

SLAVERY AND HUMAN TRAFFICKING STATEMENT 2022

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 2022 to year ended 31 December 2022. This statement sets out the measures that OSB GROUP PLC (OSBG) and its subsidiaries (together, the Group) have taken to combat slavery and human trafficking in our businesses and supply chains in the financial year ending 31 December 2022. This Statement is made on behalf of OneSavings Bank plc, Interbay ML, Ltd and Charter Court Financial Services 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 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 (PRA), part of the Bank of England, and regulated by the Financial Conduct Authority (FCA) and PRA. 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, 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. OSBG is predominantly funded by retail savings through both the Charter Savings Bank brand and the long-established Kent Reliance name, which includes online and postal channels as well as a network of branches (including agencies) in the South East of England. Diversification of funding is currently provided by securitisation programmes and the Bank of England's Term Funding Scheme with additional incentives for SMEs.

The Group's UK national charity partner for 2022 was Campaign against Living Miserably (CALM) in support of which the Group undertook various fundraisers, raised awareness through webinars and supported campaigns such as world suicide prevention day. The Group has recently announced its new charity partnership with DePaul UK, a charity supporting young homeless people. Whilst this is a relatively new partnership, the Group intends to support this charity with fundraising, time, resources and expertise. The Group will remain cognisant of any risks of modern slavery within this partnership agreement over the next two years.

OSB India (OSBI) is a wholly-owned subsidiary based in Bangalore and Hyderabad, India. OSBI supports various business functions within the UK including Operations, IT, Finance and Human Resources. The Group operates a one team approach between the UK and India and if employees undertake inter-office travel, the Group's UK Corporate Services team facilitate all relevant transport and accommodation (as appropriate).

The Group, as at 19 April 2023, has 2,341 employees, temporary workers, apprentices, interns and contractors, primarily located at its main operating centres in Chatham, Fareham, Fleet, Wolverhampton, London (UK), Bangalore (India) and Hyderabad (India). The Group is aware of the risk of modern slavery in community outreach programmes especially in relation to work experience schemes. Where an offer of employment is issued to a new starter, the Group's Human Resources (HR) function ensure that the relevant contract of employment is issued to the prospective employee prior to their anticipated start date. The Group's pre employment checks will highlight any convictions for modern slavery and human trafficking offences. At the point of on-boarding, the Group's HR Function has an opportunity to ask any questions which they may have in relation to candidates. The Group's Board has remained cognisant of the current economic climate and the impact of the cost of living crisis on its employees. Consequently, a one-off cost of living payment of £1,200 was made to UK employees on lower pay in 2022 and it is expected that two further payments of £600 each will be made in 2023. The Group also approved a higher than usual salary increase for UK employees in 2023, with the 80% of UK employees on the lowest pay receiving a larger percentage increase. In 2022, the Group formally became accredited as a national living wage employer.

In 2022, the Group engaged 43 recruitment agencies (35 in relation to UK operations and 8 in relation to OSBI). The Group has a Preferred Supplier List (PSL) for agencies and the Group ensures 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's Vendor Management team run a financial stability check on the Group's PSL with the Group's HR function regularly reviewing service levels. The Group does not request sight of the agency's own contractual terms with the relevant candidate. The Group does not have any direct contractual relationships with umbrella companies. Within India, OSBI instruct external lawyers to review any contractual terms between the Group and relevant vendors.

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's Vendor Management team ensures that all required due diligence and risk reviews have been completed to support the business decisions relating to: (i) the engagement and contracting of new third party relationships and services; (ii) ongoing risk assessments; (iii) due diligence; and (iv) exiting relationships.

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 833 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 is issued to all new third parties and annually in respect of 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, Equity and Inclusion; (ii) Whistleblowing; (iii) Human Rights; (iv) Anti-Bribery and Corruption; (v) Data Protection and Information Security and (vi) 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).

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 employer 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.
- Where it is necessary to recruit workers who are engaged via a third party or where workers are sourced to be employed directly, only reputable employment agencies shall be engaged. Rigorous checks should take place during the recruitment process to ensure that workers are not being exploited in a period of high demand. The Group does not engage individuals directly on zero hours contracts and is supportive of suppliers who adopt a similar stance.

The Group also continues to comply with FCA rules in SYSC 8 'Outsourcing' and the PRA'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 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. The Group's Workforce Advisory Forum (known as OurVoice) is in place to gather the views of the workforce to enable the Board and Group Executive Committee to consider a broadly representative range of stakeholder perspectives to guide future strategic decisions. In the event that any employee wishes to bring an issue to a senior stakeholder's attention, they are encouraged to speak with their relevant representative. Robust grievance mechanisms exist within the Group Grievance Policy so that employees may raise a grievance in the event of behaviour inconsistent with the Group's values. In 2022, the Group did not receive any employee based grievances in relation to modern slavery or human trafficking.

