Sustainability Report

Doing the right thing for our customers, colleagues, communities and the planet.

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Just Transition

We are committed to environmental stewardship, supporting the transition to a low carbon economy, and achieving net zero across our value chain by 2050[1].

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People

We are committed to having a positive human and social impact on the lives of the customers, colleagues and communities we work with and affect.

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Stewardship

We are committed to operating responsibly, ethically and transparently, delivering sustainable value to all our stakeholders.

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1. Ambition includes Scope 1 and 2 emissions, relevant Scope 3 categories including category 15 - investments.

Sustainability

Introduction

2023 marked a year of progress, embedding our ESG principles and embracing our commitment to building a sustainable future for our customers, colleagues and communities.

Throughout the year, we have focused on how we can begin reducing the environmental impact of our own operational footprint and how we can support the decarbonisation of the UK housing stock we finance, whilst developing our first Climate Transition Plan (https://www.osb.co.uk/sustainability/our-environment). The plan outlines actionable steps that we can take to mitigate our environmental impact and support a transition to a low carbon economy.

We published interim (2030) emissions reduction targets for mortgage lending and operations, aiming to reduce the emissions intensity of our mortgage lending by 25% in accordance with the Net Zero Banking Alliance (NZBA) guidelines, and reducing Scope 1 and Scope 2 emissions to net zero. We launched our Landlord Leaders Community to unite those with influence to help drive positive change, deliver collective progress and a fair and equitable transition to Net Zero.

In 2023, progress was made in delivering our social impact with both our colleagues and local communities through extending our volunteering programme, strengthening our ties with our key charity partners, and doubling our CSR commitment within our Indian operation.

Following the appointment of a Diversity, Equity and Inclusion (DE&I) specialist, we created our first DE&I Strategy and launched initiatives including employee engagement networks and leadership pathways, with the networks enabling us to enhance our ESG Governance structure.

Enhancing our approach to stewardship, we implemented Consumer Duty across the Group, became a signatory of the UN Global Compact and continued to link ESG performance to Executive compensation.

The following sections offer a detailed account of our strategic sustainability commitments, progress and plans for building upon our success.

41%
EPC rating of C or better

11%
reduction in energy consumption per m^2

99%
of electricity from renewable sources

46%
of UK employees engaged in community activities

88%
increase in donations to Children's Hospice through our dedicated savings account

7th
consecutive year OSB India confirmed as a Great Place to Work

33%
women in senior management

60th
of top 100 companies in Best Companies Survey

4,998
volunteering hours undertaken

Greenhouse gas emissions[1]

Scope 1
$171.44tCO_2e$
2022: 153.87

Scope 2
$1.39tCO_2e$
2022: 0.00

Scope 3 Financed emissions – mortgages
$314,413tCO_2e$
2022: 363,680

1. For further definition and details see Just Transition section on pages 72-78.

Sustainability continued

ESG Strategic Pillars

We continued identifying and evaluating non-financial risks and opportunities through our annual materiality assessment and ESG lifecycle review.

Our approach enables us to prioritise significant areas where stakeholder value can be generated and where we can support the United Nations Sustainable Development Goals (SDGs), thereby advancing our Purpose and ESG commitments through the following strategic pillars:

ESG Strategic Pillar	Just Transition	People	Stewardship
	A fair and equitable transition to a low carbon economy	Delivering on the needs of people now and into the future	Acting responsibly to deliver sustainable value

Our Strategic Commitments

Customers: The Group's approach will ensure that the social mobility of our customers is not compromised through our product decisions.

Provide thought leadership, education, awareness and products that enable, incentivise and reward our customers to embrace the transition to a low carbon housing economy.

Communities: A strategic and coordinated programme will be defined and delivered, supporting our communities and wider social economic environment, through collaboration, partnerships and volunteering, with focus on the UK and Indian housing projects.

Supply and Value Chain: We will encourage and support our supply and value chain with their transition to an ESG strategy that aligns with the Group's ambitions.

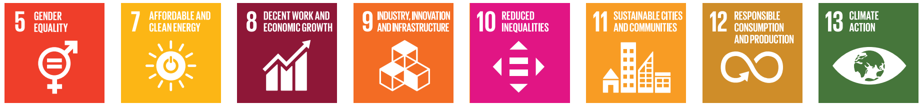
Colleagues: We will retain, recruit and train the best talent, enabling all employees to maximise their potential and seek to embed a diverse and inclusive culture that the Group is proud of.

Net zero Commitment: The Group's environmental ambitions and transition plan aligns to the Paris Accord on climate change, achieving carbon net zero across our operational emissions by 2030 and our total emissions by 2050.

Technology: The Group seeks to use technology solutions that align to our net zero ambitions.

Operating Framework Governance: The Group will embrace and operate within the ESG Operating Framework to ensure that our ESG Strategy is embedded within the Group.

Aligning to UN SDGs



Sustainability continued

Strategic Pillar – Just Transition

As we advance towards a net zero future, the concept of a just transition stands as the cornerstone of our approach.

A just transition is one that is fair and inclusive for all as the economy becomes increasingly green, creating opportunities that leave no one behind.

Recognising the interconnectedness of ESG considerations, we believe it is crucial to deliver a fair and equitable transition that addresses and balances stakeholders' diverse needs within the residential property and private rented sectors. Homeowners, tenants, property investors, and the broader community are integral to this transition.

Over the past year, we made steady progress towards our commitment to a net zero future, closely engaging with the residential property market and the private rented sector by:

- initiating and delivering transition products that result in an energy efficiency improvement for our customers' mortgaged property. Our refurbishment Buy to Let products offer reduced rates where works include improving energy efficiency or achieving an EPC C or better
- laying the groundwork for a sustainable transition, through our Landlord Leaders thought leadership programme (see across)
- collaborating and partnering with Sero, piloting property specific pathway to zero reports with a sample set of 30 landlord customers, and
- collaborating with industry partners to help support this transition, connecting our customers to the retrofit services they need and reducing emissions

We also started the process to reduce, or facilitate the reduction of, our own Scope 1 and Scope 2 emissions by:

- removing gas boilers from our office location in Chatham, moving heating to an electric source
- further improving our Building Management Systems controls and settings including the installation of sub-metering to our main office locations in Chatham and Wolverhampton, and
- including the Group's net zero commitment and transition away from gas in the design requirements of the newly acquired office location in Wolverhampton

Our efforts have focused on ensuring an inclusive transition, aiming to minimise disruptions whilst promoting the adoption of environmentally conscious practices.

We recognise that we can't do this on our own but we will continue to focus on what we can do, which includes further developing the data analytics that supports product development, launching new products that will contribute to a transition of UK housing stock, and collaborating with industry leaders through our representation at UK Finance, the Net Zero Banking Alliance (NZBA) and Partnership for Carbon Accounting Financials (PCAF).

Landlord Leaders

When we set our ESG Strategy, we were clear that thought leadership would be a critical action to help drive the positive change we aspire to.

As a leading Buy-to-Let lender, we started by considering the changing shape of the Private Rented Sector. At the end of 2022, we published our seminal Landlord Leaders thought leadership research, which demonstrated a continued advance towards professionalisation of the sector. That professionalisation heralds much to be applauded: tenant-centric business models, greater investment in sustainable housing upgrades, and setting a standard for what comes next. In fact, the research shows that many professional landlords are already investing in a future that policymakers are only considering.

We found that the move to professionalisation presented challenges to landlords with smaller property portfolios. For this group a world of increased red tape, unfavourable tax treatment, increased interest rates and inflation, and an uncertain political environment has led to many doubting whether it is viable to continue. We believe we have a role to play for both groups.

Acting on the research, we launched a package of measures including investigating product innovation, creating more educative support around tax in particular and bringing the industry together to help drive change beyond that which we alone can deliver.

We launched the Landlord Leaders Community in June 2023, convening a founding group of over 30 members and leaders across industry, policy and finance together with small landlords, creating a shared mission for change. Agreeing action is needed around four key pillars: Education and Training, Communication, Collaboration, and Positive Industry Perception – we have started to devise a plan for what is needed to support a thriving Private Rented Sector.

Find out more on our website /
www.landlordleaders.osb.co.uk

We came together again later in the year to discuss the tenant experience, learning together through our latest thought leadership research: 'A Future Tenant Standard'. It finds that for tenants, the positives of location and quality of housing are strong, but that many still yearn to own their own home. It also shows that the need for professionalisation within the industry is critical to its future success, with many tenants experiencing lapses in appropriate care and support either from their landlord or their agent. Overall, it concluded that relationship is key – with the most positive experiences reported by tenants who know and trust their landlord.

The Community which meets in person has met twice and will now meet quarterly.

Neil Richardson
Chief Sustainability Officer

Sustainability continued

Strategic Pillar – Just Transition

Transition plan

To support building a sustainable future, we developed our initial Climate Transition Plan (https://www.osb.co.uk/sustainability/our-environment) setting out our assessment and response to climate change in the context of our business model and activities, our impact on the environment and our ability to control or influence change.

The plan also sets out the dependencies upon which we are reliant, including customer awareness and sentiment, cost and availability of technology, innovation and, perhaps most importantly, clear, bold and supportive government policy.

There are five pillars to our plan that create a responsible and proportionate strategy, contributing to real economy decarbonisation as well as reducing our footprint, with clear synergies between the transition on climate and the professionalisation of the private rented sector that has been a focus of our Landlord Leaders Community ((https://landlordleaders.osb.co.uk) initiative:

1. Thought leadership, education and awareness
2. Connecting our customers to services that support their transition
3. Providing access to energy improvement products through our lending proposition
4. Greening our offices and branches
5. Embedding climate thinking into our business

Stakeholder expectations in relation to transition planning are developing and we expect to iterate our Transition Plan regularly to respond to evolving needs and expectations, alongside our own maturing processes.

