

paragon

doing the
RIGHT THINGS



Responsible Business Report 2023

contents

Welcome to our 2023 Responsible Business Report, which summarises the progress we've made on the most important sustainability issues for our business and our stakeholders. It covers the period 1 October 2022 to 30 September 2023.

1.	Introduction and welcome	page 3
2.	Chair and CEO in conversation	page 4
3.	Paragon at a glance	page 6
4.	Our ESG landscape	page 9
5.	Stakeholder engagement	page 10
6.	Our 2023 impacts	page 11
7.	Reducing our operational impact	page 14
8.	Financing a greener world	page 18
9.	Making a difference	
	a. Our customers	page 25
	b. Our people	page 29
	c. Our communities	page 36
10.	Being a responsible business	page 39
11.	Our collaborative approach	page 43



This 2023 Responsible Business Report covers our key sustainability disclosures and outlines how we achieve our purpose through the lens of doing business responsibly.



Our financial disclosures and further details around our broader business performance are included in our Annual Report and Accounts, which will be published in February 2024. This also includes our TCFD aligned climate disclosures.

Our purpose

To support the ambitions of the people and businesses of the UK by delivering specialist financial services

It provides the foundation for everything we do and, together with our strategy and values, it guides how we engage with all our stakeholders.

Our purpose is something we all live every day, and sustainability runs through our activities. That purpose underpins our focus on the issues that impact our stakeholders, including supporting our customers on their sustainability transition journeys. This evolving challenge ranges from landlords and developers investing in energy efficient properties through to SMEs financing sustainable technologies, and savers looking for sustainable investment opportunities.

As well as helping our customers, our purpose relates to our own people and the communities around us. We do all we can to help them achieve their ambitions too.

We recognise our responsibilities towards the environment and humanity, and we use our influence and resources wisely. That means making choices today that will positively impact the planet and society tomorrow, and contributing to a world in which we can all thrive.

introduction

Deborah Bateman

Sustainability Committee Chair and External Relations Director

Sustainability has always played an important part in how we do business and, as Chair of Paragon's Sustainability Committee, I'm proud to present our 2023 Responsible Business Report which highlights the progress we've made during the year.

We remain committed to doing the right things – for our customers, our people, our shareholders and the communities in which we operate – while continuing to build a resilient, strong and successful business.

2023 has seen many challenges for society and businesses, but sustainability remains embedded across Paragon and our ESG strategy focuses on taking action in

the areas where we believe we can make a difference. We have continued to make progress during 2023 across all elements of our strategy, from lending £904.6 million to EPC A-C rated properties through our mortgage range, to doubling the funding available through our Green Homes Initiative to £200 million. We also continue to work towards our commitment to be operationally net zero by 2030.

We are particularly proud of our culture, evidenced by the results of this year's employee engagement survey (page 30). 95% of our people said they were proud to work at Paragon, reflecting our commitment to building a strong and diverse team, underpinned by our longstanding

values. Our fantastic people also worked together to set new records in both charity fundraising and volunteering days.

As we look towards 2024, there will be both challenges and opportunities, and we will continue to work together to help tackle these. We will also continue to work with the wider financial sector, industry bodies and policymakers to support the UK's net zero journey.

You'll see from our focus areas throughout this report that we have aspirations in line with the UK's commitment to achieve net zero by 2050. These aspirations are dependent on much-needed government and market policy direction and are subject to industry regulation, but we are pleased to be setting out these steps on our ongoing sustainability journey.

It is important for us to be open and transparent about our journey, the progress we are making and our future priorities. We are always looking for ways to improve and we will continue to drive positive change for all our stakeholders.

Deborah Bateman



Our ESG strategy

Financing a greener world - delivering sustainable lending through products to help our customers achieve their goals

Reducing our own emissions - we are committed to reducing the impact our operations have on the environment

Making a difference - positively impacting our people, customers and communities

Being a responsible business - achieving the highest standards of business integrity and professionalism



in conversation

Robert East Chair and Nigel Terrington Chief Executive



Robert East (left) and Nigel Terrington (right)

Why is sustainability important to you?

Nigel: I am passionate about doing the right thing and, for me, this epitomises what sustainability is all about. We have built a responsible business, one which supports our customers to do the right thing, but our strategy remains focused on building a sustainable business, one that's here for the long term.

The sustainability agenda isn't just about the here and now though, we need to build on what we have achieved to date to see real benefits in the longer term.

Robert: Responding to climate change is a central and still underestimated challenge of our time for everyone. The impact of global warming is more evident every year and, as temperatures continue to rise, it's clear that the world is not on track to achieve the progress we need for future generations.

What are the main ESG considerations for Paragon?

Nigel: The areas where we can have the biggest impact. First, influencing Government to develop plans and policies that support the UK's net zero journey. Secondly, reducing the emissions that we are directly responsible for through our own operations. Finally, finding ways to help our customers achieve their sustainability objectives, including extending financial support for investment in environmentally sustainable properties.

Robert: The landscape can seem overwhelming with the backdrop of high inflation, economic uncertainty and political instability, so we remain focused on supporting our customers on their sustainability journeys during these challenging times, when there are so many competing priorities.

What are the main ESG challenges for businesses?

Nigel: The UK is lacking a comprehensive and meaningful Government framework to deliver the changes needed if we are to make collective progress towards achieving environmental targets. The challenge for us is to continue influencing policymakers and political leaders. In turn, this will shape a landscape where everybody understands the part they need to play. The absence of a long-term national strategic plan that is both realistic and achievable remains our key challenge.

How is Paragon contributing to broader policy setting and future legislation?

Nigel: As a specialist lender, we invest extensively to understand our customers and are experts in our markets.

We are using this expertise to engage with government and industry initiatives to inform and influence policy decisions, especially around UK homes and the private rented sector. We are proactively involved with Bankers for Net Zero, UK Finance and the Mission Zero Coalition on environmental issues, and we contribute leadership, resource and funding to help work towards the UK's net zero goals.

Robert: We've always been clear that achieving the 2050 net zero goal can't be done in isolation. More than ever, it needs direction from government and support from industry. We'll keep collaborating with peers and contributing to important policy conversations. What everyone needs is clarity, in the shape of a stretching, yet pragmatic, plan. When everyone understands the priorities, we'll make tangible progress against the challenges faced across society.

What are the opportunities for Paragon?

Robert: Tackling climate change requires technology and significant investment. As a bank which provides specialist finance, there is real opportunity for us to be part of designing the solutions to support our customers' net zero journeys.

Separately, diversity in financial services continues to be a priority and Paragon is doing lots of work to address these challenges, including driving socio-economic diversity, especially through our work with Progress Together, as outlined on page 33. This presents real opportunities for Paragon and the wider sector.

Nigel: As a pioneer and expert lender in the buy-to-let market, with specialist development finance knowledge, we have considerable influence on shaping policy and supporting the transition to more sustainable housing. But there are also lots of emerging opportunities to support SMEs through our commercial lending too.

This year, John Phillipou, our Managing Director of SME Lending, is Chair of the Finance & Leasing Association which puts us at the forefront of conversations around green finance and addressing regulatory blockers around green lending to the UK's SMEs. You can read more about some of the SME customers we've already supported in their sustainability journeys on page 20.

There are also many investment and business opportunities. These are important because we have a responsibility to run a strong and stable business that supports all our stakeholders, and they help us deliver our purpose and strategy.

What have been Paragon's sustainability highlights this year?

Nigel: 2023 has seen continued progress in areas where we can have a real impact. For example, we commissioned

a decarbonisation survey for our Head Office which has identified the biggest opportunities to achieve operational net zero by 2030. We have already made some changes to the building which have improved its EPC (Energy Performance Certificate) rating, with planning underway to implement further recommendations. Since 2019, we have reduced our operational emissions by 42%, but have further to go as we work towards our goal to be net zero by 2030.

Robert: Seeing how ESG considerations are engrained into the decision making of the Board is especially pleasing. Having them on every agenda means we make the right decisions to help support a more sustainable future for everyone.

Robert East

Chair

Nigel Terrington

Chief Executive

Our strategy

We focus on specialist markets, delivering long-term sustainable growth and shareholder returns through a low risk and robust model.

This strategy is driven by our purpose and helps us achieve our vision to become the UK's leading, technology-enabled specialist bank and an organisation our employees are proud of.

We focus on five clear priorities, supported by three strategic pillars and a powerful set of values, guiding everything we do. Find out more about our strategy [here](#).

Our strategic priorities



Growth



Diversification



Digitalisation



Capital management



Sustainability

Strategic pillars

A customer-focused culture

A dedicated team

Strong financial foundations

paragon AT A GLANCE



Who we are



We are a specialist bank, serving customers in markets typically underserved by large high street banks.



We offer a range of savings products and provide finance for landlords, small businesses and property developers in the UK.



We have a deep understanding of our customers and their markets, designing products and services to meet their needs, and we continually strive to meet their expectations.



Listed on the London Stock Exchange, we are a FTSE 250 company, headquartered in Solihull and employing more than 1,500 people across the UK.

Our business

Mortgages

We offer mortgage finance for landlords operating in the UK's Private Rented Sector (PRS).

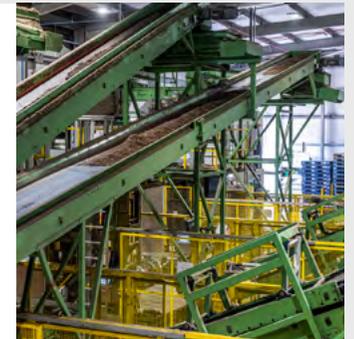
- £12.90 billion loan assets
- 49,000+ landlord customers



Commercial Lending

We provide finance to SMEs operating in a wide range of sectors, helping UK businesses develop and, in turn, supporting the UK economy.

- £1.97 billion loan assets
- 40,750+ business customers



Savings

Our principal source of funding for new lending is through our range of savings products offered to UK savers.

- 260,000+ direct savings customers
- £28,000 average deposit held in direct accounts
- £13.27 billion total deposits



Our values

Our strong and unique culture is underpinned by eight essential values which guide how we work together to achieve our goals and let our customers know what to expect from us. Living these values helps us succeed in fulfilling our purpose, as explained by some of our employees who were nominated by their colleagues for bringing our values to life.

