

A tractor is plowing a large field of dark soil in the foreground. In the background, there is a green field with trees and a grey, rocky hillside. The image is overlaid with several diagonal grey bands.

Oxbury///

Oxbury Bank Plc
ESG Report
2020

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EXECUTIVE SUMMARY

1. Introduction

Oxbury’s Mission: To grow a sustainable, customer-focused and innovative bank that supports and champions the financial health of the rural economy.

Oxbury are pleased to set out our inaugural ESG report. As a new bank 100% dedicated to farming, food and the rural economy, we are in a position to help support a range of environmental and social challenges and to provide opportunities for farming, food and rural businesses to grow and support a thriving rural economy in a sustainable natural environment.

This is our first ESG report and it is divided into two main sections and is being published at an important time for the Bank. Although we were founded as a company in 2018 and were authorised as a Bank in January 2020, we began our savings and lending operations in earnest only in 2021.

This is why the report is published in two main sections. The first section covers the 12 month period to 31st December 2020 where the focus for the business has been on putting in place the strong foundations of a sustainable, dynamic and customer-centric bank; the second section reflects our ambitions for the future, especially the 12 months following the launch of the bank in January 2021, where Oxbury intends to become a keystone partner for the rural economy, a sustainable food sector and the British farmer.

2. Background

Oxbury is a new specialist bank uniquely focused on agriculture, food production and the UK’s rural economy. We provide specialist funding to farmers to support their cash flow management via our Oxbury Farm Credit Account and term lending to enable longer term investment in farm and food infrastructure, including natural capital assets. We also provide savings products to individuals, businesses and farmers that want to support farmers and the wider rural community.

Our approach recognises the need for effective governance, managing our own business as a carbon-neutral business as well as supporting our customers in their own drive to meet an environmentally sustainable future and playing an active role in supporting our communities through social action.

The following sections of the report touch on these three areas in more detail.

Section 1 – ESG Report 2020

3. Our Governance

Oxbury’s Board is comprised of an independent non-executive Chair, three further independent non- executive directors, two investor non-executive directors, the Chief Executive Officer, and the Managing Director. This means that at least half of our Board is independent and the majority are non-executive.

The Board has a responsibility to oversee the Bank’s ESG approach and the related approach to managing risks that arise within this sphere. It is incumbent on the Board to assess the potential impacts of ESG related issues on the Bank’s overall strategy as part of its responsibilities to shareholders and the Bank’s wider set of stakeholders.

The Board’s responsibilities are to:

- Evaluate and determine the risks and opportunities for the Bank related to ESG and set a resultant strategy and management approach, together with priorities and objectives;
- Ensure that appropriate and effective ESG risk management policies, procedures and controls are in place;
- Periodically review the Bank’s performance against any ESG related goals, targets or other metrics; and
- Approve disclosures in the ESG Report.

In 2020 we were delighted to welcome the fourth independent non-executive director, Richard Percy, who brings a wealth of financial services and agricultural experience to the Board, having latterly served as the Chairman of NFU Mutual and who continues his own farming operation in Hertfordshire.

Richard’s appointment allowed us to formally constitute our Advisory Council, a non-decision-making body that brings together a range of individuals from the agricultural, environmental and food sectors to provide insight and critique on developments in the real economy in which Oxbury operates.

The Board sets the values and standards by which the business operates and is responsible for the development, approval and monitoring of strategy, the review of business and financial performance, the treatment of customers, and ensuring effective systems and controls are in place for risk management.

The Board is supported by four Board committees and the Executive committee and its supporting committees. Clear lines of responsibility are set out through the Terms of Reference for each committee, a Senior Managers Responsibility Map and individual role profiles. During 2020, this included the allocation of specific accountability for the management of climate risk, which is held by the Managing Director.

The Risk Appetite was augmented during 2020 to be supported by a ESG Policy and Climate Risk Policy setting out in more detail how the business intends to deliver the appetite and through inclusion of environmental considerations in our Credit Lending and Underwriting Policy as well as ensuring that Climate Risk is part of Oxbury’s highest-level strategic risk management policies and approaches, i.e. its ICAAP, ILAAP, RRP and related financial risk management policies, in particular the Stress Testing Policy as well as the Operational Risk Policy and, in particular, Business Continuity and Disaster Recovery Policy and Plans.