It is important to support our ambitions and targets with authentic and transparent disclosure of the actions we are planning to take and the impact we believe they may have. We recognise that our first Transition Plan is published in advance of the Group aligning its disclosures to emerging frameworks and guidance such as those from the Transition Plan Taskforce or International Sustainability Standards Board. Our next iteration will seek to align with the forthcoming sector-specific banking guidance published by the Transition Plan Taskforce.

Environmental target setting

The Group is a member of the Net Zero Banking Alliance. During 2023, we established and disclosed our interim reduction targets for financed emissions (https://www.osb.co.uk/sustainability/our-environment). Our ambition is to reduce the emissions intensity of our mortgage lending 25% by 2030.

We are committed to setting science-based targets in line with our NZBA and Science Based Targets Initiative (SBTi) commitments and will validate our emissions reduction targets with the SBTi. We await the release of the SBTi Financial Institutions Net Zero standard for clarification on requirements and interoperability alongside our NZBA targets.

We estimate that 97% of our total emissions[1] inventory is from the indirect emissions related to the services we provide to our customers in the form of lending (see emissions on pages 77-78). The impact of those emissions contributes towards climate change, and reducing our impact and transitioning our business activities towards a low-carbon economy is at the heart of our environmental strategy.

Our direct emissions are far smaller and within our direct control, and form the basis of our ambitious 2030 net zero target for scope 1 emissions[2]. More detailed information can be found in our Climate Transition Plan ((https://www.osb.co.uk/sustainability/our-environment)

Financed emissions

As a sub-sector specialist lender, over 97% of the Group's 2023 lending account balances were in the form of mortgages secured against owner occupier, Buy-to-Let residential, and semi-commercial and commercial property, where our initial targets have been established.

Our attributed financed emissions (see page 78) from the lending portfolio are calculated using the Partnership for Carbon Accounting Financials (PCAF) methodology, allowing us to monitor and report progress. PCAF average data quality score was 3.1 ◆ (2022: 3.2). Financed emissions intensity per m2 ($kgsCO_2e$ per m2) is the metric used to measure and report progress against our 2030 interim target.

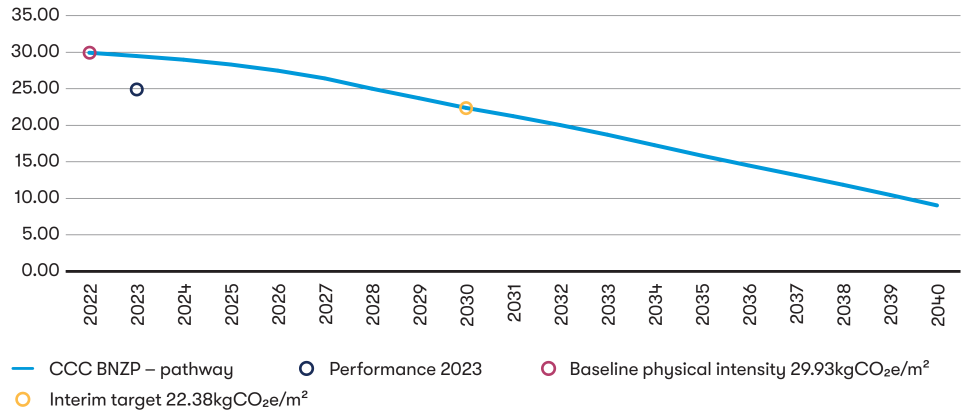
2023 saw a 13% reduction in financed emissions (tCO_2e) and a 17% reduction in emissions intensity ($kgCO_2e/m2$). This is predominantly due to improved data quality and the exclusion of erroneous data extracted from the EPC public register.

Financed emissions estimates rely on externally sourced data. The emissions of the buildings were sourced, where available, from Energy Performance Certificates (EPCs) which estimate the carbon emissions of a property. In 2023 83% of properties were matched to a valid EPC, 17% were modelled or estimated based on postcode or national averages, and the remaining less than 1% allocated a D rating.

There are inherent limitations in using EPCs to calculate financed emissions, such as the time lag for external data sources to be updated, the age of certificates and the methodology failing to prioritise carbon neutral over fossil-fuel-based technologies.

Mortgages – Financed emissions

Physical intensity ($kgCO_2e/m^2$)



1. Based on the Group's 2022 emissions estimates for Scope 1, Scope 2, Scope 3 category 1, 2, 3, 5, 6, 7, 8 and 15
2. Scope 1 & 2 (Scope 2 market-based methodology)

Sustainability continued

Strategic Pillar – Just Transition

Scope 1 and Scope 2 emissions

Our Energy Policy is aligned to our net-zero commitment and target, and sets out how we will consider emissions reduction, energy efficiency and the responsible consumption of energy in our decision making and behaviours.

It outlines our commitment to comply with statutory legislation in respect of energy efficiency, and to establish commitments to responsible procurement and consumption. It provides a framework for setting objectives and targets to continually measure and improve energy performance and prevent energy waste. Regular meetings between Property Services and the Sustainability functions seek ways to reduce energy use and maximise efficiency.

We recognise that the path to net-zero for our office buildings and branches will not be linear. Some enabling actions such as the acquisition of a new building may, in the short-term, increase energy consumption and emissions, as was the case in 2023.

Electricity and gas

The Group's Scope 2 emissions[1] using the market-based methodology were 1.39 tCO_2e for 2023 reflecting that 99% of the electricity purchased was from renewable tariffs. 16,958 kWh of energy consumned was from non-renewable tariffs, as contracts were migrated following the purchase of new buildings. Scope 2 emissions are those associated with the purchase of electricity.

Using the location-based methodology, reflecting the average emissions intensity of grids on which electricity consumption occurs, use increased 15% from 2022. This was predominantly due to the acquisition of a new office building in Wolverhampton.

Consumption of natural gas increased by 116,008 kWh (+16%) from 2022. As above this was mainly due to the new office location that used 188,167 kWh of gas, 22% of total gas use. Without the inclusion of the new location gas consumption reduced by 11% (80,485kWh) versus 2022.

Both absolute and intensity metrics are used to measure and report progress against our 2030 target for Scope 1 and Scope 2 emissions (tCO_2e per m^2 and per full time equivalent).

Additional Scope 3 emissions

Our emissions hot spot analysis identified that category 15 - investments are the most significant source of emissions for the Group, with the remaining scope 3 categories identified as relevant[1] contributing only c.3%.

Given the breadth and depth of other indirect emissions (categories 1-14 of Scope 3), we continue to take a structured approach to how we understand, measure and take action.

It is our intention to disclose categories 1 and 2 in the future as data and calculation processes mature.

Although these emissions are not significant, they contribute to our emissions footprint and will need to be addressed. We expect that in time and as our strategy evolves, it will include targets and initiatives to reduce these emissions.

1. Conducted in 2022 – Scope 3 categories 1, 2, 3, 5, 6, 7 and 8 based on size, influence, risk, stakeholder interest and outsourcing.

We have set an [interim target for financed emissions](), aiming to reduce the emissions intensity[2] of our mortgage lending by 25% by 2030.

2. $kgCO^2/m^2$.

We are committed to delivering net zero Scope 1 and Scope 2 GHG emissions[3] by 2030 from a 2022 base year.

3. Target is calculated using a market based methodology.

Sustainability continued

Strategic Pillar – Just Transition

Environmental policy

Our Environmental policy embodies the Group's commitment to meeting or exceeding all relevant environmental obligations, reducing our impact and achieving our ambition of net zero greenhouse gas emissions (GHG) no later than 2050.

The policy is supported by our Environmental Management System (EMS) which is certified to ISO14001:2015 and covers our UK corporate real estate and, in 2023, extended to the Kent Reliance branch network.

The EMS ensures the Group knows where it impacts the environment and that effective controls are in place to manage risk and drive improvement, covering topics such as legislation, energy use, waste management and water use.

Water

Water is used for sanitation purposes only and is used responsibly. In 2023 7,180m³ were used.

Waste

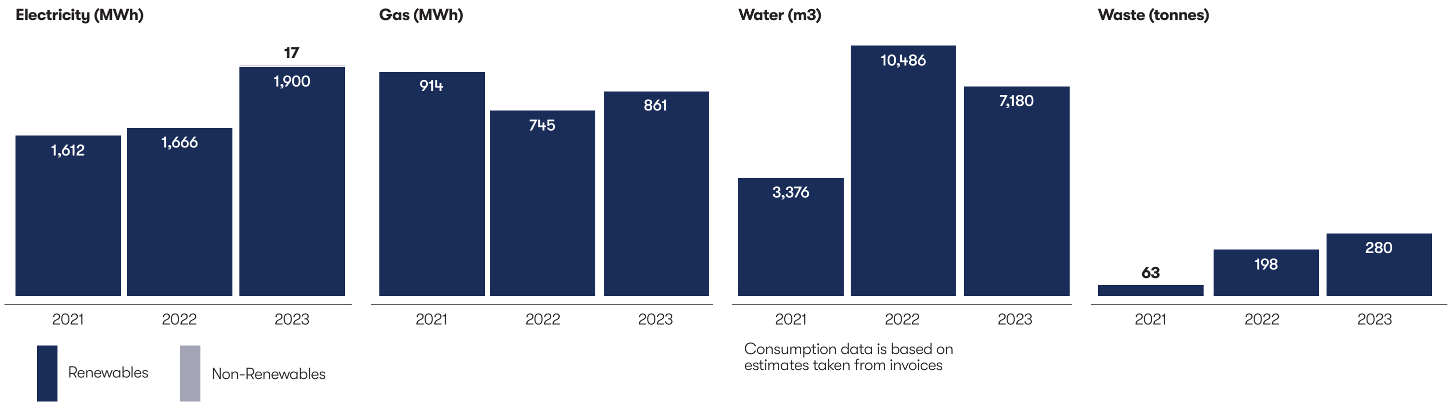
The Group is responsible for waste contracts in some of our office locations. Contracts are in place to divert waste from landfill following the waste hierarchy, with non-recyclable materials being sent to an energy from waste facility. In 2023, 280 tonnes of waste were generated. Recycling and waste segregation stations are provided in all offices and branch locations.