Professionalism

Professionalism is highly valued... it's caring about your actions and passing that on to customers to get better results for everyone.



Josh, Climate and ESG Risk Management

Teamwork

For the team to be effective we must all be collaborative in working towards our purpose and motivated in bringing that vision to life.



Jon, IT Client Support

Fairness

We don't pre-judge customers facing difficulties; we listen, show empathy and understanding, and explore ways to move forward.



Darrel, Collections

Commitment

Putting myself in a customer's shoes and making sure they receive a high level of service is one of the most important ways to help them achieve their goals.



Darren, Portfolio Management

Integrity

You build trust if you're honest, and you deliver promises if you're true to your values – that's integrity and how we continually improve our service.



Rina, Customer Assurance

Respect

Respect means listening and incorporating other people's viewpoints into our thinking. It's essential to listen, take ideas on board and explore them fully.



Liz, New Business Process

Humour

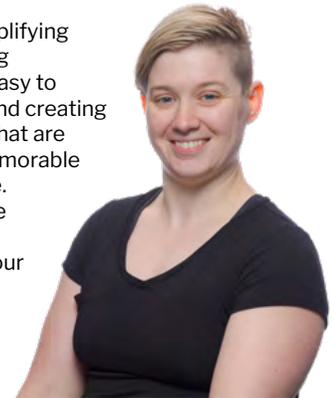
If you can find a way of having fun together and bringing some humour to work, you break down barriers and make work feel less like work.



Kas, Savings

Creativity

It's about simplifying things, making information easy to understand and creating interactions that are engaging, memorable and enjoyable. That's how we make things better for all our stakeholders.



Laura, E-learning

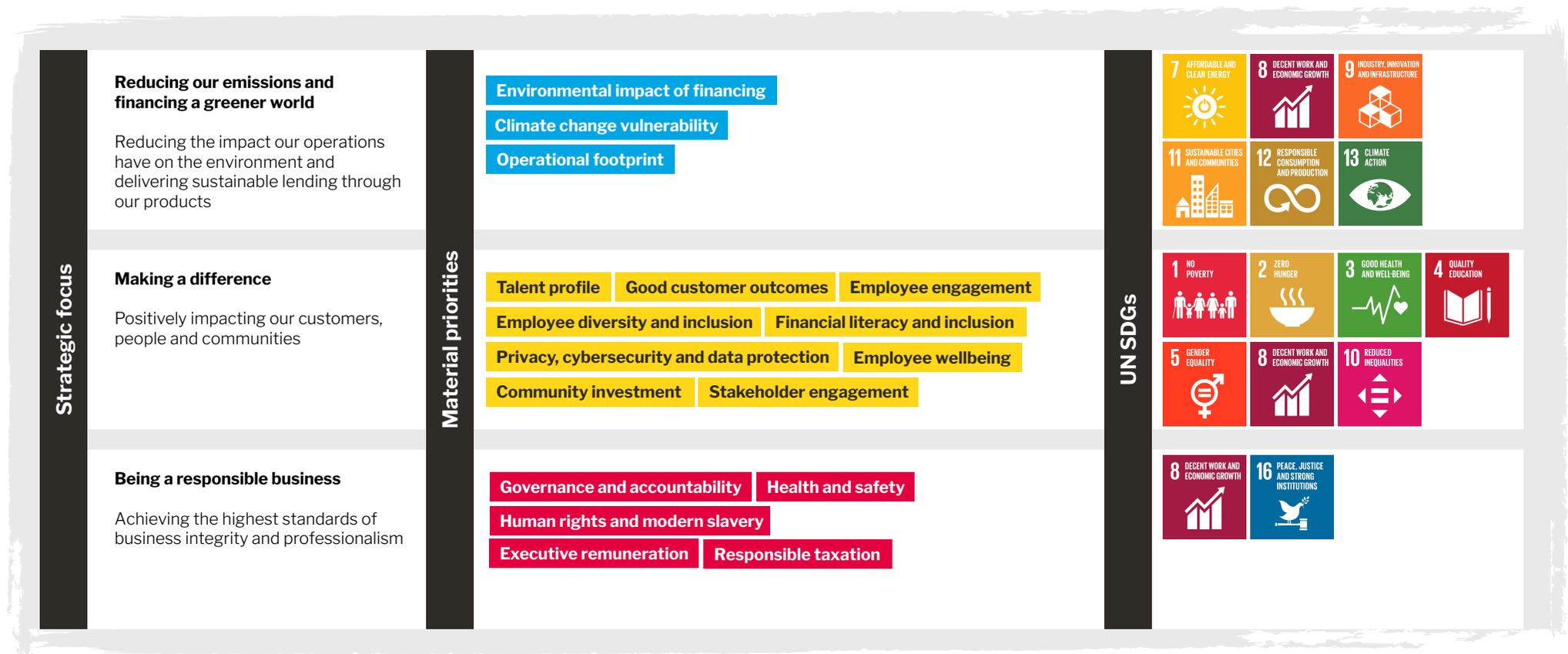
Our ESG landscape

As the ESG landscape continues to evolve, companies are rightly being challenged on how they manage sustainability transitions. As we strive to further embed sustainability across our business, we want to focus our sustainability strategy on the issues impacting Paragon and our stakeholders, as well as those where we can make a difference.

In 2021, through research, workshops and interviews based around themes set by the Sustainability Accounting Standards Board (SASB), we identified topics with the greatest impact on our business and our stakeholders.

We review these priorities annually, reassessing their significance as well as considering new themes, to ensure

our ESG landscape focuses on the most material areas. During 2023, for the first time, we have also mapped our priority areas to the United Nations' Sustainable Development Goals (SDGs)*. This helps us to better understand how our work supports global efforts to achieve international goals.



*The United Nations Sustainable Development Goals refer to 17 goals agreed by world leaders in 2015, aiming to create a better world by 2030, by ending poverty, fighting inequality and addressing the urgency of climate change. More information can be found [here](#).

Stakeholder engagement

Strong relationships with our stakeholders form the foundation of our business. Only by listening and engaging can we address the sustainability issues that matter most to them and improve how we do business to deliver successful outcomes. Here we summarise some of our key stakeholders and how we engage with them.

Our customers	The landlords, small businesses, property developers and savers we support with specialist financial services	<p>During 2023, LetsConnect, our online research and development community, helped us stay close to our landlord customers, while a selection of our mortgage intermediaries attended a Board meeting to help us understand the issues that matter most to them and their landlord customers. Our quarterly barometer survey allowed us to regularly check in with our SME customers to stay abreast of the challenges and opportunities ahead of them and regular surveys help us understand how we can support our savings customers. Meanwhile, we host regular forum events for our development finance clients to build a deeper understanding of the support they need from us as their finance partner.</p>
Our people	The employees who work together to deliver our purpose and good outcomes for our customers	<p>Group-wide engagement surveys, ongoing collaboration with our employee-led People Forum, Listening Circles and several employee networks mean we regularly check in with our 1,500+ people to discuss key issues, including sustainability and wellbeing.</p>
Our communities	The places in which we live and work, where we can help make a positive difference	<p>Our desire to support the ambitions of the people and businesses of the UK extends to our local communities, charities and schools, such as Solihull-based Arden Academy which recognised our support with its 'Employer Engagement Award' this year. All our people are encouraged to spend a volunteering day in the community and a dedicated Charity Committee leads employee fundraising efforts for an annually nominated charity.</p>
Our suppliers	The companies which provide the goods and services we rely on to help us operate as a sustainable business	<p>All suppliers received our updated Supplier Code of Conduct during 2023, which sets out our overall approach to supplier engagement and the standards of behaviour we expect from them. A comprehensive questionnaire covering broad sustainability topics was also issued to critical suppliers in 2023 and a new supplier platform is helping us understand our suppliers' challenges on their sustainability journeys.</p>
Our investors	Individuals and organisations which own equity shares and debt in the company	<p>We run a comprehensive investor relations programme with our shareholders and analysts. This sees our Chief Executive and Chief Financial Officer deliver active dialogue including presentations and one-to-one meetings covering financial performance, strategic progress, the macro-environment and sustainability. The Chair of our Remuneration Committee also consults with investors on remuneration policy and other governance issues.</p>
Our regulators and policy makers	The bodies we engage and comply with to be a responsible and proactive business	<p>We take our commitment to be a responsible business seriously and we work closely with regulators on key matters. Through regular engagement, we maintain the highest possible standards of compliance in running the business and delivering good outcomes for our customers.</p>
Industry partners	The trade organisations and industry bodies in the UK we work with to help formulate public policy and facilitate the sharing of best practice in our sector	<p>We are committed to making a difference to the sectors in which we operate and helping the UK economy grow. On sustainability issues we are proactively involved with Bankers for Net Zero, UK Finance and the Mission Zero Coalition, where we discuss key environmental issues and contribute resource and funding to help deliver the broader net zero journey. We are also actively involved with the Finance & Leasing Association with our Managing Director of SME Lending recently appointed as its new Chair. Through our engagement with initiatives such as Progress Together we are also helping to drive socio-economic diversity across UK financial services.</p>

Our 2023 impacts



42%

reduction in market-based emissions compared to the 2019 baseline



92%

of electricity from renewable sources



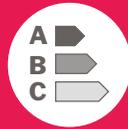
46%

of waste diverted from landfill



£904.6m

new lending to EPC A-C properties supported by our range of mortgage products



EPC C

Improved our EPC rating at our Head Office

★ Trustpilot



4.6 / 5

Trustpilot score

Doubled the funding available through the Green Homes Initiative to

£200m



THINK SUSTAINABILITY

Launched a Group-wide Sustainability Charter for our people



95%

of our people say they are proud to work at Paragon



Met our target to employ

5%

of our people in 'earn and learn' positions



469 days

of volunteering for good causes

 **newlife**
THE CHARITY FOR DISABLED CHILDREN

£45,000+

raised by our employees for Newlife

Progressing our responsible business agenda

In our 2022 Responsible Business Report, we set out areas of focus for the year ahead where we believed we could make the most significant positive difference to the environment and communities in which we live and work. Here's a summary of our achievements during 2023 and further details can be found throughout this report.

