexit trading arrangements has so far been relatively low key compared to various commentator predictions of what a no-deal could have meant. Most areas of the economy are still assessing the long term impact of the agreement, although there are areas more significantly impacted both positively and negatively. We are still assessing how we will deliver new services to prospective members who live in the EU as it is no-longer as straight forward to process as previously. Overall, the impact continues to be monitored, with a relatively minor impact on our performance being experienced to-date.

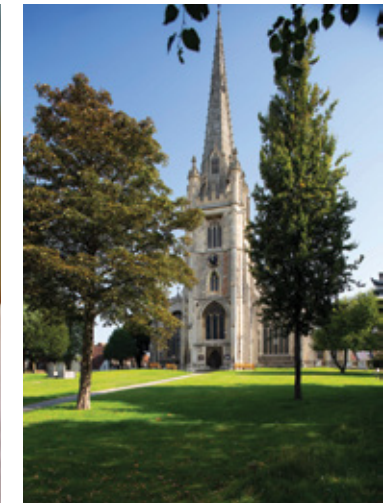
It is also likely that economic conditions will remain challenging through 2021 into the years beyond. The measures put in place by the government in response to the COVID-19 crisis have protected businesses

and employment to a significant extent to date, but it is likely, if not inevitable that these measures will be withdrawn at some point in 2021. At this point, the damage to the economy will become more evident and it is possible that we may see an increase in unemployment, a sluggish economic rebound and potentially a slow down or even reduction in house prices. Facing in to this uncertain environment, the Society is planning to deliver modest growth to its balance sheet size in 2021 through growth in its mortgage asset in order to drive improved profitability, but will remain alert to respond to any economic downturn.

The Society will continue to develop its capability and proposition to Members. In 2021 we are planning to deliver a significant upgrade to our core banking platform, which will help future proof our business. In addition to the systems upgrade, we will continue to work to enhance our people capability; build further on the progress that we have made in supporting our communities and seek to further improve the value that we provide you our Members.



Colin Field, Chief Executive Officer



Community Highlights 2020

Here at Saffron, we care passionately about supporting our local area. Especially at times such as these, when things are even more uncertain than ever, we think it's essential that organisations are doing what they can to provide practical help now, but also support those building the future well-being of our local community.



£10,000 donated to the Saffron Walden Community Football Club towards the 3G Pitch.



In September we became official sponsors of Saffron Walden Town Football Club.



SWTFC 1st Team proudly modelling the new kit!

“
We are committed to supporting and investing in our local communities.
”

Claire Hunnoble
Community Business Partner



In December we held our annual quiz raising money for our Community Fund. As it was virtual this year it was opened up to members as well, raising £500.



Branches “Wearing it Pink” for Breast Cancer Now in October.



Spreading Easter Joy especially important during the first lockdown!



Ware branch partnering with Small Acts of Kindness, distributing “Warm in Winter Gift Bags” to the elderly in December.



In August we upgraded our van to a new electric model, with a number of electric ports available at our head offices for staff to use.



In December our brand new electric van had its longest journey yet collecting the "Warm in Winter Gift Bags"



In March we became official sponsors of Essex Cricket Club.

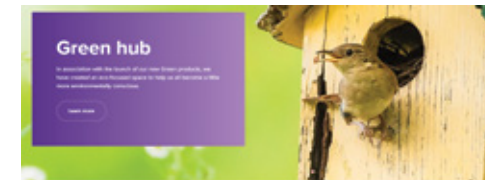


Elinor made and donated over 600 ear guards that were posted all over the Country and beyond!

Together we are making a difference

In 2020 we won Building Society of the year at the MoneyAge awards. As a mutual our Members are at the heart of everything we do, and supporting our Members through the Covid-19 crisis was very important to us. We created a Here for you Hub, a place our Members of all ages could visit for support and advice, as well as sending out weekly communications to our members with updates on how we could help.

Supporting Members on their mortgage journey is always important to us which is why we have manual underwriters, who are able to assess each individual mortgage on a case by case basis, which offered more flexibility than many other lenders during a difficult year. We changed our savings review to take place over the telephone, so our Members could still benefit from these from the safety of their homes, with staff regularly calling to check in with a number of members. We launched a range of products and initiatives designed to cater to a range of Members needs such as green products, self-build support and helping first time buyers onto the property ladder. At Saffron we are committed to putting the needs of our Members first and our branches remained open throughout 2020.



We launched our Green Hub in May and shortly after we launched our Enviro Saver and our Retro Fit Mortgage.



Our Here for you Hub launched in May, designed to be a place to support our communities and Members.



Laura Bright, Senior Product Manager, speaking on BBC Radio Cambridgeshire about our Retro Fit Mortgage in September.

Notice of Annual General Meeting 2021

Due to the ongoing situation with Covid-19 and to protect members, the Annual General Meeting will be a closed meeting which means that members are unable to attend in person.

Members are invited to join a livestream of the AGM, details of which are available on the Society's website.