Carbon mitigation

We continue to use verified carbon mitigation schemes from the voluntary carbon market to offset the emissions directly related to our business activities[1]. A responsible offsetting strategy was developed that uses the Oxford Principles for Net Zero Aligned Carbon Offsetting as a foundation.

Nature

With the introduction of the voluntary Taskforce on Nature-related Financial Disclosures (TNFD) framework, the Group is at the early stages of understanding the UK Government's approach towards TNFD and evaluating how the systems will evolve further to consider the extent to which our activities impact nature and biodiversity.



1. Offsetting covers Scope 1, Scope 2 (market-based) and UK Scope 3 (business travel, waste from operations, energy related activities not reported in Scope 1 and 2 and OSBI operations (purchased electricity – market-based), gas oil, fugitive emissions, employee commuting and upstream leased assets for the year ended 31 December 2023.

Sustainability continued

Strategic Pillar – Just Transition

Greenhouse gas emissions

The Group applies the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard for all GHG accounting across Scopes 1, 2 and 3.

We believe that gaining a complete view of our Greenhouse Gas emissions (GHG) inventory is the best way to control or influence emissions. In addition to the emissions sources disclosed in 2022, additional scope 3 categories (7 and 8) are included in this year's report evidencing our ongoing commitment to increasing the scope and accuracy of emissions measurement.

We have reported on all of the emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 – commonly referred to as Streamlined Energy and Carbon Reporting.

Under the Streamlined Energy and Carbon Reporting regulations, we report annually on greenhouse gas emissions from Scope 1 and 2 Electricity, Gas and Transport, with all greenhouse gases reported in tonnes of carbon dioxide equivalent (CO_2e).

When converting consumption data to carbon emissions, factors from the UK Government Emissions Conversion Factors for Company Reporting from the Department for Energy Security and Net Zero and Department for Business, Energy & Industrial Strategy are used.

The Group's 2023 Greenhouse gas emissions basis for reporting is publicly available on our corporate website: https://www.osb.co.uk/sustainability/our-environment/

Verification and assurance

Deloitte LLP provided independent limited assurance over the following metrics and ESG information for the year ending 31 December 2023 ◆ [1]:

Greenhouse Gas (GHG) emissions

- Total direct (Scope 1) - tCO_2e
- Total indirect (Scope 2) emissions – Market-based - tCO_2e
- Total indirect (Scope 2) emissions – Location-based - tCO_2e
- Total Scope 3 Category 15 Investment emissions

GHG intensity

- Scope 1 and 2 metric tonnes of CO_2e per full-time employee (FTE)
- Scope 1 and 2 metric tonnes of CO_2e per £m turnover
- Scope 3 - Financed emissions $kgsCO_2e/m^2$

PCAF data quality score

TCFD

- The description of activities undertaken to meet the recommendations of the TCFD

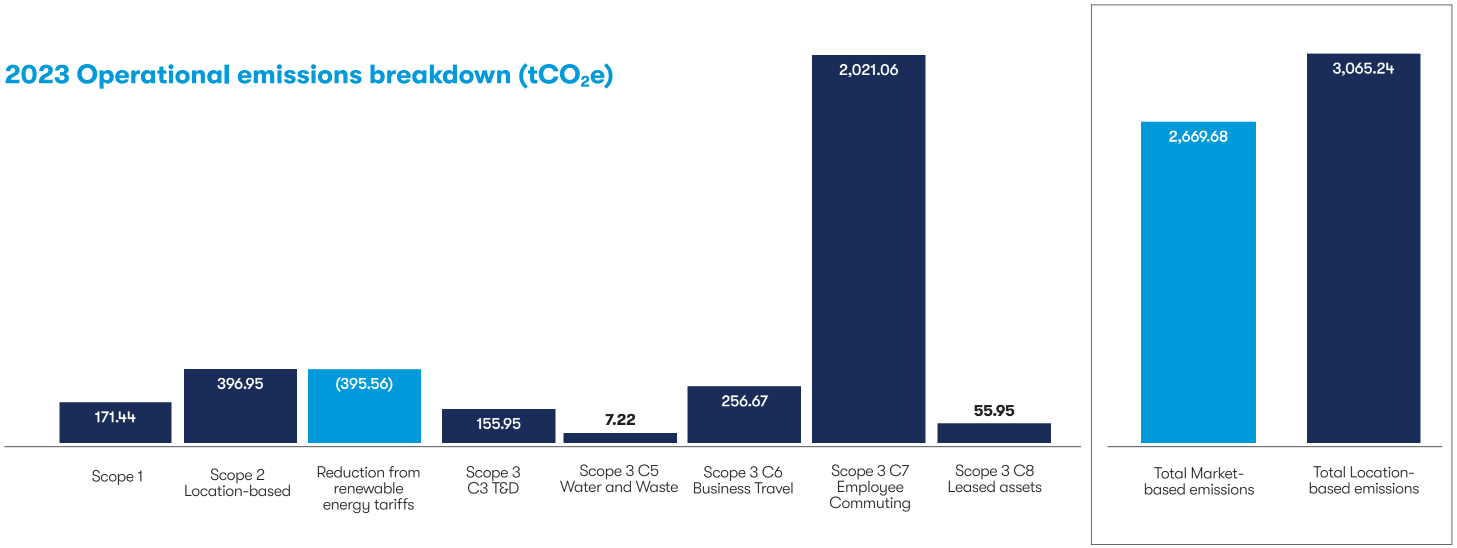
Deloitte's assurance statement can be found on page 262.

1. Under the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)) and the International Standard on Assurance Engagements 3410 Assurance Engagements on Greenhouse Gas Statements (ISAE 3410).

Scope 3 emissions for categories: 3, 5, 6, 7 and 8 were verified by Interface NRM, an independent UKAS and ASI accredited Certification Body, operating in accordance with ISO 14064-3:2019. Validation was conducted in accordance with ISO 14064-1:2018 - Specification with guidance at the organisational level for quantification and reporting of greenhouse gas emissions and removals.

The Graph below shows a breakdown of emissions currently measured, excluding financed emissions, and the impact of purchasing electricity from renewable energy tariffs in relation to both Scope 2 emissions, and total emissions.

2023 Operational emissions breakdown (tCO_2e)



Sustainability continued

Greenhouse gas emissions continued

Greenhouse gas (GHG)emissions

Direct and indirect GHG emissions (Scopes 1, 2 and 3)	Further description	Specific fuels where applicable	2021	2022	2023
Amounts in metric tonnes CO_2 equivalent					
Scope 1					
Stationary combustion	Combustion of fuel on site	Natural gas, diesel for generators	167.39	138.22	157.10
Fugitive emissions	Leaks and other irregular releases of gases or vapours from a pressurised containment: air-conditioning units		0.00	15.65	14.34
Total Scope 1 direct emissions			**167.39**	**153.87**	**171.44** ◆
Scope 2					
Purchased electricity					
Total Scope 2 location-based		Electricity	**342.23**	**322.13**	**396.95** ◆
Total Scope 2 market-based		Electricity	**0.00**	**0.00**	**1.39** ◆
Scope 3					
Business travel	Rail, bus, taxi, hotel stays, air travel	Unknown vehicle fuel	78.87	193.00	256.67
Employee commuting	Rail, bus, taxi	Unknown vehicle fuel	–[1]	–[1]	2,021.06
Fuel and energy-related activities (not included in Scope 1 or 2)	Well-to-tank (WTT) emissions for fuel use, upstream emissions for non-renewable electricity generation, and transmission and distribution losses in the electricity network		31.20	136.71	155.95
Water	Water use		0.50	0.78	1.27
Waste	Waste from operations		1.35	4.20	5.95
Leased assets	Combustion of fuel on site, fugitive emissions, electricity – market-based		–[2]	–[2]	55.95
Total indirect Scope 3 emissions (Category 3, 5, 6, 7 and 8)		Unknown, vehicle fuel, water, waste energy related activities	**111.91**	**334.69**	**2,496.85**
Total operational emissions (location-based)			**621.53**	**810.69**	**3,065.24**
Total operational emissions (market-based)			**279.30**	**488.56**	**2,669.68**

1. 2023 is the first year of calculating emissions from employee commuting.
2. 2023 is the first year of calculating emissions from leased assets.

