Task Force on Climate-Related Financial Disclosures (TCFD)

Listing Rule 9.8.6R(8) requires that, from this year, the Group provides climate-related financial disclosures that comply with the 11 TCFD recommendations and recommended disclosures, or that it explains why it is not compliant. The Board confirms that it has disclosed sufficient information to comply with the 11 TCFD recommendations and recommended disclosures. We will continue to review the guidance contained in the TCFD annex and will supplement our future disclosures where appropriate.

Our climate ambition and strategy
OSB Group acknowledges that we have a responsibility to respond to the threat of climate risk and have embarked upon a programme of work to address this evolving risk and ensure that we are able to address associated challenges.

As a specialist secured lender, we believe that our position enables us to contribute towards assisting our customers and by extension, wider society towards a low-carbon economy.

The Board and management understand and are committed to ensuring that the Group takes appropriate and timely actions to discharge its duties towards the global sustainability agenda. To that end, we are focused on driving down the Group's own direct impact on the climate through proportionate and meaningful action. Furthermore, we are also committed to ensuring that we provide strong thought leadership, education, awareness, and products that help customers achieve climate-related improvements, thus ensuring that we expand our scope of focus to the emissions we enable through our footprint.

The Board is conscious that the climate agenda from regulatory bodies continues to evolve and further work is required to fully embed our climate operating model across the Group. During 2021, a new Environmental, Social and Governance (ESG) Committee was established to assist in driving forward key ESG initiatives and actions. We remain committed to embedding climate considerations in the Group's strategy, governance, risk management and financial and strategic planning.

The Group has aligned its disclosures to be compliant with TCFD and to provide transparent reporting to assist our stakeholders in understanding the impact of climate change on our business. The assessment of which has resulted in a low financial materiality to the business whilst still taking a proportionate approach should this change in the future.

This is our first iteration of climate-related disclosures and as such, while a lot of progress has been made, we recognise that more work needs to be done and have identified these specifically in the table below, where relevant.

The 11 recommended disclosures required within the context of TCFD compliance are listed as:

1. Describe the board's oversight of climate-related risks and opportunities.

2. Describe management's role in assessing and managing climate-related risks and opportunities.

3. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

4. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

5. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

6. Describe the organisation's processes for identifying and assessing climate-related risks.

7. Describe the organisation's processes for managing climate-related risks.

8. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

9. Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.

10. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

11. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

The Group's response to each is detailed in the table below and numbered against each, where we provide a summary of our approach to these matters and indicate where additional information can be found.