The 171st Annual General Meeting of the Members of the Society of the Saffron Building Society will be held on Tuesday 27 April at 4pm at Saffron House, 1a Market Street, Saffron Walden, Essex CB10 1HX for the following purposes:

Ordinary Resolutions

1. To receive the Directors' report, the annual accounts, the annual business statement and the Auditors' report thereon for the year ending 31 December 2020.
2. To consider, and if thought fit, pass an ordinary resolution to re-appoint BDO LLP as Auditors, to hold office until the conclusion of the next Annual General Meeting.
3. To approve the Directors' remuneration report for the year ending 31 December 2020.

Election/re-election of Directors

4. To consider, and if thought fit, elect or re-elect Directors:

To re-elect Jennifer Ashmore
To re-elect Gary Barr
To re-elect Colin Field
To re-elect Neil Holden
To elect Robin Litten
To elect David Rendell
To elect Trevor Slater
To re-elect Nick Treble

Special Resolution

To consider and if thought fit approve a change to the Society's Rules (see summary opposite)

By order of the Board.

Trevor Slater, Society Secretary,
Saffron Building Society, Saffron House, 1a
Market Street, Saffron Walden, CB10 1HX
Date 2 March 2021

Notes

1. These notes form part of the Notice of Meeting.
2. A Member may appoint the Chairman of the meeting as their proxy. A Member may instruct their proxy how to vote at the meeting by following the instructions on the Proxy Voting form.
3. The deadline for postal or online votes is Thursday 22 April 2021.
4. In order to vote, you must qualify either as a shareholding member or as a borrowing member (please refer to the voting conditions on the Proxy Voting Form).
5. In addition, you can only vote once as a member, irrespective of:
(a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and
(b) whether you qualify to vote as a shareholding member and as a borrowing member.

Approval of the Directors' Remuneration Report

As a building society, the Society is not required to prepare an annual report on Directors'

remuneration or required to propose a resolution for its approval in the same way that a listed company is required to do. However, as in previous years and in line with best practice, the Society is proposing an Ordinary Resolution to approve the Directors' Remuneration Report for the financial year ended 31 December 2020. The summary Directors' Remuneration Report is on pages 34 to 37. The vote of this Resolution will be treated as advisory only and Directors' entitlement to remuneration is not conditional on this Resolution being passed.

Rule Change Summary

The Board is proposing changes to the Society's Rules at this year's AGM. The proposed new rule sets out the ways in which members can attend and participate in general meetings and has been added to specifically enable meeting to be held electronically if it is not possible to meet in person. The Board considers this to be a sensible approach in light of recent events to ensure that governance processes can continue uninterrupted and safely.

The special resolution proposes that the Rules of the Society are amended by inserting a new rule, after Rule 31, as follows, and the subsequent rules are renumbered accordingly:

32. Means of Participation in Meetings

1. The Board may make arrangements for Members to attend and participate in Annual General meetings and/or special general meetings by:
(a) attendance at a physical meeting place;
(b) simultaneous attendance and participation at a secondary meeting place; and/or
(c) using an electronic platform.
2. An Annual General Meeting and/or a special general meeting may be held solely as a physical meeting, solely as an electronic meeting accessible by using an electronic platform, or by offering members the option to attend and participate at a physical meeting place (which may include a secondary meeting place) or by using an electronic platform.

3. A member is present at an Annual General Meeting or special general meeting for the purposes of these rules if:

- (a) being an individual, he attends in person;
- (b) being a body corporate, a Corporate Representative attends in that capacity in person; or
- (c) a person appointed as his or its proxy, attorney or representative (or any person specified in paragraph (7) of Rule 38) including in each case, where permitted by the Board in accordance with these rules, attendance at any secondary meeting place or by using an electronic platform.

4. Where the Board decides that members may attend and participate in an Annual General Meeting or a special general meeting by using an electronic platform, the notice of general meeting given under Rule 33 shall set out details of the electronic platform for the meeting (and any access arrangements for such electronic platform shall be communicated to Members, either in the notice or otherwise).

5. Details of any physical meeting place, secondary meeting place and/or electronic platform that shall be stated in a notice of meeting given under Rule 33 shall constitute the place of such meeting.

6. Arrangements shall be made for any documents which are required to be made available for inspection by Members at an Annual General Meeting or a special general meeting to be available for inspection at any Secondary Meeting Place (in addition to the principal physical meeting place) and by any Members who attend and participate in the meeting by using an Electronic Platform.

7. Any persons wishing to attend an Annual General Meeting or a special general meeting (whether at any principal physical meeting place or any Secondary Meeting Place, or by using an Electronic Platform) shall be required to comply with any identification procedures and security arrangements as the Board shall reasonably specify from time to time.

Directors seeking election/re-election in 2021

The Board of the Saffron Building Society is made up of Executive and Non-Executive Directors. The role of the Executive Directors is to deal with the day-to-day running of the Society, while Non-Executive Directors, who are from a range of different specialist areas, bring an outside perspective to the management of the Society and also represent the views of the Membership.