Sustainability continued

Greenhouse gas emissions continued

Direct and indirect GHG emissions (Scopes 1, 2 and 3)	Further description	Specific fuels where applicable	2021	2022	2023
Total indirect Scope 3 – Financed emissions (Category 15)	Category 15 Investments (financed emissions). Calculated by multiplying an attribution factor (outstanding amount of loan divided by the property value at origination) by the emissions associated with the property taken from the EPC. Calculated for Buy-to-Let and residential lending	Gas and electricity for heating, hot water and lighting only	278,854.00	363,680.00	**314,413.00** ◆
Total GHG emissions (location-based)	All measured emissions for the year		**279,475.53**	**364,490.69**	**317,479.24**

GHG intensity

GHG intensity ratio	Description	2021	2022	2023
Full Time Equivalent (FTE) employees (UK)	FTE is a unit of measurement equal to one full-time employee	1,164	1,237	1,427
Annual turnover	£m	629.0	775.4	658.1
Scope 1 and Scope 2 location-based	Metric tonnes of CO_2 equivalent per FTE	0.44	0.38	**0.40** ◆
Scope 1 and Scope 2 location-based	Metric tonnes of CO_2 equivalent per £m total income	0.81	0.61	**0.86** ◆
Scope 3 Financed emissions – physical emissions intensity	kgs of CO_2 equivalent per square metre[1]	24.81	29.9	**24.9** ◆

Energy consumption

Energy usage kWh		2021	2022	2023
Electricity		1,611,783.00	1,665,812.80	1,916,950.94
Gas		913,890.00	744,504.18	860,512.00
Total kWh	Electricity, natural gas	**2,525,673.00**	**2,410,316.98**	**2,777,462.94**

1. Financed emissions physical intensity ratio is calculated by multiplying the total estimated attributable financed emissions in tCO_2e for 2023 (314,413 tCO_2e) by 1,000 to give kgC02e (314,413,000 kgC02e). This is divided by the total floor area in m^2 of the properties taken from the Energy Performance Certificate (12,630,301m^2). Estimated absolute financed emissions were 504,476 tCO_2e for 2023. Financed emissions estimates are for the mortgage portfolio as the largest asset class. It does not cover non-modelled book or securitised loans.

Sustainability continued

Strategic Pillar – People

Customers

The Group's lending products seek to have a positive social impact, helping support the UK mortgage market for those customers underserved by the High Street lenders.

We will achieve this by supporting property landlords to ensure there is a functioning and professionalised private rented sector, offering affordable lending products for Shared Ownership and near prime customers, helping bridge the home-ownership gap, and supporting small independent commercial property occupiers that serve local communities and neighbourhoods.

The Group, through its Heritable Development Finance residential lending business also offers small and medium-sized residential property developers products that support house-builders that provide affordable family housing outside central London, as well as helping the UK meet its housing demands.

The Group's strategy to be the number one specialist for our customers means that we offer valued products, tools and services that support them achieving their saving and borrowing aspirations. We achieve this through the provision of online and telephone channels for our savings customers, in addition to our nine Kent Reliance branches in the South East of England. Our mortgage products are distributed by intermediaries, (other than the Heritable brand which is direct to developer) across England, Wales and Scotland, with whom we maintain strong relationships.

The Group places a particular importance on meeting the specialist needs of the customer which means a focus on efficient and supported onboarding for new customers alongside retaining balances and maintaining long term, customer relationships.

In 2023, as base rates continued to rise, we offered our savers attractively priced products and opened more than 210,000 new accounts. The retention rates amongst our savers remained high with 91% (2022: 94%) of customers with maturing fixed rate bonds and ISAs with Kent Reliance and 85% (2022: 88%) with Charter Savings Bank choosing to take another product with the same brand.

Posh Pads

Posh Pads provides high-end residential student accommodation in Southampton and Portsmouth. The business enjoys a prominent brand profile based on decades of experience and innovation with an ethos of providing students with the most desirable, comfortable and stylish accommodation complemented by a rapid-response maintenance service.

Posh Pads refinanced its property portfolio with OSB Group during the latter part of 2023, in a time of inflationary pressures and significant increases in borrowing costs.

Established in 1993, **Posh Pads** is a long-term investor and interest rate fluctuations over time are accepted as a recurring factor of its operation.

In response to the recent higher cost of finance, the business has increased its focus on cash generation and ensuring maximum efficiency when investing in the portfolio. A planned increase in rental yield in the next 12 months will help to mitigate increased loan costs, while investment in the portfolio has become more targeted and the schedule of larger-scale projects modestly reduced.

Sustainability continued

Strategic Pillar – People

Customers continued

Our savers are keen advocates of the Group's products and service, which was reflected in strong Net Promoter Scores (NPS), at +71 for Kent Reliance (2022: +64) and +62 for Charter Savings Bank (2022: +61).

Our savings products also received industry recognition: Charter Savings Bank won Best Overall Savings Provider for the sixth year running from Personal Finance Awards, and ISA Provider of the Year from Moneyfacts Consumer Awards. Moneynet Personal Finance Awards named Kent Reliance as Best Fixed Rate Savings Provider.

The rapidly rising base rate, that was reflected in mortgage pricing, represented a potential headwind for our borrowers approaching the end of their fixed rate mortgage term. Whilst higher rates upon renewal exerted pressure on Buy-to-Let landlords' profitability, this was somewhat offset by the benefit of strong growth in rental income of 17% over the preceding five years (to December 2023, ONS) and 19% house price appreciation over the same period (to November 2023, ONS). The Group supported its borrowers through the transition to higher rates by introducing a wider range of product options for new and existing borrowers and providing confidence to intermediaries that product rates would be secured once an application was received.

The Group measures customer experience through near-real-time transaction surveys across all stages of the customer journey. In 2023, 3,385 survey responses from intermediaries, almost 12,575 responses from borrowers, and over 66,985 responses from savers were analysed to inform us about customer service issues and were used in creating and implementing solutions to enhance our customers' experience.

Analysis of survey responses identified two key areas for improvement:

- there was a strong correlation between NPS and operational pressures due to demand peaks, and
- Precise borrowers and intermediaries wanted better communication and product options when initial rates matured

In response, we undertook activities that included bolstering operational support and proactively managing product withdrawals differently to smooth demand curves.

As a result of the survey, we offer Precise borrowers product options when their initial rate ends, providing both intermediary and borrower with improved confidence and a more proactive and engaging experience.

In addition, further improvements throughout the year were made to the underwriting process, our intermediary management structure, our websites and customer communications, all of which have contributed to the overall improvement in the 2023 NPS score.

Our intermediary management teams worked closely with the broker community, discussing cases and helping to deliver rapid and reliable decisions for our borrowers.

In 2023, the Group's representatives participated in over 250 physical and virtual events with brokers to understand their evolving requirements and to keep up to date with industry developments. We used this understanding to continue to improve our customer propositions and the Group's efforts were recognised in the improved broker NPS of +57 for both OSB and CCFS in 2023 (2022: OSB +37 and CCFS +39).

The Group's mortgage proposition continued to win industry awards with Kent Reliance for Intermediaries winning Best Specialist Lender from L&G Mortgage Club Awards, Precise Mortgages awarded Best Specialist Lender from TMA Club and the Group recognised as Best Specialist Bank at the Bridging and Commercial Awards.

Our efforts to create a fairer and more sustainable Private Rented Sector through our independent Landlord Leaders initiative gathered pace as we launched the Landlord Leaders Community. In December, we published the second Landlord Leaders research report, providing insight into the world of private tenants: their demographics, motivations and renting experiences.

Sustainability continued

Strategic Pillar – People continued

Colleagues

The skills, expertise and commitment of our colleagues are fundamental to the achievement of our strategic goals.

In 2023, we continued to invest in training, development and employee engagement activities to ensure that we provide a compelling and attractive proposition both for our existing employees and for candidates considering joining the Group.

Employee engagement and culture

In November 2023, it was confirmed that the Group achieved 60th place in the 2023 Best Companies survey on the Top 100 list of large companies (between 200 and 1,999 people), as well as 10th place on the financial services sector list.

The 2024 Best Companies to Work For survey was undertaken in December 2023 and saw an impressive 86.4% of UK employees submit responses. Our overall 2024 survey result was 0.3% higher than the previous year and saw the Group retain an overall '2 Star' rating, with Best Companies defining this as an outstanding level of employee engagement.

The Group additionally achieved 30th place on Glassdoor's 2024 Best Places to Work list in the UK with a 4.4 rating based on reviews submitted by current and former UK employees.

OSB India participated in a separate employee engagement survey in December, run by the Great Place to Work Institute. It was officially certified as a 'Great Place to Work' for the seventh consecutive year, reflecting the strong brand and culture that exists throughout our teams in Bangalore and Hyderabad.

Throughout the Group, our values (Stronger Together, Take Ownership, Aim High, Respect Others and Stewardship) and the related behavioural expectations provide an opportunity for line managers to assess and provide behavioural feedback within appraisal processes and consider related learning development activities. The values are also aligned to established award programmes and a range of ongoing communications.

2023 saw the creation of the Group's People and Culture Strategy, which was published internally and communicated through a series of briefing sessions attended by over 500 UK and OSB India employees. The Strategy detailed approaches and initiatives to be progressed over the longer term to support the wider achievement of business strategy, the transition to a digitalised working environment and the achievement of our People Vision of becoming recognised as an employer of choice. To further support the implementation of the approaches and initiatives detailed within the Strategy, the Group recruited a Group Head of People Transformation.

The Group's Workforce Advisory Forum (Our Voice) continued to meet regularly in 2023, including employee representatives from all geographical locations, including OSB India. The aim of the forum is to further enhance the level of engagement that the Group Executive Committee and the Board have with the wider workforce. To achieve this, in addition to employee representatives, the forum is attended by Non-Executive Directors and Group Executive Committee members to ensure that they can hear directly from the employees and share feedback (positive or negative) on important matters.

Remuneration and benefits

We believe in rewarding our employees fairly and transparently, enabling them to share in the success of the business. Details of the Group's remuneration policies can be found in the Remuneration Report on pages 147 - 177.

Group vacancies filled by the Talent Acquisition team

1,068

2022: over 908

Employee promotions across UK and India

295

2022: 318

Sustainability continued

Strategic Pillar – People continued

Colleagues continued

As an accredited Living Wage employer, we ensure that all UK employees and regularly contracted third party staff earn at least the published Real Living Wage. In 2023, the Group provided support to all UK employees beneath the senior management level through cost of living payments totalling £1,200, with these payments not being pro-rated to reflect either tenure or contractual working hours.