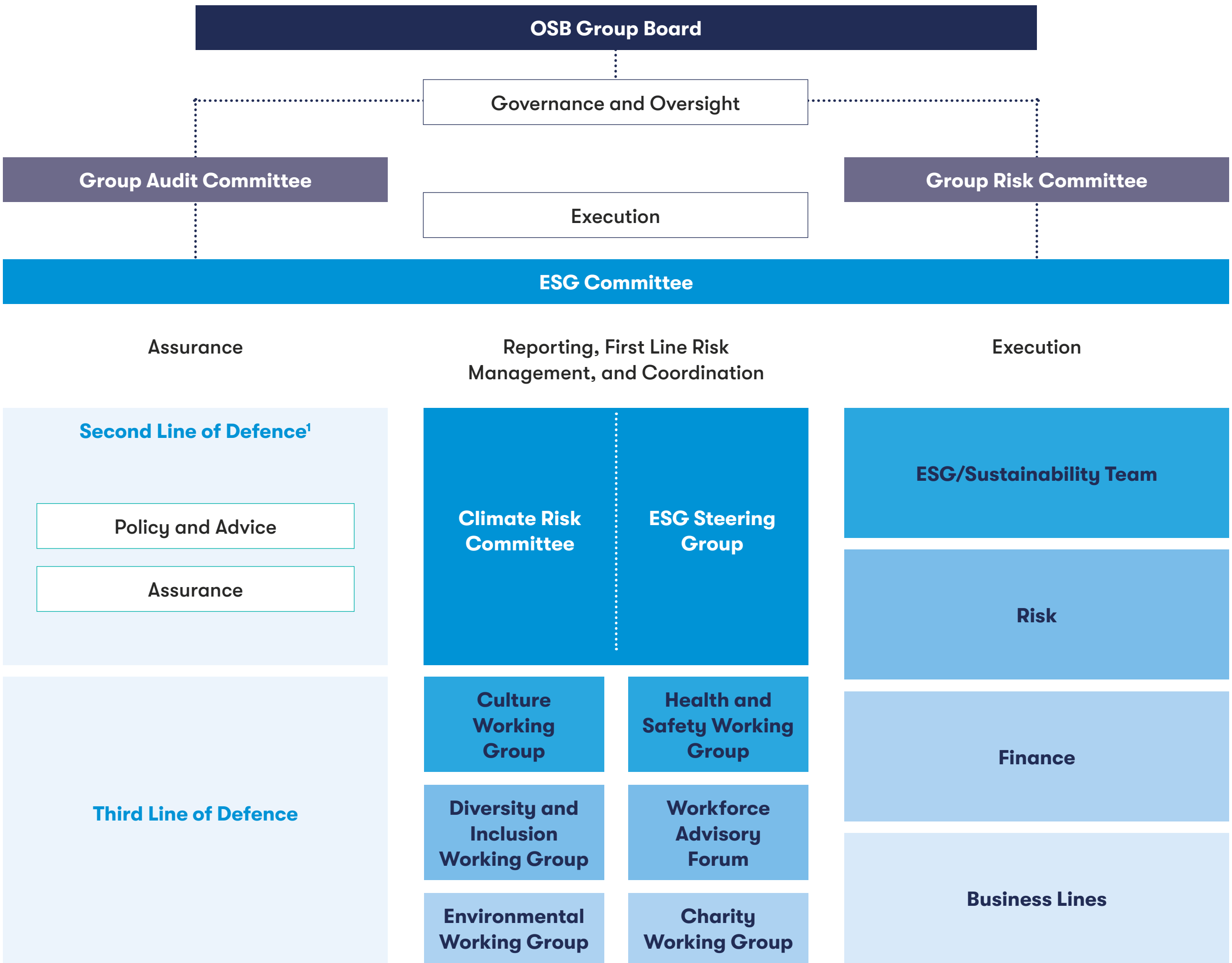
Achievements in 2021	Opportunities and developments for 2022	Further details
Governance		
1. Board oversight of climate-related risks and opportunities: • The Board enhanced its oversight of climate-related risks via quarterly updates related to climate risk and the Group's progress. All major Committee papers incorporate environmental impact as a standalone section, highlighting the emphasis the Board is placing on the climate. Furthermore, climate risk and ESG matters are a key consideration of the Group strategy, for which the Board assumes responsibility and maintains oversight. This illustrates the importance the Board has given to climate risk, ensuring that the Board considers climate-related issues when reviewing and guiding strategy and that it can respond in an agile and appropriate manner to a range of climate-related risks and opportunities. • In addition to its direct oversight, the Board delegated responsibility for the Group's climate related risk appetite, risk monitoring, provisioning, and capital and liquidity management through the ICAAP to the Group Risk Committee. • The Group Audit Committee reviewed the overarching ESG strategy, which includes climate-related risks and opportunities and will continue to do so as a routine matter. • The Group CRO has been delegated SMF (Senior Management Function) responsibility for climate risk. • A Non-Executive Director of the Board, Sarah Hedger, was appointed to oversee ESG matters on behalf of the Board.	• Continue to develop climate-related expertise to ensure effective oversight of climate-related risks, the Group is intent on working with external advisers as appropriate to inform annual budgets, business plans as well as setting the Group's performance objectives. • Oversee the continued development of an agile and versatile climate risk strategy and monitor adherence to this by setting and monitoring meaningful climate-related targets through risk appetite monitoring. • Climate and wider ESG training is to be provided to the Board in the second quarter of 2022. • It is envisioned that during 2022 the Group Risk Committee will become formally responsible for ensuring that the Group integrates climate-related financial risk appropriately into its risk appetite, once set (see Risk Management opportunities below for risk appetite setting) and thus will be able to oversee progress against goals and targets for addressing climate-related issues.	See the Governance report for further information on governance structure.