At the 2021 Annual General Meeting (AGM) the following Directors will stand for election/re-election. Your Board strongly endorses the appointment of these individuals and recommends you vote in their favour at the AGM. Each Board member has their own skills, attributes and experience and the Board as a whole has the requisite balance of complementary skills and experience needed to direct and manage the affairs of the Society.



Nick Treble
Chairman

Nick has nearly 40 years' experience in financial services, working primarily in the areas of treasury, capital markets, risk management, retail and commercial banking. Most recently he was CEO of AIB Group (UK) plc (2009 to 2012), a retail and commercial bank operating in Great Britain as Allied Irish Bank GB and in Northern Ireland as First Trust Bank. Previously he was AIB plc Group Chief Risk Officer (2008) and Group Treasurer (2001 to 2008). From 1982 to 2001 he held a number of technical and managerial roles in treasury, asset and liability management, funding and trading for AIB plc. Nick retired from AIB in December 2012.

Nick is a Non-Executive Director of Bank Leumi (UK) plc, of Eskmuir Property Group, of Cambridge & Counties Bank and a Trustee for a major family settlement.

Nick joined the Board in March 2014 and was appointed Vice Chairman in May 2016 and became Chairman in April 2020 following Geoff Dunn's retirement. He is a Member of the Remuneration and Loans Committee and chairs the Nominations Committee. He is a Member of the Association of Corporate Treasurers.



Jenny Ashmore
Non-Executive Director

Jenny is a marketing and commercial leader with over 25 years' experience spanning consumer goods, media and oil/utilities. Jenny studied Chemistry and later an MBA, leading to an early career in sales and marketing with British Gas and Shell Oil. She has served as a senior Commercial Leader and Chief Marketing Officer in Procter & Gamble, Mars, Yell Group and SSE.

She now runs her own business consulting across business and charitable sectors with a focus on marketing strategy, innovative propositions and the implications of digital marketing on sales, products and customer service.

In addition to her Non-Executive roles at Saffron Building Society, she is also Non-Executive Director of Commonwealth Games England.

Jenny joined the Board in 2015 and chairs the Remuneration and Loans Committee, and is the Senior Independent Director and Vice Chair. She is a Member of the Risk Committee, Nominations Committee and Audit Committee and Whistleblowing Champion.

*Married name Zaremba



Gary Barr
Non-Executive Director

Gary is an IT leader with 30 years' experience in industry including retail, manufacturing, health and services. As IT Director at the National Blood Service (NBS) he led the successful implementation of the award winning Pulse programme which created a single system for managing the blood supply in England, from donor to hospital. After leaving the NBS he joined Welcome Break, the Motorway Services provider, completely refreshing and replacing the business systems. He then went on to lead the IT team at Sodexo UK & Ireland running a variety of systems over 2,000 sites. He started to work for WM Morrisons in 2006, as IT Director where he was key to the launching and leading of the Evolve programme, one of Europe's largest retail IT transformations. After leaving WM Morrisons he joined Dixons Group the electrical retailer as Group IT Director. In 2014 he decided that after 25 years in operational IT management it was time for a change and is pursuing a consulting and a non-executive career. He was a Governor at Bedfordshire University and the Lantern School Ely, and was a Director of Cambridge Rugby Union Football Club.

Gary joined the board in 2014 and sits on the Remuneration and Loans Committee, the Audit Committee and Risk Committee.



Colin Field

Chief Executive Officer

Colin joined the Board in 2014 as Chief Financial Officer before being promoted to Chief Executive Officer in September 2015. Colin is passionate about developing the role of Saffron as a modern mutual business, providing service to new and existing Members and the wider community. Prior to joining the Society, Colin held a number of senior finance positions with Barclays, Caudwell Group and Willis Group having previously qualified with PwC. Colin is a Chartered Accountant (FCA) and lives in North Essex. He is a Member of the Nominations Committee.



Neil Holden

Non-Executive Director

Neil is a Chartered Accountant with 40 years' experience in financial services. After qualifying with Thomson McLintock & Co (now KPMG) he held a number of executive roles in financial services mainly in financial control and risk management with JP Morgan, Hambros Bank, Westdeutsche Landesbank and Standard Bank Group. After leaving Standard Bank in 2006 Neil set up his own risk and governance advisory business consisting of non-executive directorships and advisory work for other clients. Neil is a non-executive director of IntegraFin Holdings plc, Stanbic International Insurance Limited, Sberbank CIB (UK) Limited, and AlbaCo Limited and chairs various Board Committees in these companies. Neil joined the Board in March 2014 and chairs the Audit Committee. He is a Member of the Risk Committee, the Nominations Committee and Remuneration and Loans Committee. Neil also chairs the Society's Pension Scheme.



David Rendell

Non-Executive Director

David is a risk management leader with 40 years' experience in financial services across both consumer and corporate lending in the UK and across Europe.

His executive career includes both risk management and business leadership roles within Lloyd's Banking Group (1988-2000) where he was Credit and Risk Director of the Asset Finance division and GE Capital (2000-2016) where latterly he was CRO of the European Leasing division, Managing Director of the Green Financing division and CRO and Management Board Member of GE's Dutch bank, Artesia.