Oxbury has also put in place a clear and robust set of policies to manage Board and Executive responsibilities in line with our regulatory requirements as well as plans for Board and Executive Succession and ensuring a diverse and inclusive workplace.

The Company has a clear policy in place not to make any charitable donations until it is profitable, and will never make political donations.

4. The Environment

As set out in the Governance section above, during 2020 the Board included Environmental and Climate Risk as a principal risk for the bank to manage, defined as:

The risk of loss caused by the Bank’s failure to adapt, or its customers or suppliers’ failure to adapt, to the transition risks to a carbon neutral economy or to the impacts of climate change.

The Board further incorporated a qualitative statement on environmental risk in the bank’s Risk Appetite Statement as follows:

“Actively minimise our carbon footprint and offset any footprint we are unable to eradicate in our standard operations such that Oxbury is a carbon neutral company. We will also support our customers to meet their carbon neutral objectives.”

In line with that commitment and recognising a core goal of Oxbury since its inception, Oxbury continued its approach of offsetting the Scope 1 and 2 emissions of the Bank as well as all of the personal carbon footprints of each of its employees. During 2020, as we moved towards launching the bank the number of colleagues in the business grew from 30 to 63. Due to the COVID-19 pandemic and the majority of colleagues working from home the majority of the time we have not increased our office space in that timeframe, office density has been low, and commutes have been far lower. As a result the Oxbury emissions profile has also reduced in spite of the growth of the business.

Therefore, as of 31st December 2020, where the headcount of the employee base reached 63, Oxbury, has since inception, offset 2,300 tCO2e via our strategic partner, Forest Carbon, through the planting of 2 new woodlands over 4ha, with over 9,000 trees planted. These particular projects support wider goals than just carbon sequestration, with one of the sites selected for its importance with respect to biodiversity, and the other for its ability to support a thriving and sustainable forestry industry in the UK:

The first site will create habitats that will support priority species, including native red squirrels. This project will join up existing habitat networks such as ancient woodlands that will increase connectivity and reduce fragmentation and support improved water quality.

The second project is part of the largest planned new productive forest to be planted in England in the last 25 years manged to promote biodiversity, improve timber yield and capture more carbon in the long term, especially as the UK is the world's second largest importer of timber and projects such as this are vital in ensuring a sustainable supply of wood for construction and other uses.

A key focus of the bank's term lending proposition is to provide long-term investment to support the transition to the low-carbon economy and as such during 2020 we began an active programme of engagement with the National Farmers Union to ensure that we were aligned to their sector target of "net zero" for British Agriculture by 2040.

5. Our people and wider society

The Board have set out key values against which the business will operate:

- **Integrity** – we aim to be transparent in everything we do and have open, honest, and respectful engagement with all our stakeholders.

- **Customer Focused** – we will design products and services that are focused on meeting customer needs.
- **Risk** – we will continue to create a culture where everyone in the business takes responsibility for managing risk.
- **Competitive** – we aim to be competitive in the markets in which we will operate providing genuine choice for customers.

During 2020 we have built a team to launch Oxbury that has been brought together from a diverse range of backgrounds and life experiences with a broad age profile and a balanced gender split. The ethos of the Bank is to ensure that all staff can operate against the key values of the bank in the interests of the customers we serve as well as wider society.

We have a very clear purpose to support the UK agricultural sector and the wider rural community through the design of products and services that are focused on meeting their needs.

Because of our clear purpose, all of our staff are engaged with the considerations of this discrete customer base and the specific sectors of the economy in which they sit. As a result, we all recognise the particular set of challenges and opportunities faced.

To further enhance our understanding, as well as supplementing the skillset of the Board and Executive with the Advisory Council, as set out in the Governance section above, we recruit with this purpose in mind and in 2020 are particularly proud to have formed a strategic partnership with Harper Adams University and welcomed 5 graduates and one placement year student to Oxbury in September 2020.

Further in 2020 we put in place additional training for our staff bespoke to the sector we serve, running training with both the Institute for Agricultural Secretaries (IAgSa) but also working with the Royal Agricultural Benevolent Institution (RABI) and the Farm Safety Foundation (Yellow Wellies) to ensure our approach to vulnerable customers was as sector-specific as possible.

Oxbury has a clear suite of policies in place to mitigate risk that could arise from money-laundering, financial crime, human trafficking, data breaches or bribery and corruption. Mandatory training is in place for all of these initiatives with a 100% completion at 80% pass rate required for all staff on induction and every 12 months thereafter.