We continue to encourage our employees to hold shares in the Group for the long term through our Sharesave Scheme, which is offered annually to all UK employees. The Sharesave Scheme allows employees to save a fixed amount of between £5 and £500 per month over a three-year period and to use these savings at the end of the qualifying period to buy shares at a fixed option price. Over 650 employees joined the 2023 Sharesave scheme and, considering the schemes launched in previous years, over 800 UK employees were Sharesave Scheme members as at the end of 2023.

2023 saw the Group further enhance its benefit offering through the introduction of fully funded access to our BUPA Menopause Plan, providing personalised treatment and support for all UK employees going through the menopause, regardless of age.

In addition, a comprehensive review of all family and health related benefits was undertaken with enhancements to paid Maternity and Adoption Leave, Paternity Leave, Emergency and Dependent Leave, Miscarriage Leave and Fertility Leave being communicated to UK employees along with new policies and support relating to paid Neonatal Leave and Carer Leave.

Training and development

The People Development team, based in both the UK and India, concentrates on providing learning and development opportunities for all employees, using a mix of internal and externally sourced content, delivered through a range of media, including workshop and digital formats.

1,370 separate internal workshops were delivered by the People Development team and the recorded number of training hours averaged almost 4,750 hours per month, significantly exceeding the amount of internal training delivered during the previous year and representing over 10 workshop training hours per UK employee and over 50 hours per OSB India employee.

Continued focus was applied to our Fit to Practice Scheme, requiring line managers to undertake regular activities in terms of one to one meetings, performance observations and quality assessments. The scheme also required managers to play a proactive role in identifying development needs and providing developmental feedback to continually progress the competence levels of their direct reports. The average activity completion rate exceeded 95% for over 2,000 in-scope employees.

Monthly mandatory regulatory training requirements were completed and we launched an additional mandatory e-learning module relating to Consumer Duty, with a supporting workshop on this topic being attended by over 870 employees. Additional focus on enhancing customer experience was demonstrated by way of bespoke Vulnerable Customer training delivered to almost 500 customer facing and support staff. It was further supported by the recruitment of 2 dedicated communications coaches within OSB India.

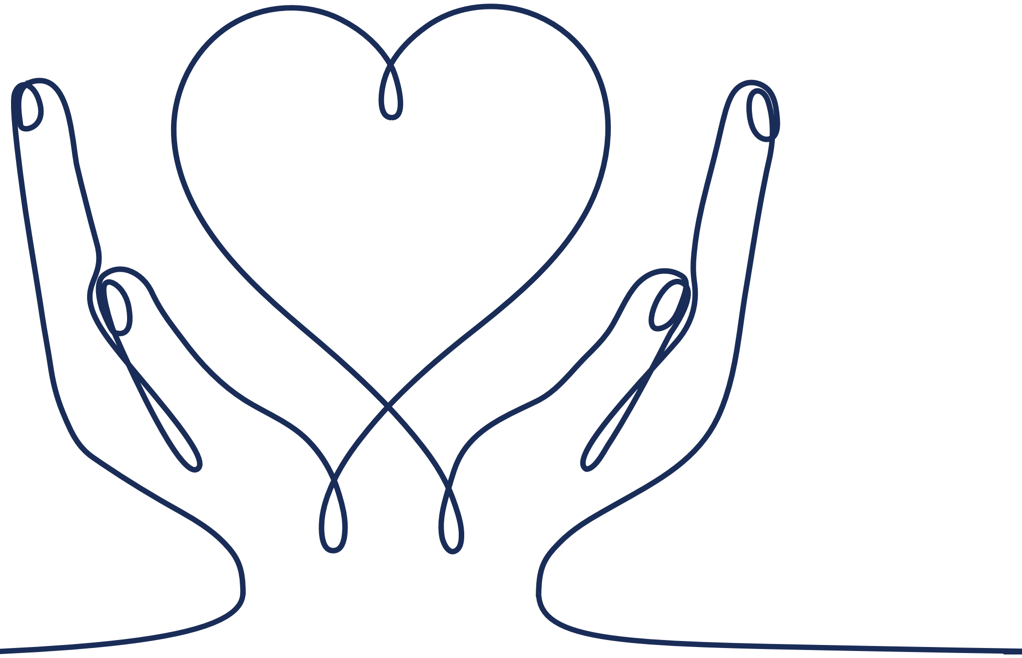
We are also committed to supporting employees undertaking professional development and in 2023 61 UK employees received financial support to pursue professional qualifications.

Employee recognition and awards

The Group recognised the significant tenure of 198 UK employees who reached a 5, 10, 15 or 20 year milestone of employment through our Long Service Award programme, with there now being 8 current UK employees who have over 20 years' continuous service. Within OSB India, 60 employees reached a 5 or 10 year service anniversary in 2023 and are one of over 150 OSB India employees with 5 or more years' service, or over 40 with over 10 years.

Each quarter, all employees within the Group, are invited to nominate their colleagues as part of our Galaxy Award Scheme. Nominations are sought for five separate categories, linking directly to each of our Values with individual winners and runners-up for each category determined by a detailed process. Over 250 nominations were submitted, with the details of all nominees published on the Group's intranet along with details of the quarterly award winners and their nomination rationale.

Additionally, our 'Thank You' facility provided an opportunity for employees to publicly recognise the contributions of their colleagues with approaching 2,800 thank you messages posted on the intranet.



Sustainability continued

Strategic Pillar – People continued

Colleagues continued

Retention and progression

We have a genuine desire to retain, support and develop our employees. Over 175 UK employees were promoted to a more senior grade (2022: 240), along with 120 employees within OSB India (2022: 75).

We advertise vacancies internally to provide career development opportunities for existing employees with 28% of UK vacancies filled by way of internal appointments and over 5% of vacancies at OSB India being filled by existing employees.

At 9%, the UK regretted attrition rate[1] was far lower than the 2022 rate of 13% with the OSB India regretted attrition rate reducing significantly from 24% in 2022 to 12%, comparing favourably with rates within the local sector and demonstrating both a strong culture and a compelling employee proposition.

2023 saw a continued focus on leadership development and our People Development team delivered three bespoke programmes. We saw 39 employees join our Future Supervisors and Managers Programme, 61 current managers commence the Essential Managers Programme and, among our more senior managers, six individuals joined our Stellar Leadership Programme.

We continued our journey to become a truly diverse and inclusive organisation, committed to providing equal opportunities through recruitment, training and development for all employees.

We continued to support mental health and well-being through the provision of advice and workshops for employees and line managers. We are pleased to have increased our network of trained UK Mental Health First Aiders to 48 as well as introducing a network of 28 trained Mental Health First Aiders within OSB India.

The Group published its Gender Pay Gap Report in line with legislation that applies to all UK companies with more than 250 employees. The full publication is available on the Group's website (https://www.osb.co.uk/sustainability/our-colleagues) and shows that OSB Group's mean gender pay gap as at the snapshot date of 5 April 2023 was 36.1%, reducing from the 2022 reported figure of 38.1%. Fundamentally, the gaps relate to the structure of our workforce and reflect the fact that we have more men than women in senior roles and more female employees undertaking clerical roles.

Whilst it is pleasing to see continued progress across the Group, we are committed to reducing these gaps further.

1. Employees electing to leave the Group by way of resignation, excluding those retiring or resigning due to formal performance or absence process.

Sustainability continued

Strategic Pillar – People continued

Colleagues continued

We recognise the need to improve our gender balance and we made strong progress against our published commitment that we made as a signatory of HM Treasury's Women in Finance Charter. Our target of 33% of senior management positions[1] within the UK to be undertaken by female employees was achieved by the end of 2023, in line with our published commitment and noting that there were periods during 2023 when 33% was exceeded. Enhancing gender diversity will remain an area of ongoing focus, through a renewed Women in Finance Charter commitment of 40% of UK senior management positions[1] to be undertaken by female employees by the end of 2026.

To support the ongoing progression of our female employees, our People Development function, in partnership with an external provider, created our Women in Leadership Programme with a group of 24 employees and a further 7 senior female managers joining a separate and more senior version of the programme.

2023 saw an increased level of focus applied to enhancing ethnicity diversity, particularly in respect of the senior management population. The Group increased its end of 2022 position of just over 10% of senior managers not identifying as white to 14% at the end of 2023. Moving forward, and in line with the Parker Review requirement for all FTSE 350 companies, focus will also be applied to the narrower population of Executive Committee members and senior managers who report directly to Executive Committee members and to increasing the ethnicity diversity of this population from an end of 2023 figure of just over 12.5% to an end of 2027 position of 14%.

Diversity and inclusion

We recognise the benefits that diversity brings to the business. 2023 saw a significant uplift in diversity, equity and inclusion (DE&I) activity across the Group, with an increased level of employee communications and events enhancing awareness and celebrating our differences. These events were often aligned with the dates of national events such as Pride, Black History Month, National Inclusion Week and International Women's Day, with related activities being coordinated by the internal Our Diversity Network made up of passionate volunteers.

Additionally, an Inclusivity Survey was completed by over 800 employees and the Group partnered with Inclusive Employers in order to undertake a comprehensive external foundation assessment of our approach to DE&I. These initiatives assisted in the identification of areas where further improvements can be made. A similar external assessment was undertaken in OSB India through Avtar, which also enabled the identification of key actions to be progressed moving forwards.

Anti-discrimination training was delivered through an e-learning module in November, with this being a mandatory requirement for all line managers. All other colleagues were provided with access to the module with approaching 1,200 additional employees taking the opportunity to complete this.

