

SLAVERY AND HUMAN TRAFFICKING STATEMENT 2021

Introduction

This Statement is made pursuant to Section 54, Part 6 of the Modern Slavery Act 2015 (the Act) and covers the period from 1 January 2021 to 31 December 2021. This statement sets out the measures that OSB GROUP PLC (OSBG) and its subsidiaries (the Group) have taken to combat slavery and human trafficking in our businesses and supply chains in the financial year ending 31 December 2021. This Statement is made on behalf of OneSavings Bank plc, Interbay ML, Ltd, Charter Court Financial Services Limited and Exact Mortgage Experts Limited.

The Group is committed to tackling modern slavery throughout our business and supply chain. We continue to monitor and enhance the social and environmental impact we have and strive to ensure that anyone we do business with adheres to our principles.

Our Structure and Business

OneSavings Bank plc began trading as a bank on 1 February 2011 and was admitted to the main market of the London Stock Exchange in June 2014 (OSB.L). OneSavings Bank plc joined the FTSE 250 index in June 2015. On 4 October 2019, OneSavings Bank plc acquired Charter Court Financial Services Group plc (CCFS) and its subsidiary businesses (in addition to the other subsidiary businesses wholly owned by the Group). On 30 November 2020, OSBG became the listed entity and holding company for the Group. It is incorporated in the UK and headquartered in Kent.

The Group provides specialist lending and retail savings and is authorised by the Prudential Regulation Authority, part of the Bank of England, and regulated by the Financial Conduct Authority and Prudential Regulation Authority. The Group reports under two segments, OneSavings Bank and Charter Court Financial Services.

The Group is made up of a family of specialist financial services brands, namely, Kent Reliance, InterBay Commercial, InterBay Asset Finance, Heritable Development Finance, Precise Mortgages, Jersey Home Loans, Guernsey Home Loans, Charter Savings Bank and Charter Court Financial Services.

The Group's brands primarily target underserved market sub-sectors that offer high growth potential and attractive risk-adjusted returns where it has established expertise, platforms and capabilities. These include private rented sector/professional Buy-to-Let, commercial and semi-commercial mortgages, residential development finance, bespoke and specialist residential lending, secured funding lines and asset finance. The Group's specialist lending is supported by a stable retail savings franchise with 150 years of heritage with diversification of funding across the Group provided by securitisation programmes, the Term Funding Scheme and the Bank of England Indexed Long-term Repo operation.

OSB India (OSBI) is a wholly-owned subsidiary based in Bangalore and Hyderabad, India. OSBI supports various business functions within the UK including Support Services, Operations, IT, Finance and Human Resources. The Group operates a one team approach between the UK and India.

The Group, as at 19 April 2022, has 1,955 employees, temporary workers and contractors, primarily located at its main operating centres in Chatham, Fareham, Fleet, Wolverhampton, London (UK), Bangalore (India) and Hyderabad (India). In 2021, the Group engaged 45 recruitment agencies (37 in relation to UK operations and 8 in relation to OSBI). The Group has a Preferred Supplier List (PSL) for agencies and the Group tries to ensure that, wherever possible, employment agencies agree to the Group's precedent contractual terms mandating that the agency is expected to comply with relevant modern slavery legislation. The Group does not request sight of the agency's own contractual terms with the relevant candidate. Within India, OSBI instruct external lawyers to review any contractual terms between the Group and relevant contracting agencies.

The Group's Vendor Management and HR functions currently undertake all activities relating to the procurement of goods, services and labour on behalf of all Group entities. The Group has introduced a new Environmental, Social and Governance (ESG) structure by establishing a new ESG Committee, which is now responsible for the Group's response to modern slavery and human trafficking.

You can find out more about the Group in our Annual Report and Accounts. These are available online at <https://www.osb.co.uk>

Our Supply Chains

The Group endorses the UN Declaration of Human Rights and supports the UN Guiding Principles of Business and Human Rights. The Group adheres to the International Labour Organisation Fundamental Conventions and does not tolerate child labour or forced labour. The Group also respects freedom of association and the rights of employees to be represented by trade unions or works councils.

Our supply chains include around 1,350 third party suppliers of goods and services, including, but not limited to, maintenance of our premises, IT systems, software and hardware facilities, catering and recruitment. We have established and continue to enhance the Group's Vendor Management and Outsourcing Policy ensuring that robust frameworks are followed in order to comply with regulatory obligations and efficiently assess and manage potential and contracted third party relationships. According to the Group's records, the five largest geographical areas where suppliers (from outsourcer to tier 3) are based are: (i) UK; (ii) India (OSBI); (iii) USA; (iv) Ireland; and (v) Jersey.