2. Management's role in assessing and managing climate-related risks and opportunities: • The Climate Risk Committee which is a Management Committee responsible for the effective identification and management of climate-related risks, was established in 2020. The Committee is guided by the Climate Risk Management Framework (CRMF) which is used to monitor the Group's progress and adherence to its climate-related goals. Its output is summarised and shared with the ESG Committee which then is passed to the Board for consideration. • Climate risk was recognised as an enterprise risk and SMF responsibilities were allocated to the Group's CRO. • Robust scenario analysis methodology is in place and was independently verified by the Group Internal Audit Function. • An ESG Sustainability Director was appointed and is responsible for ensuring the Group's strategy is aligned and consistent with the various climate-related initiatives across the Group as well as ensuring the Group is well positioned to meet its ESG reporting objectives. • The Internal Audit function also widened its remit in 2021 to include periodic reviews of climate risk activity as evidenced by a climate scenario audit that took place in August 2021.	• The Group will finalise its climate risk strategy, which also incorporates the Group's wider ESG ambitions. The governance structures to support our climate risk strategy will continue to be embedded across the Group's risk management disciplines. It is envisioned that this strategy will also provide a better understanding of the risks and opportunities of climate risk. • A Group-wide review of policies across all principal risk areas will be conducted to ensure that climate risk is appropriately embedded and monitored. • Longer term climate targets will be developed during 2022 for inclusion in the Group's long term incentive plans. • ESG metrics are incorporated in the CEO's and the CFO's personal objectives and the Balanced Business Scorecard. From 2022, the personal objectives will include specific climate related metrics such as GHG direct emissions intensity ratio.	None