From 2016, David was CEO and from 2019 a Non-Executive Director of Allium Lending Group.

David joined the board in April 2020. He chairs the Risk Committee and is a Member of the Audit Committee and the Remuneration and Loans Committee.



Trevor Slater

Chief Financial Officer

Trevor joined the Board in June 2020 and has over 30 years' experience in the financial services industry. His early career started in Yorkshire Bank where he was the Financial Controller and director of a number of Group companies, before being appointed as the Group Chief Accountant of the parent company, Clydesdale Bank PLC, in 2006. Trevor's responsibilities at that time covered regulatory and financial reporting, as well as risk management oversight and a variety of other associated areas. Trevor is a Chartered Management Accountant and a Chartered Banker and immediately prior to joining the Society had been the Finance Director at Ipswich Building Society since December 2017.



Robin Litten

Non-Executive Director

Robin joined the Board in January 2021 bringing over 20 years' experience in senior financial services roles. His early career was spent in consulting with Touche Ross and then in retail with the Sears Group. In 1997 he joined the Barclays Bank Group and held senior roles in its credit card business, as Deputy Finance Director at Barclaycard and as Chief Financial Officer of Barclays Private Bank. In 2002 he joined Scarborough Building Society as CFO becoming CEO in 2008 prior to its merger with Skipton Building Society where he became Commercial Director. In 2012 he joined Leeds Building Society where he was Chief Financial Officer. Robin is a Chartered Management Accountant and is a Member of the Society's Audit Committee, Risk Committee and Remuneration and Loans Committee.

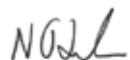
Summary Directors' Report

This financial statement is a summary of information contained in the audited Annual Accounts, the Directors' Report and the Annual Business Statement for the year ended 31 December 2020, all of which will be available to Members and depositors free of charge on demand at every office of Saffron Building Society from 22 March 2021 and on the internet at www.saffronbs.co.uk

Approved by the Board of Directors on 2 March 2021 and signed on its behalf by:



N J Treble (Chairman)



N J Holden (Director)



C H Field (Chief Executive Officer)

Business Review

The Society's business objectives and activities are outlined in the Chairman's Statement and Chief Executive's Report.

Results

A commentary of the results for the year is included in the Chief Executive's Report.

Profit after tax

The Group loss after tax transferred to general reserves was £3.2million (2019: profit after tax of £2.5million).

Capital

Group gross capital at 31 December 2020

was £60.0million (2019:£63.9million) being 5.4% of total shares and borrowings (2019: 6.6%). Free capital at the same date was £49.9million (2019:£50.4million) and 4.5% of total shares and borrowings (2019:5.2%).

Mortgage arrears

At Group level at 31 December 2020 there were 18 properties (2019: 6) where payments were 12 months or more in arrears. At 31 December 2020, the Group held 3 properties (2019:4) in possession.

Charitable and political donations

During the year the Society made donations totalling £44,434 (2019:£16,000) in support of charities and organisations. No contributions were made for political purposes (2019: nil).

Financial Risk Management Objectives and Policies

In executing the Group's strategy and in undertaking its routine business and activities, the Group is exposed to a range of risks. The primary goal of risk management is to ensure that the outcome of risk-taking activity is consistent with the Society's strategies and risk appetite and appropriate for the level and type of risks that it takes paying regard to regulatory guidance. It ensures that there is an appropriate balance between risk and reward in order to optimise Member returns and, when issues arise they are managed for the best outcome of the Society and its Members.

Risk management framework

The Society's Enterprise-wide Risk Management Framework (ERMF) provides the foundation for achieving these goals through:

- articulating the Society's risk management practices and procedures;
- documenting a consistent framework for risk management across the Society;
- establishing minimum standards around key risk management framework issues;
- articulating the Society's risk strategy and enterprise wide risk appetite; and
- directing the approach to risk governance throughout the Society.

The ERMF is supported by policies and procedures to embed the principles into the business.

The "Three lines of defence" model

The Society adopts a "three lines of defence" model to enable it to separate risk management activities between:

- those that own and take risk and implement controls (1st line);
- those that oversee, monitor and challenge the first line (2nd line); and
- the audit functions which provide fully independent assurance (3rd line).

Risk governance

The oversight and direction of the Board is central to the Society's risk management framework. The Board exercises governance over risk through a series of Board committees and management structures. Each of the Board committees includes at least two Non-Executive Directors (one of which chairs), with management committee members comprising from the Executive and appropriate members of senior management.

Risk appetite

The Board defines risk appetite as "the level of risk the Society is prepared to accept whilst pursuing its business strategy as a mutual society set up for the benefit of its members, recognising a range of possible outcomes as the business plan is implemented". Risk appetite is reflected in

qualitative measures set out in the Society's ERMF and in a series of quantitative measures that are reported to the Board at each meeting.

Risk appetite is formally reviewed at least annually but may be revised more frequently to reflect emerging risks, changes to the economic and market environment or for any other reasons considered appropriate.