We continued to capture diversity data about our UK colleagues within the Group's HR system and c.80% of colleagues submitted some or all of their data across the broad range of diversity categories, enabling us to build an increasingly clear picture of the diverse nature of our UK workforce and areas which are under-represented.

Just over 9% of our UK employees work under a formal flexible working arrangement relating to part-time hours and over 100 additional employees compress their full-time working hours.

At the end of 2023, around 56% of our UK workforce was female as were 47% of employees who joined during the year. In OSB India, females constituted just over 40% of all employees, with around 45% of starters being female. In addition, 27% of our Group Executive Committee were female.

The Group achieved all required targets in respect of Board Diversity given that as of 31st December 2023, 50% of the OSB Board members were female, of which two females hold the senior Board positions of CFO and Senior Independent Director. Additionally, two members of the Board are from a minority ethnic background.

For the CEO and CFO, gender and ethnicity data is collated within the Group's HR system, in a manner consistent with all UK employees. Both Board members who confirmed their ethnically diverse status have self-reported this to the Group HR Director within responses required by the Parker Review (FTSE 350 Ethnic Diversity Submission for 2023).

1. Employees at grades A (Executive Director) to grade E (including function heads with senior direct reports or employees at specialist roles of a senior nature).

Sustainability continued

Strategic Pillar – People continued

Colleagues continued

	Male	Female
Number of Board Directors (OSB Group)	4	4
Number of Directors of subsidiaries	12	1
Number of senior managers (not Directors)[1]	156	77
All other employees[1]	1,070	1,141

1. Includes OSB, OSB India and CCFS. Senior managers are employees within the Grade A to E population

Board Diversity

Gender	Number	Minority Ethnic Background
Men	4	1
Women	4	1

Recruitment

Our Talent Acquisition teams ensure that across all locations, internal recruitment specialists provide bespoke support in attracting high quality candidates for vacant positions and, through robust and inclusive interview and selection processes, assist in making strong recruitment decisions.

During 2023, our Talent Acquisition teams filled 1,068 employed vacancies, which resulted in the Group welcoming almost 340 new UK colleagues and over 400 new employees in India, with 160 roles filled by internal candidates and the remainder working their notice periods prior to joining us. The Group had 2,459 employees at the end of 2023, a 22% increase from the previous year.

A key focus for our Talent Acquisition team was again placed on proactively identifying potential candidates directly and through improved use of our website and external job boards. One third of UK vacancies were filled on a direct recruitment basis, delivering a saving in excess of £1.4m on agency recruitment fees. Within OSB India, almost half of all the vacancies filled were because of direct recruitment activity.

OSB India

OSB India, which is a wholly owned subsidiary of the Group, is based in Bangalore and Hyderabad and at the end of 2023 had 928 employees. OSB India supports the Group across various functions including Support Services, Operations, IT, Finance and Human Resources, and is a holder of ISO 27001: 2013 certification, demonstrating high standards of information security.

OSB India's business continuity site in Hyderabad was converted to a fully-fledged operational site in late 2021. By the end of 2023, it had grown from 140 colleagues at the end of 2022 to a population of 234.

In compliance with the Modern Slavery Act, OSB India does not support excessive overtime and all employees in India are encouraged to work in accordance with local legislation. Colleagues are provided with a range of benefits which include 22 days of annual leave, 12 days' sick leave and cafeteria services.

Sustainability continued

Strategic Pillar – People

Communities

An employee-led activation of our Community Impact Strategy.

Over 46% of UK colleagues engaged in community-focused activities through volunteering and fundraising.

Charity partners

In 2023, we worked closely with two key charities, leveraging our strong relationships to align our colleague and community plans to amplify our impact for two key themes: youth wellbeing and homelessness.

Depaul, our Corporate Charity partner, helps young people live fulfilling, independent lives away from the dangers of homelessness.

Demelza, our longer-term charity partner, supported in part by our dedicated Demelza Children's Savings Account, provides end-of-life care to children and support for their families.

Depaul benefitted by:

£82,985

Demelza benefitted by:

£74,628

Total benefit to all charities/organisations:

over £288k

2022: over £220k

OSB India

OSB India operates to India's mandated requirements in terms of Corporate Social Responsibility.

Whilst the legislation requires companies to spend 2% of their net profit on social development, OSB India has doubled that and delivered support to vulnerable people and causes in their local communities in 2023.

Our OSB India teams have helped provide education to orphanages and government schools, and healthcare equipment to hospitals in economically disadvantaged communities.

Sponsorship

We use sponsorship, delivered through our Kent Reliance and Charter Savings Bank brands, to connect with local communities, and support those who are underserved, underprivileged and overlooked in society.

We think of these sponsorships as partnerships where we work together to bring the most value to our communities, our colleagues who volunteer their time, and to our customers, who recognise the value in saving or borrowing with an ethical company.

The Blisters of Mercy team receiving their winners' medals from Depaul's Chrissie Reed

Depaul Nightstop Step Challenge

To officially kick off our partnership with Depaul, we announced the launch of our Nightstop Step Challenge.

Depaul's core mission is to end homelessness; they do this by providing a variety of important services to young people who are experiencing homelessness, or at risk of becoming homeless. One such service is Nightstop.

With over 30 locations across the UK, Nightstop volunteers open their homes to young homeless people facing a night on the street or sleeping in an unsafe space.

It is a unique project that relies on community hosts to provide safe, welcoming places for young people in crisis.

We called on colleagues to join us on a virtual walking tour across the UK.

Starting in Ynys Mon, and ending in Aberdeen, we went on a 1,300 mile journey of discovery, via key Nightstop locations.

Over four weeks, 61 teams competed to see who could take the most steps and reach the furthest Nightstop. By the end, over 76 million steps had been taken equating to 37,977 miles walked.

And importantly, over £4,000 (including our fund-matching donation) was raised by our teams and donated to help Depaul continue their important work.

The Nightstop Step Challenge has been a hugely successful initiative that has benefited both our employees and charity partner, Depaul UK. I thoroughly enjoyed seeing the progress updates and acts of team engagement (and competitiveness) throughout the challenge all of which raised a significant sum of money.

Neil Richardson,
Chief Sustainability Officer

Sustainability continued

Strategic Pillar – People

Communities continued

Volunteering

In 2023, we doubled the amount of volunteering hours available to our employees, which was utilised by a large section of the Group.

Good Causes Fund

Our Good Causes Fund welcomes applications from our employees for a charity, a cause, or local community initiative to receive a donation of up to £500.

Match funding

We match all money raised by our employees on a pound for pound basis (up to a maximum of £1,000) for events that support Depaul, our corporate charity partner, and match up to £250 per event per individual that raises funds for other UK charities and good causes.

Total Volunteer Hours:

4,998

129% increase on 2022

Good Causes Fund payout:

£40,250

target exceeded by 70%

Total match funding:

£41,079

Jon Hall (Group Managing Director, Mortgages & Savings) and Christina Fasoli (Branch Manager) at the end of their 183 mile cycle ride from Paris to Sittingbourne in Kent

Cycling duo raise £10,000 for Demelza Children's Hospice

To show their support and raise valuable funds for the Demelza Children's Hospice, two of our colleagues completed a gruelling 3 day, 183 mile challenge of cycling from the Eiffel Tower in Paris to the Demelza hospice in Sittingbourne, Kent.

The pair raised over £6,000 by the time they arrived in Kent which, with Demelza being a key partner, the Group topped up to reach their £10,000 target.

OSB does so much for Demelza, we are incredibly lucky to have their support. The staff get involved at all levels – volunteering to help at events, getting us tickets for days out for Demelza families and so much more.

Jon and Christina have taken on this epic challenge to raise money for us and we could not be more grateful. We cherish the relationship that we have with OSB and their staff.

Louise Earl, Corporate Partnerships Account Manager at Demelza

Having spent time helping at the hospice in Sittingbourne and seeing the amazing work the Demelza team do, I was keen to do more to help, and my experience there helped me throughout the cycling challenge! The support has been amazing and updates on donations really helped us push on.

Christina Fasoli,
Canterbury Branch Manager

This has been a huge challenge for us both and crossing the finishing line along with the other cyclists was really moving. Powered by a great deal of adrenaline, news of the donations coming in and some extra help from energy gels, we've completed 183 miles for this amazing charity who do wonderful work across the southeast of England. Thanks to everyone who has donated and supported us on this journey!

Jon Hall, Group Managing Director, Mortgages & Savings

Sustainability continued

Strategic Pillar – Stewardship

ESG Governance

At OSB Group, we have a strong approach to stewardship, with a commitment to operating responsibly, ethically, transparently, and delivering sustainable value for all of our stakeholders.

ESG Governance is crucial in the context of stewardship, helping support the integration of ESG into strategic decision making and ensuring that our operation aligns with sustainable practices, social responsibility and ethical conduct.

The Board recognises its responsibility for providing oversight of the ESG Strategy (see Three Lines of Defence table) and for setting the vision on how we conduct business, enhance stakeholder value and fulfil our regulatory obligations.

A Board-approved ESG Strategy continues to support the proportionate management of ESG risk and delivery of our strategic opportunities and initiatives targeted to positively impact our stakeholders.