	In 2022 we said we would...	How did we do in 2023?		In 2022 we said we would...	How did we do in 2023?
Minimising our footprint	Continue upgrading and reassessing our buildings and management systems to further improve EPC ratings	We carried out a decarbonisation assessment at our Head Office and delivered a series of significant upgrades to LED lighting and temperature systems. We were subsequently reassessed and improved the energy performance rating to a 'C', with a phased plan of further improvements to follow (see page 15).	Helping our customers	Continue development of climate change scenario analysis, leveraging industry good practice to determine the resilience of the Group's strategy under different climate-related scenarios	An updated climate change scenario exercise was delivered to better align with the life of the assets across our portfolio. In addition, a net zero scenario was assessed across the mortgage portfolio to consider the key emission reduction influencers (see page 24).
	Refresh the Group's Green Charter to educate and raise awareness of sustainability initiatives amongst our people	We launched a Group-wide Sustainability Charter, setting out Paragon's key commitments, and ran an internal communications campaign during the year to help our people understand the sustainability landscape and how they can play their part in Paragon's sustainability journey (see page 17).		Continue to implement Consumer Duty in line with regulatory guidance and expectations	We successfully completed our Phase One implementation of Consumer Duty by July 2023 along with launching an internal Think Customer! campaign (see page 27). Communications testing has been enhanced to ensure it is tailored to our customers, making it easier to understand. Relevant information for brokers and introducers was also provided.
	Launch a Paragon-specific training module for completion by all employees	A Group-wide sustainability e-learning module was rolled out to all employees during 2023 (97% completion rate), raising awareness of sustainability issues and registering pledges about changes they will make to live more sustainably (see page 17).		Launch new training and education for employees on financial resilience, and persona-based training to help us humanise our audience and anticipate customer needs	E-learning relating to customers in vulnerable circumstances has been delivered, and ACE (Applying Customer Excellence) training has been rolled out (see page 27).
Sustainable finance	Work with Bankers for Net Zero to help support UK industry and identify current UK policy gaps	Through our close working relationship with Bankers for Net Zero, we are proactive in supporting three key projects around retrofitting, EPC reform and greenhouse gas reporting for SMEs (see page 22).	Helping our customers	Create a customer support hub and review our website to enhance the quality of advice, guidance and signposting	We updated our online customer help centres for motor finance, savings, SME and mortgage customers to provide a support hub incorporating bespoke product and customer wellbeing pages (see page 28).
	Develop retrofit options to support customers in upgrading properties below EPC C	We are developing retrofit products to support our landlord customers' upgrades of their portfolios to deliver more energy efficient properties for tenants (see page 19).			
	Utilise the Partnership for Carbon Accounting Financials (PCAF) framework to establish an emissions balance sheet	A PCAF financed emissions balance sheet has been established as part of the 2023 annual climate change risk assessment and is now shared with the Sustainability Committee and the sub-working groups (see page 21).			

	In 2022 we said we would...	How did we do in 2023?
Building a strong team	Achieve FTSE Women Leaders target of 40% of Board membership to be female by 2023	This target was met during 2023 following the appointment of Zoe Howorth, Non-executive Director, to Paragon's Board and we remain committed to progressing towards our 45% target (see page 34).
	Increase the diversity of senior leadership across the Group with a focus on gender and ethnicity	This year, when recruiting for senior positions such as Non-executive Directors, we applied a diversity criteria to our shortlists. We have increased the ethnic minority representation of our senior leadership from 3% to 5%, and representation of our total management population is now up to 10%. Meanwhile, 38.8% of our senior management population is female. We also anonymise CVs to remove any bias during the early stages of selection (see page 34).
	Increase the amount of 'earn and learn' positions across the Group, working towards our target of 5% within five years	As committed members of the 5% Club, we have already met our five-year target with 70 apprentices enrolled and 15 having completed the scheme (see page 31).
	Launch new talent development programme for minority groups	Our new Ignite talent development programme launched in early 2023 and provides focused career support for underrepresented groups (see page 32).
Contributing to our communities	Raise £35,000 for Newlife, our Charity of the Year	In 2023, our people raised an incredible £45,000+ for Newlife. In addition to this, £55,000+ was donated to good causes across the UK (see page 37).
	Increase our volunteering days across the Group to 400	This year our people exceeded our expectations by spending a record 469 days volunteering, almost a ten-fold increase from just two years ago (see page 38).

	In 2022 we said we would...	How did we do in 2023?
Doing business responsibly	Launch a revised Supplier Code of Conduct	We published a revised Supplier Code of Conduct which was provided to all suppliers, setting out the standards we expect to be upheld throughout our supply chain (see page 41).
	Conduct an ESG due diligence questionnaire for new suppliers	We have developed and piloted a comprehensive questionnaire for our new supplier base covering broad sustainability topics, to be further rolled out in 2024. We have committed to due diligence through additional investment in a new supplier platform to help us understand our new and current suppliers' challenges and support them on their sustainability journeys (see page 41).
	Strengthen risk culture through the introduction of new minimum control standards, further reporting on enhancements to metrics not yet available and a comprehensive risk maturity survey	<p>A second iteration of the risk maturity survey was undertaken, which showed an improvement on 2022 and indicates there is a good level of risk maturity across the Group and that good risk management practices are embedding.</p> <p>The refinement of the policy suite included a detailed review of risk and control metrics to ensure they provide a robust measure of the risk. These enhancements have been reflected in the governance reporting including the six-monthly risk culture dashboard.</p> <p>Additionally, our most recent employee survey included questions relating to risk culture and received a 100% score.</p>

reducing our OPERATIONAL IMPACT



We want to make a positive contribution to the challenge of climate change and one of the main ways of doing this is by reducing the environmental impact of our everyday operations. That's why we are committed to reducing the greenhouse gas emissions of our operational footprint to net zero by 2030.

The nature of our business means the overall environmental impact of our operations is relatively low, but we remain committed to identifying, measuring and managing how our actions affect the environment.

42%

reduction in market-based emissions compared to the 2019 baseline

92%

of electricity from renewable sources

46%

waste diverted from landfill

Measuring progress

We are always looking at how we can further improve the environmental performance of our sites across the UK, the majority of which are office locations that have limited environmental impacts. This includes reducing our carbon emissions through the efficient and responsible use of energy and water, minimising consumption and waste while recycling where possible, and enabling and encouraging responsible environmental behaviour among our colleagues.

With a significant proportion of our operational emissions coming from our Head Office, we completed a major lighting and heating upgrade during 2023, improving our EPC rating to a C. This involved replacing 1,550 units of fluorescent lights with more efficient LED lighting and delivering improvements to the systems that control temperature and fresh air levels.

We've also completed a decarbonisation assessment for our Head Office which has identified additional opportunities to make further improvements.

Our Sustainability Committee is working alongside our property team to plan and deliver a phased roll-out of these improvements to help us reach our target of being operationally net zero by 2030.

CO₂ emissions

In 2022, we established a 2019 baseline year for our operational footprint, for the ongoing measurement of our environmental performance. This was chosen as an appropriate baseline to avoid the impacts of the pandemic when we saw reduced emissions from lower office occupancy.

We continue to monitor the reduction in both market and location-based emissions across our operational footprint. This year saw a 42% reduction (39% in 2022) in CO₂ (carbon dioxide) emissions compared to the

2019 baseline. The market-based method specifically reflects emissions from electricity purchased and derives emission factors from contractual instruments where data is available.

This differs from the location-based method which only reflects electricity generated in the UK. Where our data does not meet the scope 2 quality criteria, the emissions are estimated utilising the UK grid DEFRA conversion factor.

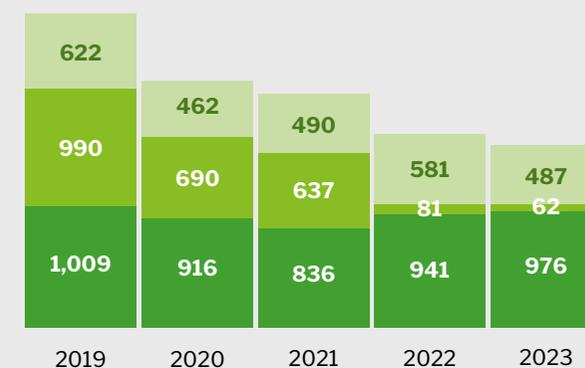
Changes in emissions compared to 2022 are predominantly driven by increasing the amount of verified renewable energy supplied to our offices and energy saving activities such as LED lights.

We are continuing to electrify our company car fleet; no petrol or diesel vehicles have been ordered since January 2022 and all diesel vehicles will be removed from our fleet by the end of 2025. Increased business mileage, post the pandemic, has led to a minor increase in scope 1 emissions during 2023, although this will reduce as our fleet transitions to electric vehicles.

Over the last year we have enhanced our data collection procedures relating to our operational footprint, including a review of the methodology and approach used to report historical emissions. As a result of the updated procedures and the increased data quality, we have restated our 2019 operational footprint baseline to be better aligned with future reporting and coverage of the operational footprint.



Market-based method CO₂ emissions (tCO₂e)



Location-based method CO₂ emissions (tCO₂e)



Our carbon emissions are grouped into three categories

- **Scope 1**
 Emissions produced directly from our operations, which include emissions from our fleet of company cars and the heating and cooling of our offices
- **Scope 2**
 Emissions associated with the generation of our purchased electricity
- **Scope 3**
 Emissions generated by expensed employee travel, our water usage and waste processing

In addition to our long-term commitment to achieve net zero, we have made a short-term commitment to offset our operational footprint. This year we purchased a portfolio of Gold and Verified Carbon Standard certified carbon offsets. The certification standard ensures the offsets are of high environmental quality while also providing other sustainability benefits aligned with the UN Sustainable Development Goals.