Risk culture

The Board places significant emphasis on every level of the organisation having an awareness of risk and the importance of effective management of risk. Each department across the organisation is expected to take ownership for the identification and management of risks specific to their areas, with the Board and Management Committees, together with the three lines of defence model ensuring a strong risk culture is embedded throughout the organisation, set by the "tone from the top". As a mutual organisation, exemplary conduct is also expected from everyone in the organisation and conduct is taken into consideration when making decisions on remuneration across all levels of the organisation to ensure incentives do not drive poor customer outcomes.

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance and could cause actual results to differ materially from expected and historical results and also have the ability to threaten its business model, solvency or liquidity. The principal risks that arise from the Group's operations, and which are managed under the risk management framework, are credit; interest rate; liquidity/funding; operational; IT security/cyber-crime; compliance; conduct; general business risks.

Future outlook and uncertainties

Regulatory developments

There are a number of significant future regulatory developments that can be expected to have a material impact on the Society's business model and operations if implemented.

Capital buffers

Under legislation, building societies are required to hold a minimum amount of capital to protect the Members' funds and remain solvent in the event of severe economic stresses. In addition to these minimum requirements, further buffers have been introduced to ensure that Members' interests are protected even in the most adverse scenarios. The Capital Conservation buffer continued to be set at its maximum level of 2.50% of risk-weighted assets throughout 2020. The countercyclical buffer (CCyB) was scheduled to be increased from 1% of risk-weighted assets to 2% in December 2020 before the COVID-19 pandemic impacted the economy and the full CCyB buffer was released in Q2 2020 to support financial institutions and manage the market impact of the stress. The CCyB can be used by the financial regulators to adjust the resilience of the banking system to the changing scale of risks expected to be faced. As such it may be increased up to a maximum of 2.5%. The CCyB is expected to be phased back in over the coming years and the Society has planned for this re-introduction within its forecasting and strategic planning.

Basel III Reforms

In December 2017 the Bank for International Settlements' Basel Committee on Banking Supervision published its report "Basel III: Finalising Post-crisis reforms". The document sets out the Committee's finalisation of the Basel III framework. The revisions to the framework seek to restore credibility

in the calculation of risk-weighted assets and improve the comparability of capital ratios. Revisions include changes to the standardised approach for credit risk, introducing a more granular approach to risk weights and are expected to take effect from 1 January 2023. Moving to the revised framework may require the Society to hold an additional £3.7million of capital for regulatory purposes, based on latest management assessment, however local implementation rules are still to be announced.

Economic Outlook

At the time of writing, the impact of COVID-19 continues to dominate economic conditions across the globe. In spite of this, the housing market has remained surprisingly buoyant and borrowers are generally continuing to make their monthly mortgage payments as they fall due. The extent to which these positive signs may be detrimentally impacted as government support starts to diminish presents a high degree of forecasting uncertainty.

Economic uncertainties around Brexit have started to reduce although it is clear that there may be both negative and positive outcomes for different sectors of the economy and the net impact will only start to become clear as the year progresses. The Society is directly impacted in relation to ex-pat mortgages and following a review of the legal position the decision was taken to withdraw from sale new mortgage originations to ex-pat customers within the EU. Although the majority of new origination for this product are for members outside of the EU, the restriction is unwelcome and is hoped to be temporary pending clarity of requirements across the various EU countries. The likelihood of negative interest rates appears to be receding although this remains an area of risk to the Group's plans and continues to be subject to scenario and

stress testing to ensure ongoing resilience. The Society has redefined its strategic growth plans during the year and set a lower growth ambition and a concentration on higher quality earnings. The current expectation is a return to profit in 2021 with positive earnings momentum gathering pace as the balance sheet positions more appropriately to the lower interest rate environment.

Our people

Once a year the Board reviews employment policies and ensures that they are designed to provide fair and effective employment conditions and equal opportunities. The Whistleblowing policy is accessible to all staff and is regularly monitored. The Society retains its commitment to the development of its staff and the alignment of individual goals to the Society's aims. We would like to thank all our staff for the hard work and support they have given the Society over the last twelve months.

Business associates

We would like to thank our solicitors, internal and external auditors and professional advisors for their continued support during the year.

Directors

The following served as Directors of the Society during the year and up to the date of signing the accounts except where indicated:

Executive Directors

C H Field (Chief Executive Officer)
T Slater (Chief Financial Officer) joined the Society on 1 June 2020

Non-Executive Directors

N J Treble (Chairman)
J A Ashmore* (Senior Independent Director)

T G Barr
N J Holden
D R Rendell joined the Society on 1 May 2020
G R Dunn (Chairman) Retired on 30 April 2020
E Kelly Retired on 30 April 2020

*married name Zaremba

Subsequent to the year end, on 4 January 2021, R S P Litten was appointed as a Non-Executive Director. Being eligible, all directors will stand for election or re-election

Biographies of the Directors appear at pages 20 to 23. None of the Directors hold any shares in, or debentures of, any associated body of the Society.