It is also important that integrity begins internally and as a result Oxbury has a clear set of employee policies to support employees with any hypothetical grievance, including a clear whistleblowing approach.



Section 2 – 2021 Forward Look

As set out the introduction to this report, Oxbury is publishing this report at an exciting time in its development as a Bank and will be ambitious in building on the foundations of 2020 as we finalised the build of the Bank before launching in January 2021.

In developing our broader approach for ESG we will continue to be informed by guidance from the Bank of England, Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) as our primary regulatory authorities as well as the Task Force for Climate-related Financial Disclosures (TCFD), the emergent Taskforce on Nature-related Financial Disclosures (TNFD), the Principles for Responsible Banking (PRB), the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB) and the UK Corporate Governance Code.

2021 will see the embedding of a suite of reporting that will support the ESG approach of Oxbury as a whole, in line with our established policies and in line with best practice across both the financial services and agricultural sectors both in the UK and abroad.

Our goal for 2021 will be to ensure that our shareholders can see us as an ESG-investable asset and our customers and wider stakeholders can see the value we add to the economy, society and the wider environment. We will internally benchmark against the London Stock Exchange's Green Economy Mark.

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6. Our ongoing approach to Governance

Building on the solid foundations established in 2020, the Board will continue to adhere to all its legal, regulatory and wider corporate governance requirements and obligations. The Board will continue to assess whether it and the Executive are appropriately resourced and skills to fulfil its obligations to shareholders, the Bank's ESG agenda and wider society.

Under its Terms of Reference, the Nomination Committee of the Board will continuously assess the appropriate composition of the Board in line with regulatory requirements and industry standards. Although there is no immediate requirement to change the composition of the Board, the Board notes that in the medium term, i.e. within the next 5 years, there will be a requirement to reach a longer term goal of a fully independent Board and that the diversity of the Board should be considered alongside this target.

The Advisory Council will continue to meet on a quarterly basis in 2021 and thereafter to further inform the Board and Executive on issues relating to the agricultural and rural sectors with specific reference to environmental and social initiatives.

The Executive will constitute a new sub-Committee of Executive Committee, the Climate Committee, to ensure that the ESG agenda, and environmental concerns in particular, are embedded in strategic and operational processes at every level of the Bank. This will lead on the assessment, monitoring and reporting of the Bank's own Carbon Footprint and to consider the positive mitigating actions the Bank can take to address climate risk in its own operations and that of its stakeholders.

As such the Executive will therefore be responsible for consideration of Climate Risk when considering strategy recommendations to the Board, conducting stress-testing exercises, and through the management of credit risk and operational risk in particular as they relate to the customers and suppliers of the bank.

As a result, as Oxbury enters its capital planning round at the end of 2021, climate-specific scenarios will be included as part of the stress-testing exercise. This will build on the work in the Bank's inaugural ICAAP where Oxbury considered a scenario of extreme weather events and the likely impact on its customers, its credit risk and therefore its capital position at any given point over a 5-year planning horizon.

During 2021 we are aiming to develop our suite of metrics to provide quantitative measurement of our progress across all ESG matters. In due course, it is Oxbury's aim that a set of such metrics will have a defined link to Board and Executive level remuneration under the auspices of the remuneration committee.

With respect to our governance and operations, as well as the statutory disclosures in our Annual Report and Accounts, Oxbury will report on our workforce demographics, including but not limited to the composition of the Board and Executive with respect to the Equality Act 2010 protected characteristics, benchmarked against our three primary sectors (Financial Services, Agriculture and Technology) and our primary geographic area of operations (the Northwest of England).

Principles for Responsible Banking

During 2021, Oxbury will adopt the United National Environment Program's (UNEP) Finance Initiative Principles for Responsible Banking (PRB), through ensuring:

1. Alignment of the Bank's strategy to be consistent with the Sustainable Development Goals, the Paris Climate Agreement and any related standards at both a national and regional level.
2. Oxbury will not be setting targets or quotas at this time, rather ensuring that the methodologies for measurement across all ESG initiatives are SMART (Specific, Measurable, Achievable, Realistic and with a Timescale) such that targets for beyond 2021 can be set and achieved in the interest of the highest standards for transparency, ensuring that our actions have impact. As part of this approach, the Board will also assess a level of materiality whereupon an ESG reaches a threshold whereby it must be disclosed, even if this could be adjudged as having a negative reputational impact on the Bank.
3. We will work responsibly with our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.
4. We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.
5. We will implement our commitment through effective governance and a culture of responsible banking.