Our operational footprint has been independently verified by EcoAct. This supports a higher level of accuracy on the emissions being reported and provides great



Specialist Fleet Services

In 2015, Paragon acquired Specialist Fleet Services (SFS), which provides local authority customers with vehicle hire and fleet services. Operational activities such as servicing, maintenance and breakdown support, mean there is potential for a more significant environmental impact from this part of the business so, to address this, we continue to invest in more sustainable fleet vehicles. This year, 30% of new business in SFS has been on electric assets, our highest ever proportion. In addition we are proud to be the first contract hire business in the UK to place electric refuse vehicles on contract hire, knowing this plays an important role in supporting our customers on their net zero journeys.

confidence that our operational emissions have been offset appropriately. Our offsetting approach is supported by a commitment to a year-on-year emissions reduction across our operational footprint.

Energy

Since 2019, renewable energy for all owned sites has been supplied through the grid. As part of our commitment to be operationally net zero by 2030, we continue to transition our electricity consumption to renewable or low carbon sources. Throughout the year we have increased the amount of renewable electricity consumed across our property portfolio from 86% to 92%. We will continue to increase this figure, working in partnership with landlords across our leased and service-charged properties.

Waste

We remain focused on reducing the amount of landfill waste and increasing the ratio of recycled waste. In 2023, we appointed a new waste contractor across our key sites, resulting in all general waste produced at these sites being either recycled or diverted from landfill through various waste initiatives where possible. The new contractor has improved both data quality and reporting on waste streams, which has contributed to the reduction of waste being sent to landfill.

Throughout the year we recycled surplus furniture from our two principal sites, either by employees upcycling furniture to use in their homes or by donating it to charities and good causes. This initiative helped reduce the amount of waste to landfill whilst also supporting community organisations we partner with, saving them the expense of purchasing new furniture.

We continue to support Recycle Week with company-wide awareness and education campaigns to refresh our employees' knowledge and remind them of the benefits of recycling at work. We also encourage our employees to

donate used batteries to Cancer Research to support their partnership with recycling organisation EcoSurety, which donates £100 for every tonne of batteries collected.

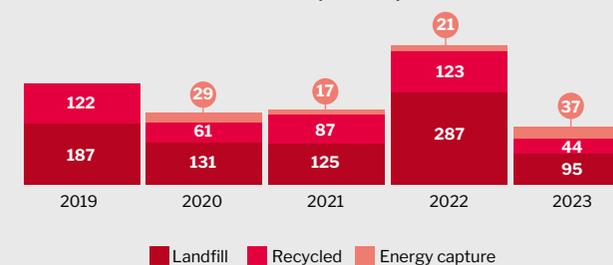
Water

Our sites use water responsibly and consumption throughout the year has not changed significantly due to maintained occupancy levels and previously delivered water efficiency measures.

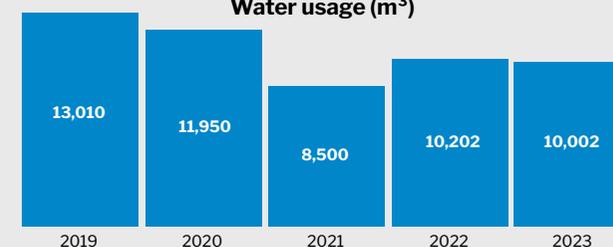
Electricity (MWh)



Waste (tonnes)



Water usage (m³)





During 2023, sustainability training was delivered to all our employees to encourage them to make daily changes to live more sustainably. Incorporating an innovative digital game to challenge people to consider their everyday choices, this e-learning module had a 97% completion rate. Alongside this training, we launched a new Sustainability Charter outlining ten key responsible business commitments. Both initiatives are designed to encourage employees to play their part in reducing our operational footprint.

Work from home emissions

We successfully operate a hybrid working model, so it is important that we understand the emissions arising from working from home as well as in the office. We continue to improve our internal data on office occupancy to allow better monitoring of work from home emissions and we will continue to align our approach to developing good practice.

Focus areas

- Reduce our operational footprint emissions to be net zero by 2030
- Operate an all-electric vehicle company car fleet by 2031
- In 2024, commence a project to further decarbonise our Solihull offices to deliver net zero by 2030

paragon

Sustainability Charter

We have 10 key sustainability commitments:

1 Reducing our own emissions to become operationally net zero by 2030

2 Working towards achieving net zero by 2050

3 Helping our customers to make responsible choices by offering a range of sustainable finance products

4 Working collaboratively with peers, partners and industry organisations to drive wider sustainability changes

5 Delivering good outcomes for our customers and support for their financial wellbeing

6 Increasing the diversity of our people, including at senior leadership level

7 Supporting future generations by investing in our apprenticeship programme as part of the 5% Club

8 Positively impacting the communities in which we operate through charitable support and volunteering

9 Working with our key suppliers to support their net zero journeys

10 Going beyond our obligations as a responsible business, with the highest levels of business integrity

financing a GREENER WORLD



Climate change is one of the biggest challenges facing society. At Paragon we want to better understand the impact our business has on the climate and help our customers achieve their environmental ambitions.

We have been clear that we are committed to achieving net zero by 2050 but we are equally clear that this goal cannot be achieved in isolation or without significant and continued support from government policy and industry. Following government announcements made in September 2023, more than ever, we need a cohesive and coherent long-term plan that brings industry together to create sustainable products and services which support customers on their net zero journeys.

Our work with industry, partners and policy makers is ongoing as we work together to ensure Paragon is playing its part in the transition to net zero.

£904.6m
new lending to EPC A-C properties supported by our range of mortgage products throughout the year

£150m
Achieved full allocation of EPC A-B mortgage loans to our Tier 2 Green Bond

Doubled the funding available through the Green Homes Initiative to
£200m



Our sustainable products

To plot a clear pathway to net zero, we need to fully understand the emissions enabled through our lending, in other words, our financed emissions. As a diversified bank providing products and services across multiple sectors, we have a responsibility to help our customers reduce their environmental impact and offer a range of sustainable products across our business lines.

Buy-to-let mortgages

The UK has some of the oldest properties in Europe resulting in less energy efficient properties in the housing stock. Nearly 60% of the UK residential property market is currently rated at EPC D and below.

Acknowledging the importance of improving and retrofitting the existing stock, and ongoing demand from customers for energy efficient homes, we offer a number of products focused on improving the sustainability of properties.

Since 2021, we have offered lower interest rates to landlord customers applying for funding on properties with an EPC A-C rating. This is to incentivise landlords to purchase more energy efficient properties and, year-on-year, we have seen an increase in the ratio of EPC A-C rated property inflows across the portfolio.

We have continued our work to develop a retrofit product to support landlords looking to purchase lower rated EPC properties and improve their energy efficiency. Supporting landlords in retrofitting their properties will be a key step in supporting their sustainability journeys, as well as helping to make the UK's PRS more sustainable. Although the PRS has historically been considered energy inefficient, it now outperforms the owner-occupied sector for energy performance, with 44.5% of stock rated A-C, compared to 42.9% in owner-occupied homes*. Although this is encouraging progress, more industry-wide action is needed to achieve net zero.

*Standards in the PRS report (paragonbankinggroup.co.uk)

Our EPC research

During 2023, we conducted a landlord survey to gain insight into how well understood energy efficiency regulations were and how customers were likely to respond and fund retrofit works.

The research indicated that awareness of the regulations at the time was high and already influencing the business strategy of 60% of landlords, with a significant majority having plans in place to meet any future changes. The survey found that the most popular adaptation approach would be to upgrade existing properties in the portfolio to EPC rating C and the survey also found that very few would buy very low EPC F-G properties with a view to upgrading them.

More detail and insight from the survey can be found in our published report: [The Rental Sector Energy Challenge report](#)



Green bond

In 2021, we became the first bank in the UK to issue a subordinated Tier 2 Green Bond raising £150 million with the proceeds being allocated exclusively to fund buy-to-let mortgages secured on EPC A/B rated properties. The green bond set out the Group's ambition to finance £150 million eligible EPC A/B rated mortgages within two years of issuance.

It has acted as a catalyst across the business, helping to further embed sustainability within Paragon's long-term strategy. Last year we achieved the full allocation of £150 million of EPC A/B buy-to-let loans supported by the increased new EPC A-C lending from our green product range. The Green Bond Investor report is published annually until the reset date in September 2026, with the latest report available [here](#). The next investor report will be published in May 2024, covering the period to 31 March 2024.



Commercial Lending

Our Commercial Lending division supports UK small businesses operating across a range of sectors with finance to help them grow. This includes finance for property developers, motor finance and structured lending products for non-bank lenders.

SME lending

In our SME lending business, we provide asset finance in a variety of industry sectors and we are always looking at how we can support our customers to achieve their objectives in a sustainable way. We continue to engage with the sectors we serve, tailoring our lending to our customers' needs and helping them to progress towards their own sustainability goals. As funding sustainable assets can have higher up-front costs, we focus on helping customers understand those dynamics and supporting them with longer-term funding to see a return on their investment.

Supporting Cartonage with solar panel lending

Our SME lending division financed the installation of solar panels on the roof of the premises of Bradford-based carton board packaging company, Cartonage. The six-figure finance package was granted in 2023 to install solar panels which will provide over a quarter of Cartonage's energy requirements.



Development finance

We continue to encourage the development of new energy efficient housing, including future-proofing homes so they meet broader environmental objectives and standards.

It is far simpler and cheaper to install energy efficiency measures during construction, than to retrofit them later, which is why we launched our Green Homes Initiative in 2021. This popular scheme supports housebuilders developing new domestic properties with the highest energy performance standards.

Developers on the scheme delivering homes with an EPC rating of A receive a reduced loan exit fee. Since its launch in November 2021, the uptake for this scheme has been encouraging and we have now doubled the amount of funding dedicated to incentivising the construction of more energy efficient properties to £200 million.

Motor finance

The transition to low carbon motor vehicles continues to be both a challenge and opportunity for manufacturers, retailers and lenders. After expanding our product range to include lending on battery electric vehicles (BEVs) in 2022, it was further expanded in 2023 to include battery electric light commercial vehicles. Over the year there has been an upward trajectory for new electric car registrations across the UK with over 16% of new vehicles being electric. As a lender serving the second-hand vehicle market, we have seen growth across BEV lending as new cars transition into the secondary market and we expect to see further expansion in years to come as the market share of BEVs continues to increase.