Auditor

BDO LLP has audited the Group Accounts for 2020. A summary of the information contained in the audited and unqualified Accounts is included here. The Society is recommending to Members that BDO LLP should be re-appointed as auditors at the forthcoming Annual General Meeting at which the relevant resolution will be proposed.

Events since the year end

The Directors consider there has been no event since the end of the financial year which would have a material effect on the financial position of the Group as disclosed in the Annual Accounts.



N J Treble
Chairman
On behalf of the Board 2 March 2021

Summary Statement of Financial Results

Results for the year	2020	2019
	(£000)	(£000)
	Group	Group
Net interest income	15,703	20,174
Other income and charges	(356)	273
Net fair value movement	(3,888)	(492)
Administrative expenses and depreciation and amortisation	(15,131)	(16,395)
Operating (Loss)/Profit before impairment losses and provisions	(3,672)	3,560
Impairment losses on loans and advances	(194)	(334)
Provisions for liabilities	-	(136)
Operating (Loss)/Profit	(3,866)	3,090
Profit/(Loss) on disposal of property, plant and equipment	38	(29)
(Loss)/Profit before tax	(3,828)	3,061
Tax	543	(543)
(Loss)/Profit for the financial year	(3,285)	2,518

Loss for the financial year arises from continuing operations. Both the loss for the financial year and total comprehensive income for the period are attributable to Members of the Society.

Statement of comprehensive income

	2020	2019
	(£000)	(£000)
(Loss)/Profit for the financial year	(3,285)	2,518
Available for sale reserve		
- Valuation (losses)/gains taken to reserves	82	504
- Amount transferred to income statement	-	(386)
Net actuarial gain/(loss) recognised in the defined benefit pension scheme	(957)	394
Unrealised gain/(loss) on revaluation of property, plant and equipment	(386)	388
Tax relating to components of other comprehensive income	207	(37)
Total comprehensive income for the period	(4,339)	3,381

Financial position at the end of the year

	31 Dec 2020	31 Dec 2019
	(£000)	(£000)
	Group	Group
Assets		
Liquid Assets	251,024	225,160
Loans and advances to customers	942,814	828,741
Fixed assets and other assets	13,257	16,288
Total assets	1,207,095	1,070,189
Liabilities		
Shares	893,977	813,214
Borrowings	212,728	161,397
Other liabilities	39,929	30,780
Subordinated liabilities	10,270	10,268
Reserves	50,191	54,530
Total liabilities	1,207,095	1,070,189

Summary of key financial ratios

	2020 %	2019 %
	Group	Group
Gross capital as a percentage of shares and borrowings (Note 1)	5.4	6.6
Liquid assets as a percentage of shares and borrowings (Note 2)	22.7	23.1
Profit for the year as percentage of mean total assets (Note 3)	(0.29)	0.24
Management expenses as a percentage of mean total assets (Note 4)	1.33	1.57

Summary Statement of Financial Results

Notes

- 1 The gross capital ratio measures the proportion that capital bears to shares and borrowings. Gross capital constitutes the reserves and subordinated liabilities shown in the Statement of Financial Position and includes the profits accumulated since the Society's formation. Capital provides a financial cushion against possible adverse market conditions in the future and therefore protects Members.
2. The liquid assets ratio measures the proportion of the Group's shares and borrowings which are held in the form of cash, short term deposits and securities which can be readily converted into cash. Liquid assets are maintained at a level which enables the Group to meet requests from Members for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
3. This ratio measures the proportion which profit after taxation for the year bears to the average balance of the total assets for the year. The ratio is similar to a Group's return on assets. The Group needs to make a reasonable profit each year in order to maintain its capital ratios at a suitable level to protect Members.
4. The ratio of management expenses as a percentage of average total assets measure the proportion which administrative expenses (including depreciation and amortisation) bear to the average balance of total assets during the year.

Independent Auditor's Statement to the Members and Depositors of Saffron Building Society

Independent auditor's statement to the members and depositors of Saffron Building Society

Opinion

We have examined the summary statement of financial results of Saffron Building Society ('the Society') for the year ended 31 December 2020 which comprises the Results for the year, the Statement of Comprehensive Income and Financial Position at the end of the year, together with the Summary Directors' report.

On the basis of the work performed, as described below, in our opinion the summary statement of financial results is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for Opinion

Our examination of the summary statement of financial results consisted primarily of:

- Agreeing the amounts and disclosures included in the summary statement of financial results to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020, including consideration of whether, in our opinion, the information in the summary statement of financial results has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary statement of financial results is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020.

We also read the other information contained in the Annual Members' Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary statement of financial results.

Our report on the Society's full annual accounts is unmodified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Directors' Responsibilities

The directors are responsible for preparing the summary statement of financial results within the Annual Members' Review, in accordance with applicable United Kingdom law.

Auditor's Responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary statement of financial results within the Annual Members' Review with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

BDO LLP

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
2 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Summary Directors' Remuneration Report (unaudited)

The Board has an established Remuneration and Loans Committee which comprises all the Non-Executive Directors. This report illustrates how the Society has regard to the principles set out in the UK Corporate Governance Code relating to Directors' remuneration.