6. We will be transparent and accountable for our positive and negative impacts and contribution to society and the environment.

As a result, we intend to be able to become a formal signatory of the PRB as soon as practicable.

Global Reporting Initiative

During 2021, Oxbury will conduct a full evaluation of the existing set of GRI Standards to ensure our ESG approach is aligned to the current set of standards. Oxbury will further monitor the development of the priority sector standards being developed for the GRI by the Global Sustainability Standards Board (GSSB) recognising the work on the pilot sector standard for Agriculture and the following standards on Food and Banking in particular as well as the other priority standards for Renewable Energy and Forestry.

Sustainability Accounting Standards Board

As with the GRI, Oxbury will conduct a full evaluation of the existing set of Sustainability Accounting Standards Board (SASB) standards relevant to Oxbury's own and customer sectors to ensure that our approach to material disclosure of financial sustainability information is of the highest quality.

The above evaluations and preparation for signing the PRB will be managed at the Executive level through the Climate Committee and reported through to the Board on a quarterly basis.

7. Our ongoing approach to the environment

The environmental impact of agriculture, especially with respect to Greenhouse Gas (GHG) emissions, is not in doubt and the sector both globally and nationally in the UK is cognisant of the need to transition to a lower-emissions future. Oxbury is in a unique position to act as a trusted financial partner to finance this transition. Oxbury itself has a duty to go further than our existing approach to Scope 1 and Scope 2 emissions offsetting, considering the Scope 3 emissions of the business and working with our customers to reduce their emissions profile and build their resilience.

Specific initiatives

During 2021, Oxbury will launch several initiatives to support British farmers with the transition:

- **Knowledge-sharing**
 - Oxbury will be a premium partner to Farmers Weekly's Agriculture Transition project designed to upskill the industry on changing policy and management practices
 - Oxbury will partner with Harper Adams University new school of Sustainable Agriculture to develop appropriate metrics to benchmark farm-specific performance against a set of environmental metrics for use with our customer base
- **Product design**
 - Oxbury Forest Saver, the UK's first savings product that enables customers to use deposit funds to plant trees in lieu of earning interest on their savings. These trees will only be planted in the United Kingdom in accordance with the internationally recognised leading standard of the Woodland Carbon Code, not only thereby sequestering carbon but enhancing biodiversity and delivering natural capital assets of cleaner air and water as well as assisting rural communities through supporting employment opportunities.
 - Specific lending initiatives to support low-carbon agricultural practices (e.g. miscanthus establishment)
 - Expand the Oxbury Farm Credit and Oxbury Flexi Credit products to support the required growth in the UK Forestry sector
 - All lending products to be categorised as to their emissions profile, first of all on a qualitative basis and eventually on a quantitative basis
- **Pilot projects**
 - Working with industry partners in the food supply chain and a select group of farmers in both the diary and arable sectors, fund and demonstrate how farmers can enhance their production methods in order to low emissions and access nascent carbon markets
 - Involvement in a marketplace for the financing of rural renewable energy projects

We will report on the proportion of our lending that is dedicated to these initiatives as our lending portfolio develops.

During 2021, once legal requirements related to Covid-19 to work from home have been lifted, we expect to move to more modern office space which will provide greater environmental

efficiency on a per employee basis. We will seek to optimise our environmental efficiency when in occupation.

Climate-related risk management and disclosure

From an internal perspective, a crucial workstream for Oxbury in 2021 will be ensuring that we remain compliant with our regulatory and legal requirements with respect to managing climate risk and in particular this includes disclosure. To ensure appropriate oversight, the Board of Directors will participate in the Chapter Zero: Directors' Climate Journey review.

The Task Force on Climate-related Financial Disclosures (TCFD) was set up by the Financial Stability Board (FSB) in 2015 to identify the market's climate-related information needs and develop a set of climate-related disclosure recommendations. The TCFD's final report, published in June 2017, sets out 11 recommended disclosures under 4 pillars: governance; strategy; risk management; and metrics and targets.

The Government endorsed the TCFD's recommendations in 2017 and made their implementation a central part of the 2019 Green Finance Strategy. In November 2020, a cross-Whitehall and regulator taskforce (including the Bank of England, PRA and FCA) published an Interim Report and Roadmap, which set out that the PRA's supervisory expectations that all banks would disclose their climate-related financial risks and opportunities by end-2021.