The Board oversaw the development, review and approval of the following key areas of governance in 2023:

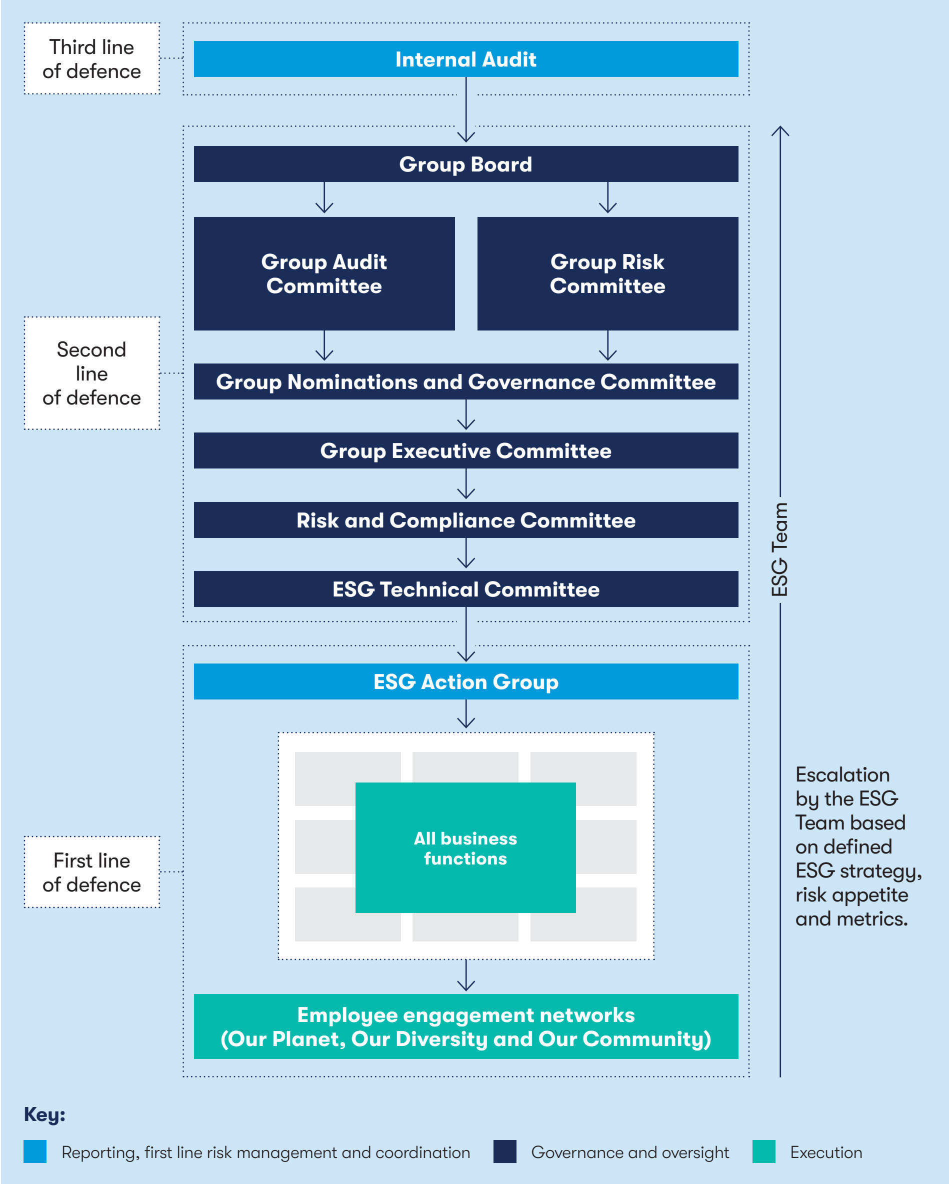
- ESG Operating Framework
- Materiality assessment
- ESG risk and opportunity analysis (non-financial)
- ESG balanced scorecard measuring performance against internal ESG targets
- ESG performance linked to Executive and senior management remuneration (see Remuneration Report on pages 147 -177)
- Climate Risk Management Framework
- ESG metrics policy
- Net-zero Banking Alliance intermediate targets for financed emissions
- Diversity, equality and inclusion strategy, community impact strategy, and people and culture strategy.

The Group supplemented its existing ESG governance structures by establishing the following:

ESG Action Group
This supports the delivery of the ESG strategy and ensures that the Group is prepared to meet all relevant legal and regulatory requirements pertaining to ESG and reports into the ESG Technical Committee.

Three Employee Engagement Networks: Our Planet, Our Diversity and Our Community
These networks aim to promote awareness and engagement, provide platforms for shared experience, and encourage Group-wide communications and initiatives.

Three Lines of Defence (ESG)



Sustainability continued

Strategic Pillar – Stewardship

Customers

Consumer Duty
In 2023, the Group implemented the FCA's Consumer Duty regulation to enhance consumer protection by promoting fair treatment, transparency and accountability. We seek to prioritise consumer interest, providing clear and understandable information, offering suitable products and services and addressing customers' needs fairly and promptly.

The main policies which govern how we transact with customers are detailed in the following sections.

Lending policy
The Lending policy establishes responsible lending parameters aligned with our credit risk appetite and set criteria. Approval for policy changes rests with the Group Credit Committee, escalating material changes to the Group Risk Committee. Credit Quality Assurance acts as a second line of defence, monitoring policy adherence through risk-based sampling.

Control mechanisms, including system parameters and underwriting processes, prevent breaches of lending parameters. Our affordability approach reflects recent cost of living changes, ensuring an updated assessment of a customer's creditworthiness.

Group Complaint Handling policy
The Group Complaint Handling policy aligns with regulatory expectations, emphasising a customer-centric approach. We investigate complaints diligently and impartially, supported by adequately trained employees. The process ensures accessibility for all customers, including those in vulnerable circumstances, offering a tailored service and equal opportunities to raise concerns.

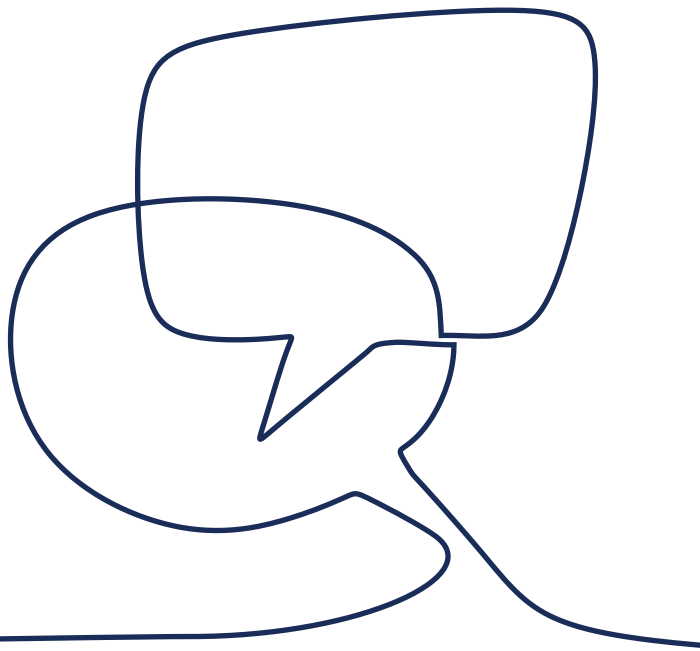
Complaint performance data is integrated into management information for Management Committees and the Board, supporting informed decision-making.

Group Customer Vulnerability policy
Our Group Customer Vulnerability policy establishes standards and an approach for identifying and supporting vulnerable customers, ensuring consistently fair outcomes throughout the Group.

Regular reviews by the Vulnerable Customer Review Committee involve case studies, monitoring best practices across diverse customer journeys and sharing insights with various customer-facing and second line functions.

Group Arrears Management and Forbearance policy
The Group Arrears Management and Forbearance policy prioritises fair treatment of customers facing financial difficulties, proactively engaging with those showing signs of potential distress.

Monitoring arrears rates occurs monthly through the Group Credit Committee, ensuring senior management oversight of trends and mitigating credit risk associated with potential losses from ineffective customer account management. Reviewing the forbearance and collection toolkit ensures adequate support for customers facing financial strain due to increased mortgage payments.



Sustainability continued

Strategic Pillar – Stewardship

Ethical practices

In 2023, the Group became a signatory of the UN Global Compact to further demonstrate our commitment to sustainability and to uphold the principles related to human rights, labour, environment and anti-corruption.

The Vendor Management team identified a core number of suppliers who we believe carry an elevated level of inherent risk. The team engaged with them to understand how they manage key areas such as the risk of modern slavery, human rights and human resource management, health and safety, as well as environmental management.

The main policies which support our approach to stewardship are as follows:

Modern Slavery Statement and Code of Ethics

Our Modern Slavery Statement and Vendor Code of Conduct and Ethics articulate our actions to combat modern slavery and human trafficking risks within our operations and supply chains.

The UK Vendor Code of Conduct and Ethics (UK VCCE) is distributed at new vendor engagements and annually to existing vendors, encompassing provisions on our values, diversity and inclusion, human rights and breach reporting procedures.

To address the highest modern slavery risks in our supply chain, Indian operations, and employment processes, our Vendor Management team rigorously tests key controls within the Vendor Management Risk Assessment Matrix.

Robust breach reporting procedures are in place, with no reportable incidents in this financial year.

Group Vendor Management and Outsourcing policy

Our Group Vendor Management and Outsourcing policy establishes essential requirements, enabling efficient management of third-party relationships whilst ensuring compliance with regulatory obligations. It provides a framework for diligent engagement and due diligence in overseeing potential and contracted third parties.

The monthly Vendor Management Committee ensures compliance with the policy and assesses the performance of key third parties. Regular reporting to the Group Risk Committee and annual updates to the Board provide assurance. Recognising the significance of robust relationships with third parties and potential reputational risks, we actively monitor their adherence to our standards to fulfil our obligations to stakeholders.

The Vendor Management Team engage with vendors identified as carrying an increased inherent ESG risk through surveys.

The surveys seek to determine awareness of ESG issues and the controls in place to manage them.

Group Whistleblowing policy

Our Group Whistleblowing policy aims to foster an environment where all employees and concerned parties feel encouraged to report any serious wrongdoing promptly.