The Group has updated both of its Vendor Codes of Conduct and Ethics. The UK Vendor Code of Conduct and Ethics (UK VCCE) is issued at the engagement of any new relationship and on an annual basis to existing categorised and identified vendors. OSBI also has a Vendor Code of Conduct which receives external assurances from Indian qualified legal professionals and issued for all new third parties and annually to all existing arrangements in India. The updated UK VCCE is publicly available on the Group's website (<https://www.osb.co.uk/corporate-responsibility/vendor-code-of-conduct-and-ethics>) and details the principles by which it expects any third party supplier to abide. The UK VCCE contains sections on: (i) Diversity and Inclusion; (ii) Whistleblowing; (iii) Human Rights; (iv) Anti-Bribery and Corruption; and (v) Environmental concerns.

Suppliers are encouraged to ensure that their employees are able to contact the Group's whistleblowing hotline in the event that they are concerned or suspect an unethical working practice within the supply chain. In addition, OSBI and its supply chain adhere to the Indian Labour Laws (Article 23 and 24 of the constitution of India).

The Group continues to remain vigilant of the risks COVID-19 presents in respect of workers' rights. Consequently, the UK VCCE addresses the ethical standards expected of its suppliers including how the Group expects worker's rights to be safeguarded in the event of COVID-19 restrictions. The Group continues to remain cognisant of the risks posed to its supply chain where suppliers facilitate homeworking for employees.

Relevant provisions within the UK VCCE include:

- Workers shall not be subject to forced, prison, bonded, indentured, slave, trafficked or compulsory labour in any form.
- Workers shall not have their identity or travel permits, passports or other official documents or any other valuable items confiscated or withheld as a condition of employment.
- Workers shall be able to access and be free to file grievances to their employers about the employer's treatment of them. Workers shall not suffer detriment, retaliation or victimisation for having raised a grievance. New and adapted procedures should be implemented, if necessary.
- Fees or costs associated with the recruitment of workers (such as fees related to work visas, travel costs and document processing costs) should not be charged to workers; and workers must not be required to repay debt through labour. Workers are still entitled to receive wages for completed work regardless of any order cancellations during and after a pandemic outbreak.
- Workers shall be treated in accordance with all applicable national laws and regulations at all times. This extends to local or national government policies including any relating to a pandemic outbreak which may include social distancing and the payment of statutory sick pay to workers who are having to isolate.

The Group also continues to comply with Financial Conduct Authority rules in SYSC 8 'Outsourcing' and the Prudential Regulation Authority's SS2/21 Supervisory Statement on Outsourcing and third party risk management. These require us to:

- take all reasonable steps to avoid undue additional operational risk; and
- take all reasonable steps to ensure that a third party has the ability, capacity and authorisation required by law to perform the outsourced functions, services or activities reliably and professionally.

The Group also complies with the European Banking Authority (EBA) guidelines relating to outsourcing arrangements which were introduced in September 2019.

Our Policies on Slavery and Human Trafficking

Over the year, no instances of modern slavery were reported through the Group's Whistleblowing processes. The Group annually reviews its whistleblowing procedures and policies. In compliance with the Act, the Group does not support excessive overtime in OSBI and our employees in India are required to work in accordance with local legislation.

Internal policies exist which aim to ensure that we establish good practices and act ethically with integrity to support us in ensuring modern slavery is not occurring in our business or supply chains. The Group regularly reviews its policies targeting financial crime and has annually reviewed the Group Conflict of Interests Policy. The Group's Fraud and Anti-Bribery and Corruption Policies are reviewed annually and approved by the Group's Audit Committee.

The Group continues to ensure that all relevant employment policies provide direct consideration, where appropriate, of the risks associated with modern slavery. We are committed to ensuring that no modern slavery or human trafficking takes place in our supply chains or in any part of our business and regularly review processes both existing and new. As part of its ongoing compliance, OSBG has adopted a pervasive approach in respect of its relevant policies and processes. The Group continues to monitor whether an independent separate policy is required for modern slavery and human trafficking. The Group remains cognisant of policies potentially impacted by modern slavery and human trafficking and continues to ensure that modern slavery is referenced where appropriate.