As a result, Oxbury will ensure that by the end of 2021, it is able not just to comply with the regulatory expectations as set out in PRA Supervisory Statement SS 3/19 but also able to report on 2021 in line with the TCFD recommended disclosures.

Oxbury intends to go further than these mandatory standards and will also engage with and be an early adopter of the approach set out by the Taskforce for Nature-related Disclosures (TNFD) for biodiversity given its importance to our primary customer sector and the wider environment.

This workstream will lead to the further development of Oxbury's approach to Climate and Environmental Risk against both the Bank's ESG and Climate Risk policies.

Oxbury's 2021 ESG report in this context

As a result of the above approach, Oxbury will report in 2022 on its 2021 activities against the 11 recommended TCFD disclosures, specifically:

- **Governance:** the Board's Oversight of climate-related risks and opportunities; and management's role in assessing and managing climate-related risks and opportunities
- **Strategy:** the climate-related risks and opportunities the Bank has identified over the short, medium and long term; the impact of climate-related risks and opportunities on the Bank's business, strategy and financial planning; and the resilience of the Bank's strategy, taking different climate-related scenarios into consideration (including a 2 degrees or lower scenario)
- **Risk Management:** the Bank's processes for identifying and assessing climate-related risks; the Bank's processes for managing climate-related risks; how processes for identifying, assessing and managing climate-related risks are integrated into the Banks' overall risk management
- **Metrics and Targets:** the metrics used by the Bank to assess climate-related risks and opportunities in line with its strategy and risk-management process; Scope 1, Scope 2 and Scope 3 GHG emissions, and the related risks; and the targets used by the Bank to manage climate-related risk and opportunities and performance against these targets.

Further, should there be an early version of the TNFD framework to adopt, Oxbury will report against such disclosure standards.

Oxbury will ensure that its assessments of both climate-related and nature-related disclosures includes all direct impacts (GHG emissions, waste/recycling, water, fibre/paper) and indirect impacts (i.e. those same impacts by our customers).

8. Our ongoing approach to our people and wider society

Launching the Bank in January 2021 allows Oxbury to begin its strategy of supporting the UK agricultural sector and the wider rural community through the design of products and services that are focused on meeting their needs. Our lending products all share the features of easy to use technology combined with excellent customer service to ensure British farmers are getting the appropriate financial support from their banking partner.

By having such a clear focus in our lending portfolio, we seek to establish a strong link between our savings customers and the use to which their deposits are put.

In 2021, we will also offer market-leading deposit products to both farm business (Oxbury Farm Business Bonus) and agri-business employees (Oxbury Agriculture Bonus) seeking to use Bonus interest rates to ensure these customer segments get a return on their savings that recognises their key role in the rural economy and wider society. We will report on the split of savings products by region of the UK and from areas that are defined as predominantly rural.

Thereafter, we will continue to develop savings products that target the rural economy and those that live and work there. We know that rural poverty and related issues such as modern slavery can be hidden and will seek to develop both products and initiatives that ameliorate this situation where we are able, either directly or in partnership with agricultural and rural charities and organisations, building on our initial relationships with RABI, FSF, IAgSa, the NFU and others.

Although our customer base, both present and future, are the most important external stakeholder of the bank and our most direct link into wider society, Oxbury will, in 2021, in line with the sets of standards set out in Section 6 above, conduct a full stakeholder mapping exercise to ensure that the Bank is interacting with all stakeholders, from customers to suppliers, from shareholders to employees to ensure that our interactions with each of these are in the interests of all of the others.

In 2021, we will continue our partnership with Harper Adams to recruit the next generation of Oxbury colleagues and will welcome a further cohort of graduates and placement students to the Bank. As set out in Section 6 above, we will develop a suite of Key Performance Indicators relating to our own workforce, including but not limited to equality, diversity and inclusion indicators, health and safety, and progression, training, retention and staff turnover and satisfaction ratings. Oxbury will survey its own staff as part of this programme of work.

As part of our commitment to our customers, staff and the wider community, Oxbury will continue to invest in its cyber resilience and data management initiatives. It is of the utmost importance that Oxbury can be trusted with all customers', suppliers' and stakeholder data and all staff will be supporting in ensuring that Oxbury continues to be able to provide the reassurance to society that it is a trusted and secure financial partner. ///



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