Remuneration and Loans Committee

The Committee is chaired by Jenny Ashmore (Non-Executive Director) and is responsible for:

- Recommending to the Board the Society's remuneration policy;
- Remuneration packages for the Executive Directors;
- Approving loans to directors or connected persons;
- Ensuring compliance with the Regulator's Remuneration Code and having regard to the UK Corporate Governance Code;
- Reviewing, at least annually, the Remuneration Policy Statement (which outlines the Society's remuneration approach) to ensure clarity and appropriate risk assessment.

In reaching remuneration decisions the Committee reviews and takes into account benchmark data from the Building Societies Association remuneration survey. The Committee also reviews Society-wide remuneration principles (other than those directly affecting Executive Directors) providing appropriate oversight to the Executive Team.

Executive Directors (including the Chief Executive Officer) are not involved in

deciding their own levels of remuneration. Likewise, the Non-Executive Directors (including the Chairman) are not involved in deciding their levels of remuneration.

General remuneration principles

The principal aim of our Remuneration policy is to ensure the remuneration of our people is fair, reflects individual performance and competence and is competitive within the local financial services market. Our principle aim to attract, motivate, reward and retain people with appropriate skills and behavioural competencies, as well as promote and encourage the right behaviours to align with the Society's conduct, culture and risk management practices, avoiding incentives which could encourage inappropriate risk taking and detriment to our Members

All key elements of remuneration are reviewed annually and take into account market conditions, employment competition and the Society's financial performance. We use external market data to determine appropriate pay levels and we are implementing a clear and transparent pay and grading structure in 2021. Our last external All-Society benchmarking review was carried out in 2018 and the next one will be in 2021.

Overall, we continue to make good progress in line with external market data and in-sector salary benchmarking. We exceed the statutory National Minimum Wage and voluntary Real Living Wage requirements.

Our focus for 2020 centred on colleague wellbeing. We did not furlough any of our staff and were able to support working from home for most office-based staff and COVID-vulnerable staff. Flexible hours and additional safety measures were put in

place for all staff, particularly those working in our branches.

Remuneration packages are made up of basic salary, core benefits, pension contribution, bonus and other benefits. There are elements of both individual recognition and organisational performance in our bonus payments. The bonus scheme is discretionary, subject to a review at least annually and paid out only when affordable.

<p>Society Pay and Bonus</p> <p>No member of staff suffered a pay reduction as a consequence of COVID-19 and no staff were furloughed.</p> <p>Despite the challenges, we were able to recognise and reward certain employees by offering modest pay increases, principally in the lower quartiles. No bonus was awarded for the year ended 31 December 2020.</p>	<p>Health and Wellbeing</p> <p>We remain focused on supporting all employees with healthcare options via full or partial private medical cover. Our internal Mental Health First Aiders are fully qualified to listen, support and signpost to professional support when and if necessary.</p>
<p>Real Living Wage</p> <p>We are fully committed to honouring the Real Living Wage and 100% of our employees in 2020 were paid (at least) £9.50 per hour.</p>	<p>Gender Pay</p> <p>There is no equal pay gap, however there is a gender pay gap within our upper quartile because we have more men than women in Executive roles. There is a robust plan in progress to address how we attract more women to apply for the senior roles, and how we develop the women working for the Society to grow and progress into senior positions.</p>

Executive Directors' remuneration

Executive Directors' remuneration must fairly reflect responsibilities, expertise, experience and performance whilst being competitive enough to attract, motivate, reward and retain high quality Executive Directors. The Society continues to operate in a competitive environment, from a sector as well as a geographic perspective. Performance at a high level is expected,

with rewards directly linked to appropriate risk management, financial performance, quality customer service and individual excellence. Executive Directors are all designated as "Code Staff" under the Regulator's Remuneration Code due to their material impact on the Society's risk profile. The remuneration package for Executive Directors is made up of the following components:

Component	Level	Basis
Basic salary	Salary level decisions are recommended to the Remuneration and Loans Committee	Based on job content, responsibilities and remuneration levels for similar positions in financial services
Pension	The pension contribution is 8.5% of basic salary (in line with industry guidance) This is paid monthly into a group personal pension plan unless otherwise requested to be payable as a cash alternative. For Executives appointed before 1 December 2018 the employer contribution remains at 13.5% of basic salary	None of the Executive Directors are Members of the (closed) final salary scheme
Bonus	No bonus will be paid in respect of the 2020 performance year. In 2020 some Executives did receive a payment from previous bonus years, because 40% of any bonus earned will be deferred over 3 years	Earned on an annual basis and is determined by a combination of organisational and individual performance. It is linked to appropriate risk management, financial performance, capital management, quality customer service, operational fitness and people engagement. These organisational metrics are linked to the business plan for the year and approved by the Remuneration and Loans Committee
Other benefits	Cash allowance (in lieu of a lease vehicle) of 10% of basic salary paid monthly through payroll. Income protection, death in service, private medical insurance (family cover) and enhanced annual leave	Benchmarked in line with the Sector
Redundancy	Enhanced redundancy scheme, which can pay up to 52 weeks of employment is based on length of service	This scheme is non-contractual and has the facility to be changed or withdrawn at any time

When determining Executive Director remuneration the Remuneration and Loans Committee also take into account the wider Society pay and bonus approaches

Remuneration decisions in 2020

Pay awards, if made, generally apply from 1 April each year. In respect of the period commencing 1 April 2020, the annual pay review process itself saw basic salaries for Executives increase in line with market rates. In 2019 there were no Executive salary increases due to the financial results of the Society.