Climate Risk Governance structure

We are aware that our climate ambitions can only be achieved through the successful integration of climate-related matters into our governance and management structure. To that end, we have implemented a robust governance model to reflect our ambitions and strategy.

Roles and responsibilities have been allocated across the various committees, teams and working groups as appropriate and work continues to further embed climate-risk across the organisation.

The Chief Executive Officer (CEO) holds overall accountability for the Group's climate-related risk and exposure and is supported by the Group Chief Risk Officer (CRO). The Group CRO holds a joint SMF accountability for identifying and managing climate-related risks across their respective risk areas. This responsibility is reflected in the fact that the Group CEO and CRO have had a variety of ESG metrics incorporated into their Balanced Business Scorecard, including climate specific metrics such as GHG emissions.



1. Compliance's role will evolve over time; commencing with policy and advice and then assurance once required.

Achievements in 2021	Opportunities and developments for 2022	Further details
Strategy		
3. Climate-related risks and opportunities identified over the short, medium, and long term: • The Group primarily lends on residential assets either for owner occupation or for landlords to let. In this context, the Group undertook scenario analysis[1] across its portfolio using a best-case scenario of warming limited to 0.9°C to 2.3°C by 2100 and a worst case scenario of warming up between 3.2°C to 5.4°C by 2100 to determine the level of exposure to climate-related risks. The key physical risks used for scenario analysis are flooding, subsidence and coastal erosion in the long term (10 years+) and energy performance certificate (EPC) rating requirements which is used a key transitional risk in the short term (3 years+). The analysis showed that current exposure to these risks as a proportion of our overall lending is relatively small based on the makeup of our portfolio. 1. The Group defined its time periods as follows: short term: less than one year; medium term: period to 2035; long term: period to 2050.	• The Group recognises the opportunity to expand its scenario analysis to a wider range of transition risks. Work will be undertaken in 2022 to expand the scope of scenarios to areas such as consumer behavioural patterns and wider market trends. • The Group has undertaken and commissioned research within the mortgage market to fully understand broker and customer perceptions, attitudes, and knowledge within this area, and will regularly refresh this to identify solutions that allow the market to meet the government's climate change commitments. • Continue to identify climate-friendly products, utilising the full range of the Group's brands to maximise positive impact on climate cognizant of any conduct risk related matters that may arise as a result of climate risk. • Climate risk will be assessed for its materiality as one of the drivers in the Group's financial planning processes. • The Group understands that sustainable finance is an important tool for facilitating the transition to a low-carbon economy. Funding, thought leadership, broker and borrower education and awareness will be key enablers in this endeavour.	None
4. Impact of climate-related risks and opportunities on Group's businesses, strategy, and financial planning: • The Group made sustainability a key priority for the Board and committed to the development and implementation of a robust Net Zero Plan in line with the Paris Agreement's central aim to strengthen the global response to the threat of climate change. The Group established emissions reduction targets grounded in climate science through the Science Based Targets initiative (SBTi) methodology which will be submitted for SBTi validation in 2022. Firstly a target for Scope 3 Category 15 Financed emissions and secondly a target for Operational emissions covering Scope 1, 2 and other material scope 3 categories. These targets show commitment to business ambition for 1.5°C. An interim target for 2030 was set as well as a Net Zero target for 2050. • For the first time, in 2021 the Group measured its Scope 3 financed emissions. The Partnership for Carbon Accounting Financials methodology was used to ensure this measurement is robust. As a material source of emissions this is an important step forward and allows subsequent analysis and modelling of actions to address an area of significant risk and opportunity. This ambitious strategy is wholly aligned with our organizational values, in particular; Aim High and Stewardship. The PCAF calculation covers the mortgage portfolio as the largest asset class. It does not cover non-modelled book or securitised loans. • Historically, policy and subsequent improvement programs focused on emissions associated with buildings the Group operated from, and progress was made from 2020 to 2021.	• Following the establishment of Science Based Targets, and in line with SBTi and UN Finance Initiatives guidance on target setting for banks, the Group will now develop a clear and robust transition and action plan to achieve the targets set for Scope 1, 2 and 3 emissions to be verified by SBTi which will result in greater understanding of the effect on climate on the businesses financial performance and financial position. • The Group will consider opportunities such as green funding, green savings, securitisation, climate risk underwriting criteria and ESG awareness campaigns to pursue the most impactful opportunities and support customers in their transition. • The Group acknowledges that whilst there are actions that can be taken directly to address emissions, a more systemic shift is required across the financial services sector and the real economy to achieve the Net Zero target. Therefore, the Group has committed to joining sectoral initiatives such as the United Nations Finance Initiative – Net Zero Banking Alliance to go further, faster, through collaborative working.	None

Achievements in 2021	Opportunities and developments for 2022	Further details
Strategy		
5. Resilience of Group's strategy taking into consideration climate-related scenario analysis: • The Group's ICAAP review in 2021 considered the resilience of its strategy and loan book to climate risks such as floods, coastal erosion, subsidence, and minimum EPC ratings. The ICAAP saw minimal impact from climate risk. Scenarios considered are: RCP scenarios that consider an increase in global temperatures by 2100, compared the least severe scenario (RCP 2.6 – increase of 0.9°C to 2.3°C) to the most severe (RCP 8.5 – increase of 3.2°C to 5.4°C.	• Despite the ICAAP noting limited impact on the Group, there are plans to expand the number of transitional climate risks considered in future scenario analysis. The results of these may drive changes to strategy which the Group will disclose if material.	

Insights from our scenario analysis: key drivers

We are aware that our climate ambitions can only be achieved through a thorough understanding of our exposure to climate risk. We focused out financial risk assessments on our mortgage portfolio in the UK as it comprises c. 94% of our portfolio.