The relevant UK HR and Vendor policies include:

- Group Agency Worker Engagement Policy
- Group Recruitment and Selection Policy;
- Group Bullying and Harassment at Work Policy;
- Group Flexible Working Policy;
- Group Vendor Management and Outsourcing Policy;
- Group Other Leave Policy; and
- Group Work Experience Policy.

All UK HR relevant policies are reviewed annually with input from relevant stakeholders (including HR and Group Legal). HR continually reviews and revises employee policies, where appropriate and necessary to do so. Final approval of all HR policies is provided by the Group Executive Committee. Any breaches of applicable HR related policies are taken extremely seriously by the Group and as such appropriate disciplinary steps may be taken for those who are found in breach.

All policies are available on the Group's intranet.

Due Diligence Processes for Slavery and Human Trafficking

The Group has identified that the largest risks to the business are its supply chain, its Indian operations and employment processes. The Group has zero tolerance for slavery and human trafficking. As part of our initiative to identify and mitigate the risk we:

- Identify and issue to certain suppliers, a Code of Conduct, documenting our expectation of compliance with modern slavery regulations. The UK VCCE is published on our website for all external suppliers to view. If a Vendor is issued with a Code of Conduct, the Risk Profile Assessment captures the date of issue. OSBI also issues a Vendor Code of Conduct to all outsourced to tier 3 suppliers. This statement received external Indian legal assurance.
- Ensure that suppliers are paid in sufficiently reasonable timescales. Supplier payment practice reports are published on a six monthly basis. The Group enters into standard terms with many of its vendors. Standard terms include compliance with modern slavery laws and terms requiring payment within 30 days of the invoice date following receipt of a valid invoice. Over 90% of all invoices are paid within 30 days in line with the standard payment period for qualifying contracts.
- Ensure that our branch network follows robust anti-financial crime processes and is able to identify any warning signs of potential fraud. Branch employees are trained under the Banking Protocol scheme to identify various warning signs and report to the authorities as appropriate. Employees are also trained to handle customers in distress offering them privacy within the branch if they are a suspected vulnerable victim of crime.
- Continued to consider (at Board level) potential supplier challenges and operational resilience as a result of the integration and the ongoing impact of COVID-19. The Board has oversight of all material Outsourcing arrangements including that of the Group's Auditor. In line with regulatory requirements, the Group maintains a vendor database in respect of outsourcing which is made available to the Board when requested. The Board is informed of the number of third party suppliers on an annual basis.
- Ensure that provisions in our contracts with third party suppliers contain robust references to modern slavery compliance where appropriate. This includes agreements with suppliers of goods, services and employment businesses.
- Continue to enhance our ability to classify our third party services based upon the level of risk and incorporate the appropriate provisions in our contracts with them. Where relevant, the Group includes appropriate due diligence in the Request for Proposals (RFPs) at the tender stage of a third party engagement and prior to entering to any new contract with a third party. The Group performs relevant checks via the OECD Watch at the onboarding stage and ongoing monitoring by way of due diligence assessments for all third parties. If any "positive" high-risk matches are identified at the pre-contractual stage, the Group Risk Management Committee approval is required to proceed. Should any "positive" high-risk matches be identified throughout the contractual relationship, the Group Risk Management Committee is required to approve the continuation of the contract or initiate exit plans. No identified positive matches for existing and new vendors were returned in 2021.
- Ensure that the risk status of our third parties are monitored and reassessed appropriately. The Group's Relationship Owners and Vendor Management team are required to report to the Group Vendor Management Committee on core standard checks through monthly Key Risk Indicators (which would include any modern slavery breaches and any general performance or servicing related concerns). Any concerns are also reported to the Group's Operational Risk Committee. Various annual re-performance due diligence and risk assessment checks are carried out such as financial stability, fraud, sanctions and adverse media on third parties for all third parties. These checks are undertaken biennially for tier 2 suppliers and triennially for tier 3 suppliers. Any concerns identified through the re-performance due diligence would be raised to the relevant Executive Owner and reported to the Vendor Management Committee to advise on any required corrective action plans which may include an exit of services.
- Ensure that robust processes are followed in respect of our underwriting procedures. All customers who own House in Multiple Occupation (HMO) properties requiring a Licence will have undergone a "fit and proper" test by way of the Local Authority. The Group also ensures that any property valuations highlighting concerns in relation to over occupancy would be queried. The Group conducts interviews with customers who have a large exposure to discuss their business model and the tenant profile of their portfolio. As the Group is reliant on intermediaries, the Group Intermediary Agreements contain relevant contractual clauses in relation to Modern Slavery.
- Maintain robust escalation procedures in the event that modern slavery is identified in any part of the Group's supply chain. Should an instance of modern slavery be identified, the Relationship Owner, Group Legal and Compliance are notified so that appropriate measures (including contractual levers) may be deployed including the termination of services/supply of goods. Notifications would be escalated and notified to the appropriate senior management and governance committee; and
- Retain robust Vendor onboarding procedures. The Group categorises third parties through a risk classification and denotes which area of the business is being serviced. The classification includes the supplier's country of domicile. The Group does not engage with any vendors located in high risk jurisdictions including those countries subject to sanctions. At the time of onboarding, if a vendor is identified as domiciled in a high risk jurisdiction, approval would be required from the Group Risk Management Committee, for a decision to proceed with the onboarding.