Savings

In February 2022, we launched our first green savings product, a three-year fixed-rate bond, allowing our savers to invest in green initiatives. These deposits are used to fund buy-to-let mortgages on properties with an EPC rating of A-C. These homes are the most energy-efficient with lower-than-average CO₂ emissions and lower fuel bills, benefiting both the environment and billpayers.



Ambassador Living

Our development finance team supported Ambassador Living with Green Homes Initiative funding of £9.5 million for the completion of its energy efficient Wallace Park project in Wallyford, East Lothian. Each Wallace Park home has maximum energy efficiency and is anticipated to achieve an EPC A rating.

Business area / asset type	Balance with emissions data (£m)	Data coverage	Absolute financed emissions (kilotonnes CO ₂ e)	Economic emission intensity (tonnes CO ₂ e per £m balance)	Physical emissions intensity (CO ₂ e per physical activity factor)	Physical activity factor ⁴	PCAF data quality score ⁵
Mortgages ¹	12,902.3	100%	257.9	19.9	46.4 KgCO ₂ e/m ²	/m ²	3.1
	12,086.0	100%	247.8	20.6	47.5 KgCO ₂ e/m ²	/m ²	3.1
Motor ²	206.1	94%	13.2	69.1	0.3 KgCO ₂ e/mile	/mile	2.6
	Under development						
SME lending - Motor vehicles ³	106.4	100%	37.8	356.3	0.3 KgCO ₂ e/mile	/mile	2.8
	Under development						

¹Mortgage emissions are calculated using EPC data. Where EPC data is not available emission intensity is estimated based on property type and age. Where no information is available a UK average is applied from the EPC database. 2022 figures includes the entire BTL mortgage book and excludes owner occupied and second charge mortgages.

²Motor finance emissions currently exclude motor homes and caravans. Electric vehicles are assumed to have an emissions rate equivalent to that provided by the DEFRA conversion factors.

³Across SME lending, road vehicles with matched number plates have been identified. The number plates provide accurate emissions data when combined with estimated annual mileage.

⁴Physical activity factor data is based on customer and loan data where available. Where unavailable, an industry average is applied.

⁵The PCAF data quality score provides recognition of data accuracy based on the level of inherent assumptions. These are outlined for each asset class reported.

2023

2022

Understanding our financed emissions and our ambitions for net zero

Our most material emissions come from our customers' assets and activities - these are financed emissions. While we strive to reduce these, we are clear that we cannot achieve this alone. Transitioning to net zero and reducing financed emissions is an industry and

economy-wide challenge and depends on government, industry and society acting together, alongside continued technology advancements in higher emitting sectors.

Although measuring scope 3 financed emissions is a challenge given the reliance on external and open-source data, we have an ambition to develop a full, externally published financed emissions balance sheet covering the emissions associated with our lending portfolio.

Alongside our mortgage portfolio emissions, we have disclosed the emissions of our motor vehicle loans

across the motor finance and SME lending portfolios. Our approach uses the PCAF methodology, the most widely adopted global standard for measuring and accounting for scope 3 financed emissions. As an active member of PCAF and its internal working groups, we recognise that financed emissions data relies on a significant number of assumptions. Therefore, we continue to review our methodologies and improve our data quality in line with developing good practice.

Industry engagement and policy advocacy

We are playing our part in addressing the sustainability challenges faced across the finance industry, to ensure we are at the forefront of supporting our customers on their net zero journeys. Through membership of industry bodies and initiatives, the Group is sharing experiences and good practice to help formulate public policy and deliver more sustainable financial solutions.

Bankers for NetZero

Through our involvement with Bankers for Net Zero (B4NZ) we have provided input into two reports to Government on key areas of policy intervention. The first was the Retrofit Conundrum which called on Government to implement policies to support the growth of an energy efficiency market and incentivise the retrofit of UK homes aligned with the UK's net zero target.

We also supported the B4NZ Net Zero Agriculture Workstream which aims to develop specific recommendations for accelerating UK agriculture's transition to net zero, by attending workshops and contributing to the Fertile Ground Report.

We're supporting the National Retrofit Hub, an industry and Government backed initiative to enable the delivery of retrofit at scale across the UK. We're also supporting the EPC Reform Policy campaign which is working to create a forum to identify more accurate metrics to measure energy efficiency than traditional EPC ratings.

Some of the forums and partnerships we actively support include:

Bankers for NetZero

In 2022, we joined Bankers for Net Zero, an initiative which brings together banks, businesses and regulators to accelerate the UK's transition to net zero. We have actively contributed to both recent and past publications focusing on driving UK Government policy action.

UK FINANCE

Our ongoing membership of UK Finance has seen us support an industry-wide call for a strategic reset to the Net Zero Homes report, calling for greater collaboration to inspire action, deliver funding and define standards needed for greening UK homes.

MISSION ZERO COALITION

Paragon is a member of Mission Zero Coalition and we sponsor The Buildings Mission Zero Network. This network works alongside leading organisations and businesses to establish in greater detail policy frameworks needed to achieve the fastest possible success in decarbonising homes and buildings in the UK.

CLIMATE FINANCIAL RISK FORUM

As a member of the FCA and PRA Climate Financial Risk Forum Scenario Analysis Working Group, we have contributed to the Scenario Analysis Guide for Banks. This has aided us in the development of our own internal climate change scenario analysis process by discussing good practice with industry experts whilst also helping enhance the industry's approach to climate change scenario analysis.

TCFD

As an official TCFD supporter, our Annual Report and Accounts contains climate-related disclosures consistent with TCFD recommendations.

PCAF

We are a member of the Partnership for Carbon Accounting Financials and actively contribute to their working groups developing good practice in financed emissions reporting and data collection.

Climate change vulnerability

Since 2020, climate change risk has been designated as a principal risk by our Board, and our Sustainability Committee ensures comprehensive consideration of this across all aspects of our business. We categorise the financial risk of climate change associated with lending into two categories:

Transitional risks

Transitional risk refers to the risks related to transitioning to a low carbon economy which could impact asset values or the cost of doing business. It can materialise through regulatory or government pressures, or technology developments, which aim to reduce environmental impacts.

Physical risks

Physical risk refers to climate change and other environmental factors which may increase financial risks. It has the potential to impact customers directly through damaging their assets or indirectly in the broader supply chain.

During our climate change risk assessment, two risk drivers were identified which had the greatest potential impact: energy efficiency (or EPC) risk and flood risk, which both impact the mortgage asset class. Therefore, the focus has been across our mortgage portfolio due to the size of the exposure, the availability of data and the longer asset lifetime which potentially increases climate related risks.

Energy efficiency and EPC risk

As the economy transitions to net zero, properties are expected to become more energy efficient and powered by low carbon energy. EPC ratings are currently the best available measure to assess the energy efficiency of properties across the mortgage portfolio. We continue to see positive momentum in EPC grade migration across our portfolio, shifting to more energy efficient property stock, which is largely driven by product initiatives. Over the last year 49.6% of new buy-to-let completions had an EPC rating of A-C, which is higher than both the live portfolio as well as redemptions throughout the year.

Current UK Government policy requires properties in the PRS to have EPC ratings of E or better. Although the timing and impact of future policy and market preferences on energy efficiency remains highly uncertain, the tightening of energy efficiency standards as well as an increased demand by tenants for more energy efficient properties is expected in the short to medium term. This is expected to continuously evolve throughout the UK's pathway to net zero by 2050.

We continue to monitor and lobby on the potential policy outcomes to ensure the timescales are achievable and that appropriate infrastructure and skills are available in the market to support the transition. We also continue to offer incentives and support our customers who wish to purchase more energy efficient properties until clearer and more consistent policy timelines are established.

EPC split of our buy-to-let lending		
Measure	2023 % by balance	2022 % by balance
EPC A/B	8.3%	8.2%
EPC C	33.2%	31.1%
EPC D/E	57.7%	59.6%
EPC F/G	0.8%	1.1%

The EPC data covers 94.6% (2022: 92.8%) of accounts with properties in England or Wales, which represents 97.4% (2022: 97.6%) of the total portfolio.

Flood risk

Flood risk is considered the most material of the physical risks across the business and our assessment is focused on the risk caused by inland, surface, river and coastal flooding across the mortgage portfolio.

Our analysis indicates that only a small proportion (3.0%) of properties in our mortgage portfolio are located within high-risk zones. Insight from the assessment was shared with our in-house surveyor team, which conducted follow-up assessments on a sample basis. This concluded that the properties were not considered at risk and that underwriting controls focused on mitigating flood risk were appropriate and robust. The Group is yet to experience a loss attributable to flooding.

As well as addressing the current flood risk, the assessment also included a projection of the potential future flood risk out to 2080 under a high physical risk climate scenario. Although an increase in risk was projected over the period, the marginal increase was not considered to be substantial.

Flood risk		
Measure	2023 % by balance	2022 % by balance
Very high risk	0.1%	0.1%
High risk	2.9%	2.9%
High or very high risk	3.0%	3.0%

The flood risk data covers 94.0% (2022: 93.4%) of our entire mortgage portfolio across the UK.

Climate change scenario analysis

The second iteration of our climate change scenario was split into two elements. Firstly, we performed a qualitative review of our climate change risk and opportunities by business area to enable a broader view of how the risks are mitigated and how opportunities are captured where material.

The review focused on aligning the shorter-term risks with the residual life of the assets across the portfolio. The review received business wide input and did not identify any significant vulnerabilities or gaps in opportunities being captured.

The second element involved quantitative assessment of the impact of increasing regulation and policy across EPC ratings in the PRS in the UK, as well as assessing the decarbonisation of the mortgage portfolio in line with a net zero reference scenario.

The enhancement of this year's climate change scenario analysis has improved our understanding of the key climate change risk drivers, the potential impact they could have on the business and the mitigating options available. The latest scenario analysis has not identified any material vulnerabilities to business processes.

Focus areas

- 60% of new business mortgage lending rated EPC A-C by 2028
- 50% of mortgage portfolio rated EPC A-C by 2030
- £50 million of cumulative lending on electric vehicles by 2028
- Allocate £400 million of funding towards the Green Homes Initiative by 2028
- Utilise the PCAF framework to establish and publish a complete financed emissions balance sheet by 2025

Mortgage Emissions Reductions Ambitions

In line with the UK Government's commitment to reduce its greenhouse gas emissions by 100% by 2050, Paragon is committed to achieving net zero by 2050. Understanding and reducing the emissions from our lending activity is key to this.