Whistleblowing cases are handled with fairness and consistency, prioritising the protection of individual whistleblowers. Regular Whistleblowing Reports are presented to the Group Audit Committee, and an Annual Whistleblowing Report is provided to the Board. There is a designated Non-Executive Director whistleblowing champion.

Group Anti-Bribery and Corruption policy

Our Anti-Bribery and Corruption policy dictates our commitment to conducting business honestly and ethically, maintaining a zero-tolerance stance against bribery and corruption. It serves as a guideline for employees, contractors, and third-party service providers to ensure ethical conduct in compliance with local laws across our operational jurisdictions.

This policy is an integral part of our Group Financial Crime Risk Management Framework, subject to an annual review and approval by the Group Audit Committee. Mandatory anti-bribery and corruption training is part of the broader financial crime training for all employees, whilst its requirements are integrated into our Vendor management and outsourcing policy.

Sustainability continued

Strategic Pillar – Stewardship

Conflicts of Interest policy

Our Conflicts of Interest policy prioritises identifying and managing conflicts whilst striving to prevent them where feasible. It undergoes an annual review by the Group Executive Committee and is integrated into mandatory financial crime training for all employees, and is woven into our Vendor Management and Outsourcing Policy, ensuring a comprehensive approach.

Group Compliance function oversees the conflicts of interest register, reviewed quarterly by the Group Conduct Risk Management Committee and annually by the Group Nomination and Governance Committee for Executives and Directors.

No material issues or breaches of this policy occurred in 2023.

Fraud policy

Our Fraud policy ensures compliance with legal requirements, establishing controls to mitigate fraud risk. It fosters a zero-tolerance approach to fraud whilst acknowledging its possibility in business operations.

Mandatory fraud awareness training is part of our annual financial crime training for employees.

A dedicated Group financial crime team investigates potential fraud incidents and takes recovery actions, when necessary, with various committees regularly monitoring and reviewing fraud reporting.

Anti-money Laundering and Counter Terrorist and Financing policy

The Group's Anti-money Laundering and Counter Terrorist Financing policy outlines the responsibilities of senior management, the Money Laundering and Reporting Officer (MLRO) and all colleagues. It mandates integrity from every individual, with zero tolerance for breaches of anti-money laundering or counter terrorist financing legislation.

Mandatory anti-money laundering and counter terrorist financing training for all employees aligns with our broader financial crime risk management approach.

Acknowledging inherent risk exposure as a financial services provider, senior management reviews key risk and performance indicators, providing management information for visibility into our exposure to financial crime.

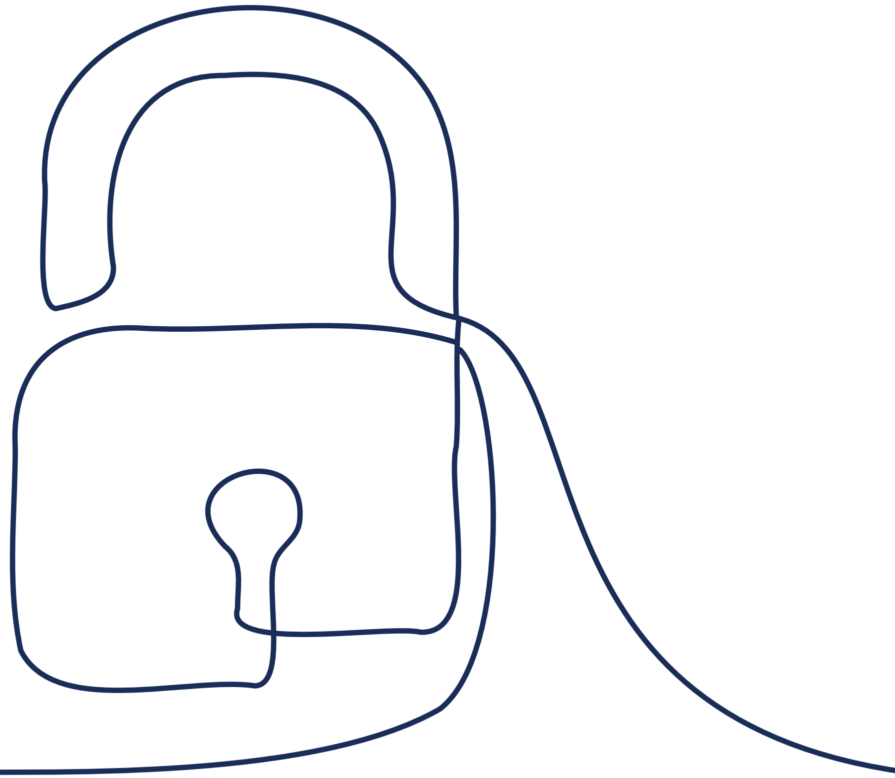
Group Health and Safety policy

Our Group Health and Safety policy delineates our approach and statutory responsibilities, ensuring compliance with legislation to safeguard employees, customers and all impacted by our operations. It prioritises providing a secure environment for everyone involved.

We uphold a stringent stance on compliance, regularly testing a range of controls to ensure their efficiency, all subject to independent oversight. The health and safety working group convenes biannually to review policy objectives, reporting any pertinent issues to operational risk.

An accountable Executive oversees the Health and Safety policy, annually reviewed by an external adviser before Board approval. Monthly dashboards shared with the Board, along with an annual health and safety report, present pertinent statistics.

Risk assessments across the Group are completed annually, complemented by mandatory health and safety training for all employees. Continuous updates on the Group intranet aim to bolster health and safety awareness, mitigating potential injury risks to employees and customers in the workplace.



Sustainability continued

Strategic Pillar – Stewardship

Tax

We recognise that our tax contributions make an important social and economic impact, benefiting the communities we operate in by delivering valuable public services and building infrastructure that allows communities to thrive.

The Group is proud to make a significant UK tax contribution each year and in 2023, the Group contributed £170.3m (2022: 204.6m).

	2023		2022	
Taxes paid	£m	£m	£m	£m
Corporation Tax	92.6		111.9	
Bank surcharge	10.2		30.2	
Irrecoverable VAT	22.1		16.7	
Employer's NIC	10.8		9.5	
Other	2.3		2.2	
Total taxes paid		**138.0**		170.5
Taxes collected				
Income tax	23.2		25.0	
Employee's NIC	5.3		6.0	
VAT	3.8		3.1	
Total taxes collected		**32.3**		34.1
Total tax contribution		**170.3**		204.6

The Group is open and honest in all dealings with tax authorities in both the UK and India. In the UK, we have signed up to the Banking Code of Conduct and follow both the spirit and the letter of tax law. Our tax strategy can be found at **https://www.osb.co.uk/sustainability/tax-strategy**.

All of our subsidiaries (including those incorporated in Guernsey and Jersey) are tax resident in the UK, with the exception of OSB India Private Limited which is tax resident in India and pays all appropriate taxes in India.

We do not use tax havens for tax avoidance or any other purposes.

Group Operational Resilience policy

Our Group Operational Resilience policy outlines the approach and expectations of the Group in establishing and enhancing resilience levels, recognising operational resilience as a focal point.

The policy details the Group's adherence to relevant UK regulatory requirements (e.g. the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA)) and alignment with industry standards. This includes the March 2021 published FCA and PRA policies on operational resilience, mandating firms to adopt a proactive approach to preventing service disruption and ensuring robust planning and testing for effective response to disruptive incidents.

Group Data Protection policy

Our Group Data Protection policy establishes adequate policies and procedures for compliance with the UK General Data Protection Regulation (GDPR) and the Data Protection Act 2018. It delineates necessary steps for processing personal data.

Respecting and safeguarding the privacy and security of personal information is fundamental, and we consider robust privacy practices integral to corporate governance and accountability.

The Group Data Protection Officer reports biannually to the Group Executive Committee and the Board, ensuring compliance with legal requirements and the Data protection policy.

Sustainability continued

Strategic Pillar – Stewardship

Cyber security

Cyber risk is one of our top considerations.

The Group's cyber resilience programme is delivered and governed through a joint effort between the traditional three lines of defence with reporting to governance committees as well as at the Group Board. A dedicated Chief Information Security Officer (CISO) function and supporting teams ensures the Group has the necessary subject matter expertise and remit to drive cyber improvements and risk reduction.

The OSB Group cyber programme is based on established cyber risk and controls frameworks (National Institute of Standards and Technology, Microsoft cloud security benchmark, Center for Internet Security) and managed through a continuous improvement schedule of activities to provide effective counter-measures, monitoring and incident response against current and emerging threats.

This is further supported by membership within the **FS-ISAC industry** (https://www.fsisac.com/) consortium to provide critical cyber intelligence and a cyber insurance policy from leading insurers following their assessment of the Group's cyber security.

The Group also undertakes periodic security testing and independent reviews by specialised and CBEST-accredited third parties to assess the effectiveness of its cyber resilience operational and technical capabilities required for regulated financial services organisations.

OSB Group cyber security strategic objectives

OSB Group Information Security has adopted a centralised security model to support the Group with targeted investments that deliver the necessary security services, operating model, policies and standards to align with the Group's risk appetite.

CISO

Strategic capabilities	Key objectives
1 Security engineering and operations	• Provide informed and reliable project support and security administration • Ensure sustainable risk reduction through effective security capabilities • Deliver information security initiatives
2 Cyber readiness	• Proactively identify and assess relevant cyber threats to protect the Group and its brands • Enable the Group to protect its assets and securely deliver its services through proactive monitoring and incident response plans to minimise business disruptions
3 Information Security governance and compliance	• Enable proactive identification, assessment, monitoring, reporting and mitigation of IT risks • Monitor and manage IT controls to ensure effectiveness • Align the Group with regulatory requirements