The key drivers that may affect the real estate market are extreme weather events such as floods, subsidence, and coastal erosion – which may impact the value of properties adversely as well the ability of our clients to afford their mortgages. From a regulatory policy perspective, changes to minimum energy efficiency performance standards could also have a similar impact to physical risks in terms of our customers' ability to repay their mortgages as well as the impact on their properties. The short- and medium-term risks faced by the Group are similar, in that the physical risks are related to the increased risk of flooding, subsidence and coastal erosion, whereas the transitional risk is associated with the ability of the Group and our customers to adapt to a changing regulatory environment.

In the long term, with climate change continuing on an unchanged trajectory, mortgages in vulnerable geographic regions (i.e. those prone to flooding, coastal erosion, subsidence and other climate related issues) could be impacted severely.

Insights from our scenario analysis: Impact on the Group

Physical risk

The physical impacts from climate risk to our real estate portfolio across the UK are expected to be limited.

Sensitivity analysis completed using the RCP scenarios on increase in global temperatures by 2100, compared the least severe scenario (RCP 2.6 – increase of 0.9°C to 2.3°C) to the most severe (RCP 8.5 – increase of 3.2°C to 5.4°C).

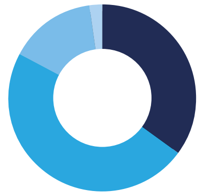
For the Group, the analysis shows that the exposure to the probability of flood over the next decade increases by 0.02% from the best-case scenario to the worst case scenario – this is reflected in the fact that only 0.15% of the Group's portfolio is in an area with a flood risk greater than 20%. For subsidence, the increase from best-case to worst-case increase is at a similar level to flood risk of 0.02%, with portfolio risk of subsidence being less than 0.5%. For coastal erosion, over 93% of the portfolio is more than 1000 metres from the coastline. Of the properties within 1000 metres of the coast line, 27 are located in areas likely to experience coastal erosion.

Transitional risk

The EPC distribution of the Group's portfolio and potential change in government policy have the potential to result in larger impacts.

The Group has 35% of properties with an EPC of C or better, 48% EPC of D, 15% EPC of E and 2 % EPC of F or G. Of the properties with an EPC of D or worse, 90% have a potential of at least EPC C.

EPC ratings of the Group's portfolio



C or better	35%
D	48%
E	15%
F or G	2%

Achievements in 2021	Opportunities and developments for 2022	Further details
Risk Management		
6. Processes for identifying and assessing climate-related risks: - Scenario analysis is used as an important tool to understand and inform the potential impact of climate change on the Group's operations in the UK. It consisted of climate change portfolio analysis (covering both physical and transitional risk), which also considered an assessment of EPC ratings in the UK. - Climate-related horizon-scanning is in place to monitor regulatory or legislative changes which could impact the Group which feeds into the assessment of transition risks. - A climate risk MI dashboard was developed detailing key physical and transitional risk exposures which is presented on an annual basis. It is envisioned that this dashboard will form the basis of the setting of a strategy and risk appetite, more information can be found in the Risk Management opportunities section. - The Group uses its membership of UK Finance to assess industry-related trends and developments that feed into its risk management identification processes.	- The Group plans to enhance its engagement with stakeholders to determine how customers are being supported to reduce their carbon footprint. - The climate risk MI dashboard will be enhanced for 2022 based on trend analysis found from scenario analysis and further consideration to the frequency of data delivery to management. It will also form the basis of how the Group embarks on setting and monitoring its climate risk strategy and appetite. - The Group will also assess its position on the classification of climate risk as a principal risk into 2022. - Climate risk will be embedded into the risk control self-assessment (RCSA) process across the Group which will enable the identification of climate-related risk in a proactive manner as well as embedding the right climate risk conscious-behaviours across the Group. - It also envisioned that Board training will assist with the identification of climate related risks in 2022.	See the Risk review for our approach to managing climate change risk.
7. Processes for managing climate-related risks: - Business continuity and disaster recovery plans were updated to reflect risks from extreme weather and have appropriate plans to mitigate the associated risks in place. - On an annual basis, the Group conducts a complete review of its loan book from a climate related perspective. This enables the Group to determine the materiality of any climate-related risks. - See Strategy section for further detail on climate risk and enterprise risk classification.	- A clear goal is to create a threat and peril hierarchy matrix that articulates clear management actions that address each risk in a proportionate manner. The matrix will include detailed escalation and decision pathways. - Redefining the Environmental Working Group terms of reference to reflect the broader remit of the Net Zero Plan.	See the Risk review.
8. Integrating climate-related risk processes into overall risk management: - Climate risk was integrated into the Group-wide Strategic Risk Management Framework (SRMF) as well as through the Climate Risk Management Framework, a sub-framework of the SRMF specifically designed to manage and monitor climate-related risk. - The Group incorporated climate risk into its three lines of defence risk management model, with the recognition of climate risk as an enterprise risk.	- Plans are in place to conduct an on-boarding review of all new business at origination from a climate risk perspective. This enhanced due diligence will take into consideration both transitional and physical risk. - A climate (and wider ESG) training plan will be created to ensure that all relevant employees receive appropriate training.	See the Risk review.