Our current focus is on the emissions associated with our mortgage lending, which makes up 87% of Paragon's lending exposure. Our internal assessment aligns with views from across the sector which indicate that it is very unlikely that short-term commitments to 2030 can be achieved. This is due to the ongoing uncertainty over the current and future policy direction relating to the UK's housing stock, and the limitations over practical measures we can take to help our mortgage customers improve the efficiency of their properties. Regardless, our strategy to support our mortgage customers on their net zero journeys remains firmly in place.



making a DIFFERENCE

Our customers



619m

items of customer data analysed each month

27,600+

customers surveyed during 2023

4.6/5

Trustpilot score*

Paragon is committed to supporting the ambitions of the people and businesses of the UK by providing specialist financial services. This means using our expertise to develop products and support to meet the needs of our customers, and making sure we are there to help during challenging times.

We always do everything we can to deliver good customer outcomes and treat every customer with fairness and respect – two of our core values. We have a constant focus on being the best we can be for our customers and are continually striving to improve, championing our customers at every opportunity.

*1 May - 30 September for savings and mortgages customers

Our customer commitment

Our customers are at the heart of our business, and we want every customer to feel assured that we always consider their needs and act fairly and responsibly in our dealings with them. That's why our customer commitment is underpinned by our conduct policies and standards, from product governance to complaints handling, and from distribution to servicing. We regularly review and update our customer commitments to maintain our high standards and deliver ongoing improvements across the business.

We strive to make sure our customers are confident that...

- ✓ our products and services are designed to meet their needs, and are priced fairly
- ✓ our employees are skilled and experienced to provide the services our customers require
- ✓ the information given to them will be clear and jargon free
- ✓ products will perform as they are led to expect
- ✓ we design processes that allow them to make the right decisions for them, and support their financial needs
- ✓ all complaints will be listened to, and claims will be reviewed carefully, fairly and promptly
- ✓ where applicable, they will be made aware of how they can refer their complaint to the Financial Ombudsman Service
- ✓ if they are in a vulnerable situation and/or in financial difficulty, we will provide a high level of support. We will look to resolve issues when they occur and complaints will be handled fairly
- ✓ they will be made aware of the Financial Services Compensation Scheme (FSCS) and the protection this provides for them
- ✓ our standards will raise consumer protection and deliver good customer outcomes

Customer insight

Our comprehensive customer insight programme is designed to deepen our understanding of customers' needs, regularly check their satisfaction with our products and services, and inform our strategy so that we can better meet their requirements and improve their experience.

2023 customer experience examples

Consumer understanding testing

During 2023 we introduced quantitative testing, alongside qualitative research, with a large panel of consumers to check they understand our communications by measuring unprompted understanding of key messages.

"It's one of the easiest things to understand from a bank that I've seen."

Consumer Panel member
June 2023

An audience with The Board

A selection of Paragon mortgage intermediaries was invited to our Solihull Head Office in May 2023 to take part in a live discussion panel with our Board. Topics included business impact and recovery following last year's mini-budget, trends and changes in the market, experience of working with lenders and the support required, and future-proofing their businesses.

"The Board is now better informed and more able to challenge and support, as the business grows. The brokers made a very important contribution."

Robert East
Paragon Chair

Co-creation of new service solutions

We have expanded our user experience testing capabilities with savers, to iteratively test new screen designs to ensure customer journeys meet expectations. Users are set 'missions' to complete via software that scores the success of the journey, deducting points for incorrect clicks.

Helping the hard of hearing

A recent customer feedback survey identified that some customers were finding it difficult to hear our call centre team. We now ensure all our agents are trained to advise customers they can access RelayUK, a free service that helps deaf, hard of hearing or speech-impaired people in the UK to communicate over the phone.



Over the last 12 months our score has grown from 3.4/5 to 4.6/5 with 92% of customers rating us four or five stars. All customer feedback is shared within our business and areas for improvements identified. This feedback, along with other insights, supports our continuous improvement programme, so we're actively able to address customer concerns to improve user experience.

Customers in vulnerable circumstances

Whether due to poor health, an unfortunate life event, low capability or resilience, many of us will find it challenging to manage our financial affairs at some point during our lives. It's at times like these that we need to be able to reach out to our banks and financial services providers for help and to trust them to treat us fairly and prevent us from foreseeable harm.

This year, we have prioritised streamlining and simplifying many of our key processes to support our customers in vulnerable circumstances. For example, for customers managing bereavements, we no longer require the original documents of the deceased, making the process more straightforward for relatives and removing additional stress.

Additionally, we have applied insight testing to our design approach, making sure our communications are clear and understandable for all our customers, including those in vulnerable circumstances.

This year, we've delivered Financial Resilience training, alongside Fact Finding training. This follows the roll-out of training to our people so that they can specifically understand how to support customers who are targeted by illegal money lenders or who are subjected to economic abuse. We're also continuing our ongoing partnerships with Mind and the Samaritans, to support both our customers and our own people. We are also partnering with MoneyHelper to better understand the help they can provide, so we can signpost customers to their support and the tools on their website.

Our internal Customer Vulnerability Awareness Group continues to raise awareness around vulnerabilities, keeping it at the forefront of our thinking, and making sure these customers are considered throughout every stage of the financial journey.

We have a longstanding relationship with the Royal National Institute of Blind People which enables us to translate documents into braille, large print or audio files. We also continue to be a member of the Death Notification Service, which enables people to simultaneously notify multiple banks and building societies of a person's death.





During 2023, we developed and rolled out a comprehensive internal Think Customer! campaign to ensure our people are fully aligned around the need to always champion the customer and to focus on delivering good outcomes for our customers. With full endorsement and participation from our Executive Committee, this campaign included a series of podcasts, videos and training modules.

ACE session

In 2023, we worked with professional actors as part of Applying Customer Excellence (ACE) training, with 200 of our people from across the organisation taking part. ACE is designed to bring the customer journey to life through an immersive training experience. It allows learners to explore the skills and behaviours we all need to display when interacting with our customers. As well as helping us better understand the mental health challenges faced by our customers, this training also raised levels of awareness around challenges faced by our own people.



ACE training is a fun and exciting way to get our people to think about the quality of the conversations they have with our customers and put themselves in the customers' shoes. It's helping us achieve that step change in customer experience and interact well with our customers.

Nichala Sawrey, Development Consultant

Listening to our customers

Even with the best intentions, we don't always get things right so it's important that we resolve any complaints effectively.

We follow the FCA's Dispute Resolution Sourcebook to deliver consistent and good outcomes for our customers, which means we:

- signpost different ways for our customers to get in touch with us
- acknowledge each complaint properly
- fully investigate the issues raised
- respond in a fair manner
- provide information on the alternative dispute resolution options

Understanding the drivers of customer complaints is a key focus, with all areas across the Group completing regular root cause analysis. The outputs of this are used to review and enhance our processes, ensuring the customer journey is as smooth as possible to avoid similar complaints for customers in the future.

We assess our complaint performance against bi-annual industry publications from the FCA and the Financial Ombudsman Service (FOS), comparing the performance of our complaint metrics to those of our peers and the industry as a whole.

In addition, we have our own Customer and Conduct Committee which monitors complaint volumes, identifies any trends and makes sure issues are addressed and lessons learnt.

0.59 complaints per 1,000 accounts

The Group focusses on Financial Ombudsman Service (FOS) complaints data as a high-level satisfaction metric, and incident rates remained low throughout the year. Information for the two most recent FOS reporting periods is set out below.

	Six months ended	
	30 June 2023	31 December 2022
Paragon uphold rate	36%	15.2%
Industry average uphold rate	37%	34%

FOS data across the financial services industry is published at www.financial-ombudsman.org.uk.

Financial literacy and inclusion

During 2023, we undertook a review of our communications across the customer journey, initially focusing on our motor finance and savings customers. Having developed a deeper understanding of our customers' needs, we have updated many of our communications to reflect their feedback.

Internally we have developed 'Communications Principles and Guidelines' for our employees to help us ensure everything we do remains accessible to customers.

We reviewed our customer website and introduced bespoke help centre pages for our motor finance, savings, SME and mortgage customers. New customer wellbeing pages focused on finance, health and lifestyle are being developed.

This work has been instrumental in the digitalisation journey for our mortgage customers and has provided a template to roll out across other business lines, to improve the wider customer experience.

Financial wellbeing

Supporting the financial wellbeing of our customers and helping them develop a sense of security around their finances is a priority at Paragon. This involves signposting people to independent, external sources when they need advice or guidance.

We also follow the requirements of the Debt Respite Scheme which gives individuals in debt the right to legal protection from their creditors. We are members of the UK Finance Customer Resilience Community, which is a group of leading finance firms working together to support customers in financial difficulty through sharing best-practice and problem-solving.