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 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 inserts appropriate wording into 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 Contractor Engagement Policy
- Group Flexible Working Policy;
- Group Safeguarding for Children and Young People Policy;
- Group Diversity, Equity and Inclusion 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 including those in relation to maternity, adoption and paternity rights, where appropriate and necessary to do so. Final approval of all HR policies is provided by the Group Risk Management Committee or the Group Conduct Risk Management 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 in respect of modern slavery 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 (outsourced to tier 3 suppliers), a Code of Conduct, documenting our expectation of compliance with modern slavery regulations. 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.
- Identified and engaged with outsourcers and key IT/Marketing/Facilities vendors to request that they complete an Environmental Social Governance (ESG) themed questionnaire in relation to their commitment to ESG including but not limited to modern slavery. 46 of 52 issued questionnaires have been completed and returned by vendors. The Group has also identified those vendors with whom the Group spends over £100,000 a year (approximately over 100) and will engage with them accordingly in respect of the relevant ESG questionnaire. In circumstances where a vendor's response confirms that they do not have any policies and processes in relation to modern slavery, the relevant Relationship Owner will be informed with the vendor further engaged to explore this omission. If a vendor is unable to provide a reasonable justification, the Group would have to consider whether it should continue to engage with the relevant supplier.
- 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 95% of all invoices are paid within 30 days in line with the standard payment period for qualifying contracts.
- Ensure that our branch network staff follow robust anti-financial crime processes and are 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 and taking steps to safeguard their finances if they are a suspected vulnerable victim of crime. In 2022, no disclosures were made to the police by the Group's Financial Crime team in respect of modern slavery concerns.
- Continue to consider (at Board level) potential supplier challenges and operational resilience in the context of integration, and the ongoing impact of macro-economic factors including the cost of living crisis. The Group continues to identify opportunities to further digitalise business operations. 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. The Group has precedent terms of engagement which employment businesses are asked to agree to (wherever possible) for the supply of permanent, temporary workers and third party contractors containing relevant modern slavery provisions.
- 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 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, approval from the Group Risk Management Committee 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 2022.
- Ensure that the risk statuses 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 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 discuss 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 a House in Multiple Occupation 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.

Training

All Group employees are required to complete an annual e-learning training module entitled "Supporting a Positive Workplace Culture" containing a section on modern slavery. Across the Group, the completion rate was 99.28%, meeting the Group's completion rate key performance indicator (KPI). The Group's mandatory Financial Crime 2022 module had an overall completion rate of 99.13%, 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.

We also provide guidance and specialist e-learning training to those employees with responsibility for the engagement and oversight of suppliers. 78 relationship owners across the Group completed an e-learning training module entitled "Vendor Management 2022" illustrating the role of Vendor Management and the importance of effective supply chain management.

The Group's Modern Slavery Statement published in 2022 was shared with employees through the 2023 e-learning training module. A copy of this year's statement will be made available on our website and uploaded onto the UK Government Registry.

Given the responsibility of the Group's branch network staff in serving the Group's customers face-to-face, Group Legal delivered bespoke modern slavery training ensuring that all of the branch and agency staff were able to access and participate in training on modern slavery and human trafficking.

Our effectiveness in combating slavery and human trafficking

In alignment with the Group's ESG principles, the Group has refined its governance structure so that the Group's ESG Strategy and strategic commitments can become embedded within functional tactical and operational plans.

During 2022, building on our strong ESG foundations, we developed a Strategy and a set of ESG Principles that seek to strike the right balance between risk and opportunity. We developed and implemented an ESG Operating Framework and Lifecycle to ensure we focus on, and capture, the areas of stakeholder materiality and we linked our ESG performance to Executive and Senior Management remuneration. Our ESG Strategy and ESG Operating Framework have not only served to embed ESG and climate risk into our business strategy, financial planning and risk management frameworks but have also allowed us to identify opportunities, where stakeholder value can be created including a commitment to renewable energy and the risk of modern slavery in the relevant supply chain.

As these principles are embedded, the Group's response to modern slavery and human trafficking will continue to fall within its ESG governance structure. The Group will assess its response to modern slavery against the background of the new modern slavery standard: BS 25700. Consequently, the Group is now better placed to frame key metrics in relation to modern slavery which remains a continuing area of focus for the Group in 2023.

Homes for Ukraine

The Group supports the UK Government's "Homes for Ukraine" initiative and will support customers appropriately when a customer contacts the Group in this regard. To date, the Group has only received two requests in relation to the initiative. The Group continues to remain 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 and Charter Court Financial Services Limited on 7 June 2023.

Signed



Andy Golding
Chief Executive Officer
Director
 OneSavings Bank plc
 Charter Court Financial Services Limited
 9 June 2023



Clive Kornitzer
Group Chief Operating Officer
Director
 Interbay ML, Ltd
 9 June 2023