Achievements in 2021	Opportunities and developments for 2022	Further details
Metrics and targets		
9. Metrics used to assess climate-related risks and opportunities: • The Group looks at a variety of metrics to assess climate-related risks and opportunities, these include but are not limited to: – Portfolio EPC distribution at level of F and G – Properties within 100m of coastline should maximum emission scenario be realised. I.e. no climate action is taken and a worst case scenario prevails – Properties not eligible for Flood Re insurance – Properties exposed to flood alert zones – Properties with a 1% exposure to subsidence risk in a 10-year term in the maximum emission scenario – Scope 3 financed emissions tCO_2e/m^2 using PACF methodology – Scope 1, 2 and 3 (business travel only) emissions tCO_2e/FTE using GHG Protocol Corporate Standard • Please see the Governance section on our planned approach to the usage of metrics for Executive remuneration.	• Further metrics and targets to be defined as the Group continues its ESG journey. • Further Scope 3 emissions sources in line with the GHG Protocol Corporate Standard. • Trend analysis and metrics from opportunities are to be presented in subsequent disclosures. • EPC data will be a key to the understanding of driver of business strategy and for part of our approach to Net Zero risks and opportunities into 2022.	See the Environment section on page 78 for more information on future metrics and targets.
10. Scope 1, 2 and 3 Greenhouse Gas (GHG) emissions and the related risks: • Scopes 1, 2 and 3 emissions have been disclosed (where available for Scope 3) • Intensity ratios have been established and reported on • Scope 1, 2 and scope 3 (business travel only) tonnes of carbon equivalent (tCO_2e) per full time equivalent • Scope 3 – financed emissions only – tCO_2e per m^2 • Comparative figures have been disclosed for 2019 onwards	• An assessment of the risks associated with the Group's Scope 1, 2 and 3 emissions will be conducted and disclosed for 2022. Validation of this is planned for 2022.	See page 80 for the GHG emissions intensity ratios.
11. Targets used to manage climate-related risks and opportunities: • The Group is actively working towards creating qualitative and quantitative targets. The principles guiding the targets to manage were presented and approved by the relevant Management Committee.	• Utilise the UN – Finance Initiative "Guidelines for target setting" to begin developing targets and timeframes for delivery. • Further targets are to be developed in 2022 to manage the following three key ambitions: – Becoming a Net Zero Bank – Effectively managing our exposure to climate risk – Supporting our customers These ambitions form part of the Group's overall approach to its Values and Purpose and the Group is actively working on a transition plan towards achieving Net Zero.	None