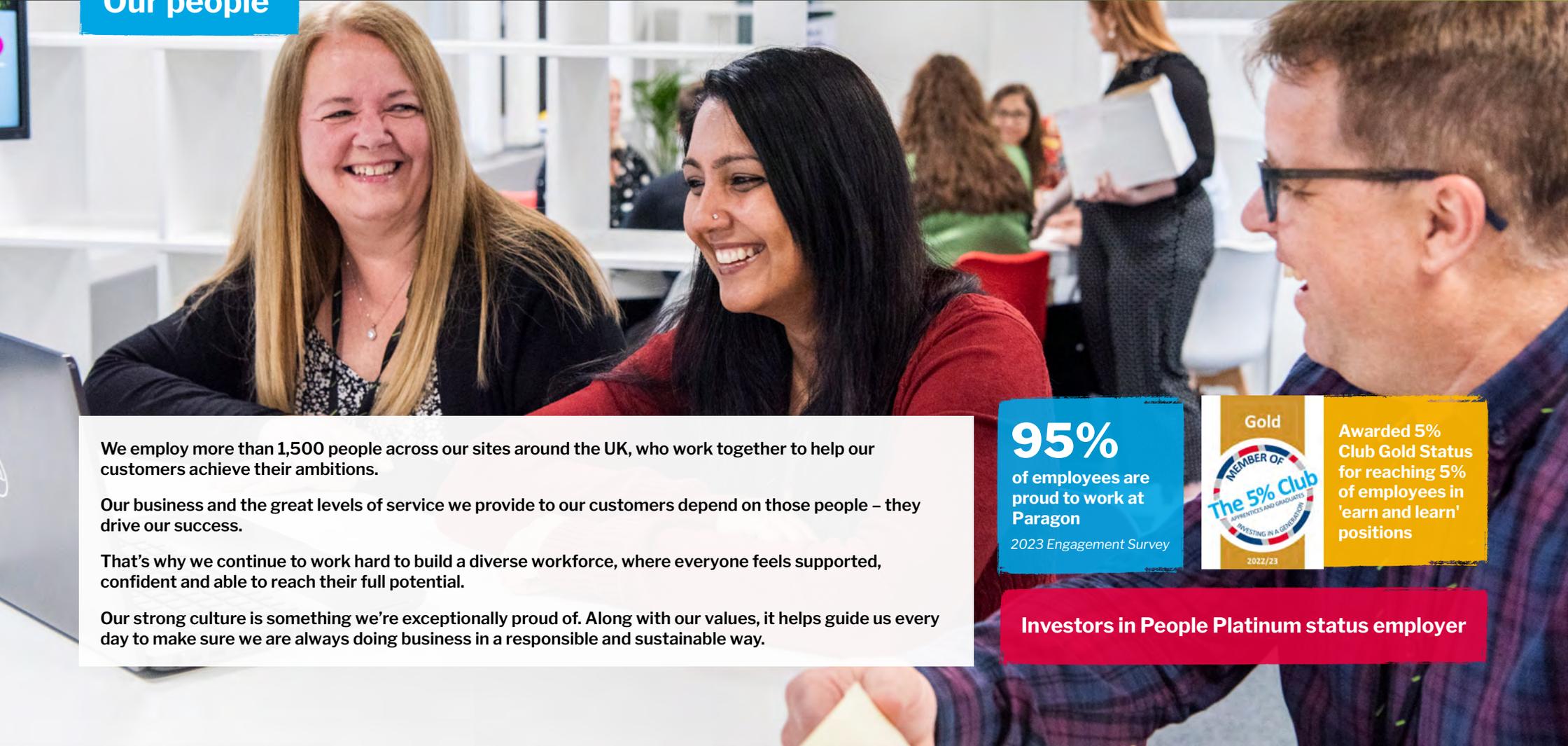
Focus areas

- Continue our focused commitment of delivering good customer outcomes, and successful completion of Phase Two of Consumer Duty by July 2024
- Implement flexible, cloud-based and digital-first technologies to continue to allow customers to self-serve
- Utilise API (application programming interfaces) and open banking technologies to improve customer journeys
- Further invest to better understand customer satisfaction levels

making a DIFFERENCE



Our people



We employ more than 1,500 people across our sites around the UK, who work together to help our customers achieve their ambitions.

Our business and the great levels of service we provide to our customers depend on those people – they drive our success.

That's why we continue to work hard to build a diverse workforce, where everyone feels supported, confident and able to reach their full potential.

Our strong culture is something we're exceptionally proud of. Along with our values, it helps guide us every day to make sure we are always doing business in a responsible and sustainable way.

95%
of employees are proud to work at Paragon
2023 Engagement Survey



Gold
Awarded 5% Club Gold Status for reaching 5% of employees in 'earn and learn' positions

Investors in People Platinum status employer

Recruiting and retaining the right people

We take great pride and care in building our brilliant team of people. Our focus is always on our carefully considered selection and recruitment processes, to ensure our people represent and reflect our purpose, culture and values.

To build and retain a high-quality team, capable of delivering excellent customer outcomes and fulfilling their own potential, we offer a range of valuable benefits:

- ✔ Generous annual leave with birthdays off as a bonus!
- ✔ Annual profit related pay
- ✔ Sharesave schemes
- ✔ Highly competitive pension contributions and access to pensions advice
- ✔ Tax and environmentally friendly Green Car and cycle to work schemes
- ✔ Length of service awards
- ✔ Access to a range of local and national discounts

Sharesave scheme

We operate Sharesave and profit-sharing schemes which enable employees to benefit from the performance of the business and encourage personal saving and financial security. During 2023, nearly **700 employees** applied to join our latest Sharesave scheme and **65%** are involved in one or more schemes.



We continue to be an accredited employer with the Living Wage Foundation, which means all our employees are paid at least the real Living Wage – an hourly rate calculated according to the cost of living in the UK.

Hybrid working is a permanent arrangement across all our offices, giving our people a better work-life balance and a flexible approach to working patterns.

Outstanding employee contributions are highly valued and acknowledged with a variety of awards:

- Length of service milestones from five to 40 years' service, which include travel vouchers and sabbaticals
- Annual Employee of the Year and Team of the Year awards to reward outstanding performance
- Peer-based nominations that recognise and reward people who exemplify our values in their everyday dealings with customers and each other



We are extremely proud of our culture which underpins how we do things at Paragon; it's fundamental in helping us recruit and retain the best people for our business.

This year we conducted our largest ever employee survey with an all-time engagement high of 90%, compared to a finance sector norm of 83%. It told us that 95% of our employees are proud to work for Paragon and 97% agreed there is a clear and consistent set of values and behaviours that underpin how we operate.

93% feel that Paragon is acting to positively impact climate change, and there were high levels of satisfaction for our learning and development opportunities and community support.

How would you describe Paragon as an employer?



16.5 years average length of service for our executive management team

8.8 years average length of service for employees

9.6% voluntary employee turnover in 2023

3.5 days average training per employee in 2023

Developing talent

We have a structured approach to learning and development, and we are committed to helping our people develop their capabilities to achieve their potential.

Our learning and development strategy is central to achieving the Group's objectives and we provide a wide range of opportunities to help our employees perform well.

These are delivered across virtual, hybrid and in-person channels so everyone can access learning to support their current role and future career aspirations.

All employees are encouraged to draw up a personal development plan with support from their manager to help take control of their own learning. This might include on-the-job training, online learning or attendance at courses and events.

During 2023, we also introduced a more balanced approach to objective setting, ensuring that we each adopt objectives in areas that are fundamental to the success of the business such as sustainability and good customer outcomes.

Our people can choose from a vast array of online and e-learning resources through our learning management system, which offers over 6,500 online resources.

Development requires commitment, so we actively encourage our employees to complete both academic and professional qualifications that will support them in their roles or career aspirations. We pay 100% of course fees, including examinations fees, and we give time off for study leave. We also pay associated costs such as professional subscriptions. Successful completions are recognised with a bonus.

Commitment to early careers support

We fully recognise the importance of supporting people at the early stages of their careers. That's why we provide a range of opportunities from work experience and placements to apprenticeships and undergraduate internships.

We have now achieved Gold membership of the highly-regarded and prestigious 5% Club – a group of organisations which pledge their support to ongoing early career development – and we are proud to have already achieved our 2027 goal of having 5% of our workforce in 'earn and learn' positions. With 70 apprentices enrolled and 15 having already completed their participation in our apprenticeship scheme in 2022/23, we have reached our 5% target ahead of schedule.

I joined Paragon as a Portfolio Management Office apprentice. It was a great opportunity to develop my administrative skills, understand the different parts of the business and build my general knowledge. My manager recognised my more technical skills though and encouraged me to work with the business analytics team. When my initial apprenticeship ended, I started a second apprenticeship focused on business intelligence. It's a great working environment here at Paragon and I'm grateful for the opportunity to gain such rich, hands-on experience so early in my career. I'd recommend an apprenticeship here, without hesitation!

Sameer Ramzan
Business Intelligence Analyst Apprentice



View from the top

Apprenticeships strike a great balance between further education and employment, providing a route into work while still being able to learn and gain further qualifications. They facilitate knowledge sharing across the business and having an apprentice in the team provides a different perspective which can challenge and add to our way of thinking.

Sarah Mayne
Internal Audit Director



We use the Government's Apprenticeship Levy to support our programmes and our Team Leader Academy is fully aligned with the apprenticeship framework. We've also pledged 10% of our Apprenticeship Levy to help SMEs offer 21 apprenticeships.

During 2023, we provided 30 young people between the ages of 14 and 21 with placements, offering them experience across the business. We also had four interns join us during the year.

In 2023...

- **94 employees** undertook professional qualifications
- **85 employees** on or completed our apprenticeship programme
- **102 employees** on or completed our development programmes

Spotlight on Arden Academy support

In 2023, we worked with Year 10 students at Solihull-based Arden Academy to support those who had not been able to obtain work experience placements. During a tailored visit to our Head Office, we provided experience of an office environment along with careers talks and office culture workshops.

We also supported Arden Academy's 'Get Apprenticeship SMART' initiative to help those interested in apprenticeships as the next step in their journey. This included providing helpful information from our own apprentices on the application process, running a mock assessment centre with a group exercise, interviews and feedback sessions, and careers talks from our Early Careers team.



Paragon received the 'Employer Engagement Award' from Arden Academy in recognition of the support we provided to its students

Commitment to ongoing development support

We help our people develop their capabilities and fulfil their true potential with a range of structured development programmes.

Ignite

This year we were delighted to launch a new programme, focused on supporting the development and career progression of individuals in under-represented groups. This initiative has been developed as a direct response to feedback gained through our Listening Circles, which are organised by our EDI Network. The nine-month programme builds skills and provides an internal mentor. Our first cohort of nine employees recently completed the programme, with another cohort starting in 2024.

By listening to my colleagues talk about their experiences with imposter syndrome and self-image, I was able to start exploring my own relationships with these topics. Having Zish Khan, our Chief Operating Officer, present and engage during these sessions helped me realise how people throughout the organisation, at all levels, can have such similar experiences. This helped me feel much less isolated regarding my imposter syndrome and better equipped in tackling it.

Alistair Wormington
Ignite participant



High Potential Programme

After a hugely successful roll-out of our first High Potential Programme during 2022, our second cohort of 26 employees enrolled in January 2023. With a focus on developing skills which are important to any role within the business through workshops, feedback, insights and activities, this course will complete in March 2024 and is aimed at employees who show potential in more specialist non-managerial roles.