No bonus award is payable for the year ended 31 December 2020 . There were no other changes to the other benefits or pension contributions for current Executive Directors in 2020.

Salary reviews for the wider group of employees were awarded in April and July, with a focus on addressing those staff members who were in the lower quartile. The Chief Executive Officer updated all colleagues on the decisions around pay and bonus for 2020 through regular all staff communication.

Non-Executive Directors' fees

The Chief Executive Officer and Chairman review the level of fees paid to Non-Executive Directors each year. They take into account data on fees paid in similar positions in the mutual financial services sector as well as time commitments and levels of responsibility.

The Remuneration and Loans Committee review the Chairman's fee each year. Recommendations are made by the Chief Executive Officer to the full board for approval.

In 2020 there was no increase to Non-Executive Directors' fees (the last increase was in 2018). There are no bonus schemes or other benefits for Non-Executive Directors and they are not entitled to any pension from the Group.

Executive Directors' personal development

In order to facilitate the personal development of an Executive Director, it is Board policy that an Executive Director may undertake a Non-Executive role with a non-competing organisation. In principle, approval is required from the Chief Executive Officer (and in the case of the Chief Executive Officer, in principle, approval from the Chairman).

Approval is required from the Nominations Committee following submission of a full proposal.

Any fees derived from the Non-Executive role are paid directly to the Society Community Fund. Executive Directors' will not benefit financially in any way from this arrangement.

Service contracts

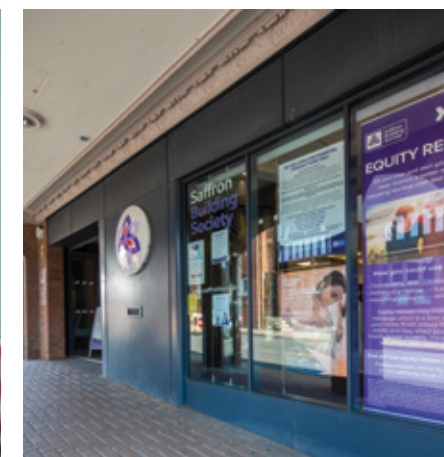
All Executive Directors are employed on a permanent service contract. As at 31 December 2020, Colin Field had a service contract with the Society which could be terminated by either party giving six months' notice.

Non-Executive Directors are appointed by letter for a three year period and are generally expected to serve a second three year term. Appointment can be extended for a further three years if taking on a significant new role, for example Chairman or Vice Chairman.

Analysis of Directors' emoluments:					2020	2019
	Salary/ fees	Bonus paid (1)	Other benefits (2)	Pension/ Pension allowance	(£000)	(£000)
Executive					Total	Total
C H Field	188	10	20	25	243	217
T Slater (4)	96	-	10	7	113	-
D L Garner (3)	-	-	-	-	-	241
	284	10	30	32	356	458
Non-Executive						
G R Dunn* (5)	17	-	-	-	17	53
T G Barr	33	-	-	-	33	33
N J Treble	50	-	-	-	50	43
N J Holden	43	-	-	-	43	43
J A Ashmore	40	-	-	-	40	33
E Kelly*	11	-	-	-	11	33
D Rendell	29	-	-	-	29	-
	223	-	-	-	223	238
Total 2020	507	10	30	32	579	-
Total 2019	596	15	41	44	-	696

Notes:

1. Remuneration and Loans Committee approved a pay increase in July 2020 for CH Field taking gross salary to £200,000. There was a bonus paid in March 2020 of £10,384 to CH Field and a further deferred bonus (at his own request) of £13,563 due to be paid in March 2021.
 2. Other benefits is made up of car allowance and private health insurance.
 3. D L Garner left the Society's employment on 28th November 2019
 4. T Slater joined the Society on 1 June 2020.
 5. G R Dunn retired at the AGM in April 2020 and left the Society on 30 April 2020.
- N J Treble was appointed as Chairman on 30 April 2020.
 J A Ashmore was appointed as Senior Independent Director on 1 May 2020.
 E Kelly resigned as a director and left the Society on 30 April 2020.
 D Rendell was appointed as Chair of Risk on 30 April 2020.
- Non-Executive Director fees did not increase in 2020. Changes to individual fees reflect changes in position.





0800 072 1100
saffronbs.co.uk

Saffron House
1A Market Street
Saffron Walden
Essex CB10 1HX