

16 April 2020

Dear Shareholder

ONESAVINGS BANK PLC: DIRECTORS' REMUNERATION POLICY

I hope that you are keeping safe and well during the Covid-19 pandemic.

We have now published the 2019 Annual Report with the Directors' Remuneration Report (DRR) commencing on page 122 (link: [2019 Annual Report](#)). As previously discussed during our consultation, a new Remuneration Policy is being presented to shareholders under Resolution 3 at the 2020 AGM which has been developed as a consequence of our combination with Charter Court and also becoming a Proportionality Level 2 Firm under the Prudential Regulation Authority (PRA) and Financial Conduct Authority rules. This resolution will be alongside Resolution 4 approving the increase to the ratio of variable pay to fixed pay, from one times to two times. The DRR also includes the Annual Remuneration Report, with details of how we paid Directors during 2019 and how we intend to operate the new Remuneration Policy during 2020 with shareholder approval being sought under Resolution 2.

The DRR was finalised prior to the full impact of the Covid-19 pandemic hitting the UK and whilst the Board has focused on the immediate impact on the safety of employees, supporting our customers and ensuring we are able to continue operating effectively, the Group Remuneration Committee has also met several times to consider the impact on the Executive pay proposals.

Whilst there has undoubtedly been a significant impact on the Bank, the extent and duration of the pandemic in the UK is uncertain. Although not requested to do so by the PRA (unlike larger UK Banks) the Board has previously communicated its prudent decision to cancel the dividend due to be paid on 13 May 2020. The Board has also confirmed it would continue to assess the appropriateness of dividend payments and decide on any dividend policy and amounts at year-end 2020.

Although recognising the exceptional situation that is unfolding, the Committee still feels it is appropriate to proceed with the new Remuneration Policy and to implement the 2020 proposals, other than in one respect, for our Chief Executive Officer (CEO), Andy Golding, and Chief Financial Officer (CFO), April Talintyre, as originally planned and as set out in the DRR, including the increases to their packages.

The one change proposed to the application of the Remuneration Policy from that set out in the DRR is that the two Executive Directors and the 11 other members of the Executive Committee (the most senior employees in the business) have voluntarily elected to waive their entire entitlement to the cash portion of their 2020 bonus. Although our capital is already strong, the Executive team are focussed on the need to preserve capital in a period of unprecedented uncertainty, and are also extremely cognisant of the adverse impact of Covid-19 on so many people and communities in the UK. As a provider of finance for predominantly owner occupied or rental homes, this senior group have asked the Board to approve the donation of 50% of the waived cash bonuses to national and local homeless charities. A portion will also be used to provide medical equipment to hospitals near

our office in India. The remaining 50% of the waived cash bonus will be retained by the Bank. The minimum amount available for donation has been agreed at £250,000, and the Board has determined that the Bank will make good any shortfall. The measurement of the waived executive bonus entitlements will still occur at the end of the year in accordance with the usual governance processes.

The conclusion to leave the remainder of the policy as proposed was reached based on the following rationale:

- At the time of writing we have not furloughed any staff and there has not been any impact to date on their terms and conditions due to Covid-19. In the event that there is any change here we will, of course, reflect this in the treatment of Directors' Remuneration.
- The assessment of performance under the 2020 bonus is subject to already stretching performance targets, which have been made extremely stretching in light of recent events. These will not be amended. Furthermore, the Committee can override the bonus outcome if appropriate and will do so if the bonus outcome is in any way out of sync with the employee, shareholder or wider stakeholder experience. An assessment of bonus eligibility and any award will only be made later in the year in accordance with our normal governance processes.
- The performance share plan (PSP) award for FY20 will be subject to the originally set targets, as disclosed in the DRR, without adjustment. Again, these targets are likely to prove to be very stretching and there is also likely to be a material impact on the other two outstanding PSP awards.
- The new Remuneration Policy provides stronger alignment with shareholders, with the majority of the potential remuneration delivered in shares, with the PSP released in tranches over a period up to 7 years after grant.
- The second stage of the CEO's salary increase for 2021 will be considered at the end of this year and the Committee will take into account all relevant factors at such time as to its appropriateness.

We are grateful for your support so far during the consultation and hope that you remain supportive of all three resolutions relating to Executive remuneration. If you have any queries in the run-up to the AGM, please do get in touch. As before, in the first instance could you direct any correspondence through Jason Elphick, the Group General Counsel and Company Secretary (jason.elphick@osb.co.uk / +44 (0) 1634 888 291).

Yours sincerely

Mary McNamara

Chair of the Group Remuneration Committee
OneSavings Bank plc