Training

We provide guidance and specialist e-learning training to those employees with responsibility for the engagement and oversight of suppliers. This highlights the risks of modern slavery and human trafficking in our supply chains and their role in ensuring that we work with suppliers who share our principles. All Group employees are required to complete an annual e-learn training module entitled "Protecting our Community" containing a section on modern slavery. Across the Group, the completion rate was 98.79%, meeting the Group's completion rate key performance indicator (KPI). The Group's mandatory Financial Crime 2021 module had an overall completion rate of 99.46%, which also met the Group's completion rate KPI. All employees are requested to provide feedback and a reflective statement on any mandatory training so that if there are any substantive ethical issues, remedial actions may be undertaken.

The Group's Modern Slavery Statement for 2021 was shared with employees through the 2022 e-learn training module. A copy of this year's statement will be made available on our website and uploaded onto the UK Government Registry.

Our Effectiveness in Combating Slavery and Human Trafficking

As the Group has undertaken the majority of its integration activities, the Group is better placed to holistically understand its integrated operations and processes and therefore understand where the risks of modern slavery lie in order that it may respond proportionately and appropriately. We are committed to further developing our understanding of the issues associated with modern slavery in order to minimise the risks involved and are continuing to actively engage with our existing and new suppliers as well as further evolving our internal vendor management risk controls.

The Group's newly implemented ESG Governance strategy will ensure that the Group is better placed to enhance its effectiveness and as such, set and embed appropriate KPIs and metrics based on the Group's risk appetite. The Group's Vendor Management function is currently formalising a pilot scheme whereby the ESG initiatives of certain identified outsourced suppliers will be evaluated including their commitment to eradicating modern slavery and human trafficking. This will allow the Group to undertake enhanced due diligence on its supply chain to be able to further accurately identify areas of risk and concern.

Responding to COVID-19

In 2021, the Group continued to support workers in the COVID-19 pandemic whilst government restrictions were still in force. The majority of employees continued to work from home including those in India. We continued to provide a safe environment for all workers. The Group recruits robustly and has not sought the benefit of the UK Government Furlough Scheme. The Group offers flexible working and over 10% of UK employees work under formal flexible arrangements with 30 employees working compressed hours.

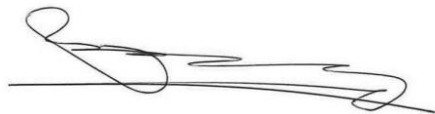
The Group continued to support its customers by offering mortgage payment deferrals. Customers were still able to seek the benefit of the Coronavirus Business Interruption Loan Scheme and Recovery Loan Scheme.

Homes for Ukraine

The Group supports the Government's "Homes for Ukraine" initiative and will support customers appropriately when a customer contacts the Group in this regard. The Group remains cognisant of the risks posed by the scheme in respect of modern slavery and human trafficking and will continue to operate a zero tolerance approach ensuring that the humanitarian crisis is not exploited for human trafficking purposes. The Group takes any allegation of modern slavery and human trafficking extremely seriously within any of its loan portfolios.

This statement is reviewed annually and has been approved by the Boards of OneSavings Bank plc, Interbay ML, Ltd, Charter Court Financial Services Limited and Exact Mortgage Experts Limited on 7 June 2022.

Signed



Andy Golding
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Director
OneSavings Bank plc
Charter Court Financial Services Limited
Exact Mortgage Experts Limited



Clive Kornitzer
Group Chief Operating Officer
Director
Interbay ML, Ltd

7 June 2022

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