The High Potential Programme appealed to me with its focus on developing soft skills. It gave me a great overview of my work approach and style, and it helped build my confidence and self-belief. Having senior people from Paragon, such as our Chief Operating and Chief Risk Officers, involved with the course was amazing; they gave me some really helpful feedback that I've been able to use as part of my overall personal development.

Kerri Leavy
Business Analyst



30% Club Mission Gender Equity and Mission Include mentoring

For the fifth consecutive year, Paragon worked with the 30% Club to support the career development of women and under-represented groups. In 2023 Paragon was involved with more than 20 mentoring relationships and we intend to increase this in the future. This year we were thrilled to be awarded 'Most Dynamic Mentoring Organisation of the Year' by the 30% Club.



Team Leader Academy

Accredited by the Chartered Management Institute, this programme is designed for aspiring team leaders and offers a Level 3 First Line Manager Apprenticeship. During 2023, 33 employees took part in the programme.

Financial Services Skills Commission

The Future Services Skills Commission represents 40% of the financial services sector and aims to address the major skills gaps through upskilling and reskilling. Paragon joined in Spring 2023 and our Chief Executive, Nigel Terrington, is currently participating in a research project with other CEOs looking at the need for firms to prioritise skills forecasting to address the skills gap.

Equality, diversity and inclusion

Diversity and inclusion are important elements of our people strategy. We believe the diversity of our Board, directors, managers and employees should reflect the diversity in the world around us.

We want everyone to feel welcome at Paragon and be able to share their talents, helping us to broaden our perspective, understand our customers better and build a stronger business.

Building on our 'This Is Me' data collection campaign launched in 2021, 76% of our people have completed their diversity profiles. This data helps us understand and monitor the make-up and diversity of our workforce and measure the progress we're making. It allows us to check we're providing equal opportunities and treating all employees fairly with the same access to training and development. We also use this data to benchmark ourselves against the UK-wide national census data.



This year, we were delighted to become an accredited Disability Confident employer, following our commitment to the scheme in 2022.

Gaining this accreditation was acknowledgment of the initiatives we have put in place over the last year to recruit, develop and retain people with disabilities.

We are continuing our involvement with the CBI Smart Futures Programme with the EY Foundation. This helps promote social mobility by supporting young people from low-income backgrounds with paid work experience, employability skills, training and mentoring.



This year, Richard Rowntree, Managing Director – Mortgages, and Executive Sponsor of the EDI Network, was recognised by the Lord Mayor of the City of London for his work sponsoring socio-economic diversity, with a prestigious Freedom of the City award.

Achieving balanced socio-economic representation across all levels of the financial services industry is so important as it leads to diversity of thought and better outcomes. I strive to see better representation at senior levels of the industry and I'm working hard with sector peers to help remove barriers.

Richard Rowntree
Managing Director - Mortgages



As a founding member of Progress Together, an independent body created to drive socio-economic diversity at senior levels across UK financial services, we continue to share case studies and best practice, alongside collaboration across the industry to support talented people to progress, regardless of their background.

This year we hosted the launch of a new Progress Together and Bridge Group report – Shaping Our Economy: Senior Roles in Financial Services and Socio-Economic Diversity – which investigated the relationship between socio-economic backgrounds and financial services career progression to the most senior of roles.

53% of individuals studying for professional qualifications are female

53% of individuals receiving management development are female

76% of individuals have completed diversity profiles through our 'This is Me' campaign

Equal opportunities

All our employees should be able to work in an environment free from discrimination, harassment and bullying. Our employees, together with job applicants, customers, business introducers and suppliers should be treated fairly. We invest in management training so that our managers are equipped to support fair working practices and we educate all employees to make sure this policy is fully embedded across the organisation. You can find out more [here](#).

Gender diversity



Paragon is a proud signatory of HM Treasury's Women in Finance Charter, a pledge for gender balance across the financial services sector.

The Charter requires signatories to set a target for female representation in senior management. We are proud that we met the initial target for 35% female representation in senior management positions by January 2022 and have now revised our target to achieve 40% by December 2025.

Women in Finance Charter		
	Target	September 2023
Women represented in senior management	40% by December 2025	38.8%
Women in the workforce	50%	50.7%

Gender pay gap

Our 2023 gender pay measures were similar to those for 2022 and remain larger than we'd like them to be. As evidenced by the gender split amongst our pay quartiles, this is predominately due to the seniority and nature of roles that men and women are undertaking in the organisation. Employees in our lower pay quartiles are predominantly female and typically include our operational roles which lend themselves particularly well to part-time working arrangements.

	April 2023	April 2022
Median	33.5%	32.5%
Mean	34.9%	36.3%

You can read our latest Gender Pay Gap report [here](#).

This year, we appointed Alison Morris as our Senior Independent Director, a key Board role. Zoe Howorth was appointed to our Board as Non-executive Director, joining Barbara Ridpath and Tanvi Davda, bringing female representation at Board level to 40%.



Clockwise from top left: Alison Morris, Zoe Howorth, Tanvi Davda and Barbara Ridpath

Employee wellbeing

We have a group of 17 employees who form our Wellbeing team. They are all trained Mental Health First Aiders who volunteer their time to promote a proactive culture of wellbeing at Paragon and to support their fellow employees.

Anne Barnett, our Chief People Officer, is our Executive Sponsor for wellbeing. Under her leadership and with the support of a dedicated wellbeing committee comprising volunteer employees, the following initiatives were rolled out during 2023:

- new lunch and learn sessions
- increased wellbeing team members
- new wellbeing room at our Solihull Head Office
- breastfeeding facilities
- Mental Health First Aider training

These are in addition to our existing wellbeing offerings which already include a wellbeing hub on our intranet, access to the Vitality at Work programme, free fitness classes at our offices, weekly fresh fruit deliveries at all our offices, complimentary sanitary products, and flu vaccinations for those not eligible through the NHS.



Employee voice

We recognise and fully understand the importance and benefit of keeping employees informed about Paragon's progress and we implement a range of initiatives to encourage and deepen that engagement.

Our People Forum has been in place for more than 15 years. Comprising 25 people representing each part of our business, it facilitates communication and dissemination of information across the Group. It enables employees to be consulted and provides feedback on matters affecting them. It's the primary way the Board and Executive Committee receive information on the views of the workforce. Non-executive Directors also regularly attend the meetings to discuss certain topics.

The Forum met six times this year and our latest employee survey told us that 88% of our people believe this forum works effectively for them.

This year we continued to run our Listening Circles, which give underrepresented employees the opportunity to share their experiences and feedback with Paragon's senior leaders. Recent sessions have focused on Black History Month, Disability History Month and menopause challenges.

Focus areas

- 40% female representation at senior leadership by 31 December 2025
- Commitment to a senior management ethnicity target by 2027 as part of the Parker Review
- Maintain Gold membership of the 5% Club by increasing the number of people in 'earn and learn' positions year-on-year



making a DIFFERENCE

Our communities



469
employee volunteering days

£45,000+
raised for Newlife, our charity of the year

£55,000+
donated to good causes across the UK

It's been another challenging year for society, with many of our communities and charities needing more support than ever.

Building on the positive difference we've made in the past, 2023 saw our people step up yet again with incredible fundraising and volunteering efforts to support the communities in which we live and work.

Charity

Charity of the Year

Our brilliant and generous people play a huge part in raising money for those in need. Every year, our employees select a Charity of the Year, and our Charity Committee, made up of employee volunteers, organises a variety of fundraising activities. This has the added benefit of bringing people together and supporting our values and culture.

In 2023, our Charity of the Year was Newlife, which provides support for children who have cancer, birth defects, diseases and infections. Newlife's nurses support families, their researchers work to improve children's health and their dedicated team campaigns to get fairer treatment for all.

Our people came together for a variety of fundraising activities, including climbing The Three Peaks, playing in football tournaments, dressing up, holding parties for The King's Coronation, baking cakes and buying raffle tickets, raising an incredible £45,000+.



Delabelling for Newlife

During 2023, we held sessions at our Head Office to delabel and relabel clothes for Newlife to sell at a vastly reduced cost. These were followed by a pop-up shop, allowing our people to purchase bargain items while raising funds for this amazing charity. Our people also visited Newlife's delabelling centre to take part in on-site activities and meet other volunteers and staff supporting this important cause.

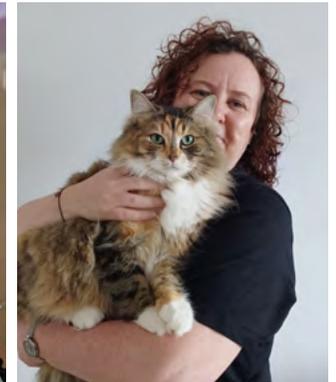


Supporting good causes

Paragon donated £55,000+ to dozens of different charities across the UK as part of our support for the communities in which we live and work. Examples include Thrombosis UK, Papyrus (Prevention of Young Suicide), Alzheimer's Society, Wellchild, Food Life Line and Solihull Conservation Volunteers.

Paragon people power

We support our people to undertake their own fundraising activities for causes that are particularly personal to them.



Clockwise from top left, James McPhillimy, Susie Parson, Steve Mullins, our Change team and Jemma Guy are just a few of our people who raised funds and volunteered their time for Cancer Research UK, Kato's, MENCAP and Olio.



Volunteering

Every employee at Paragon is offered one paid day off each year to support volunteering projects to help make a difference in our local communities. We focus our volunteering projects on three key areas:

1. Supporting people who are experiencing poverty
2. Strengthening education of school children and young people
3. Improving the local environment

We achieved a staggering 469 days (30% employee participation rate) in 2023. That's almost a ten-fold increase in volunteering commitments in just two years! (The London Benchmarking Group quotes an average employee participation figure of 14%.)

Projects that benefited from these volunteering days include Thames21, Eastney Beach, Mind, St Basils, SIFA Fireside and a host of local schools.



Focus areas

- Raise £35,000 for Molly Ollys, our employee-nominated Charity of the Year in 2024
- Undertake 450 employee volunteering days in 2024

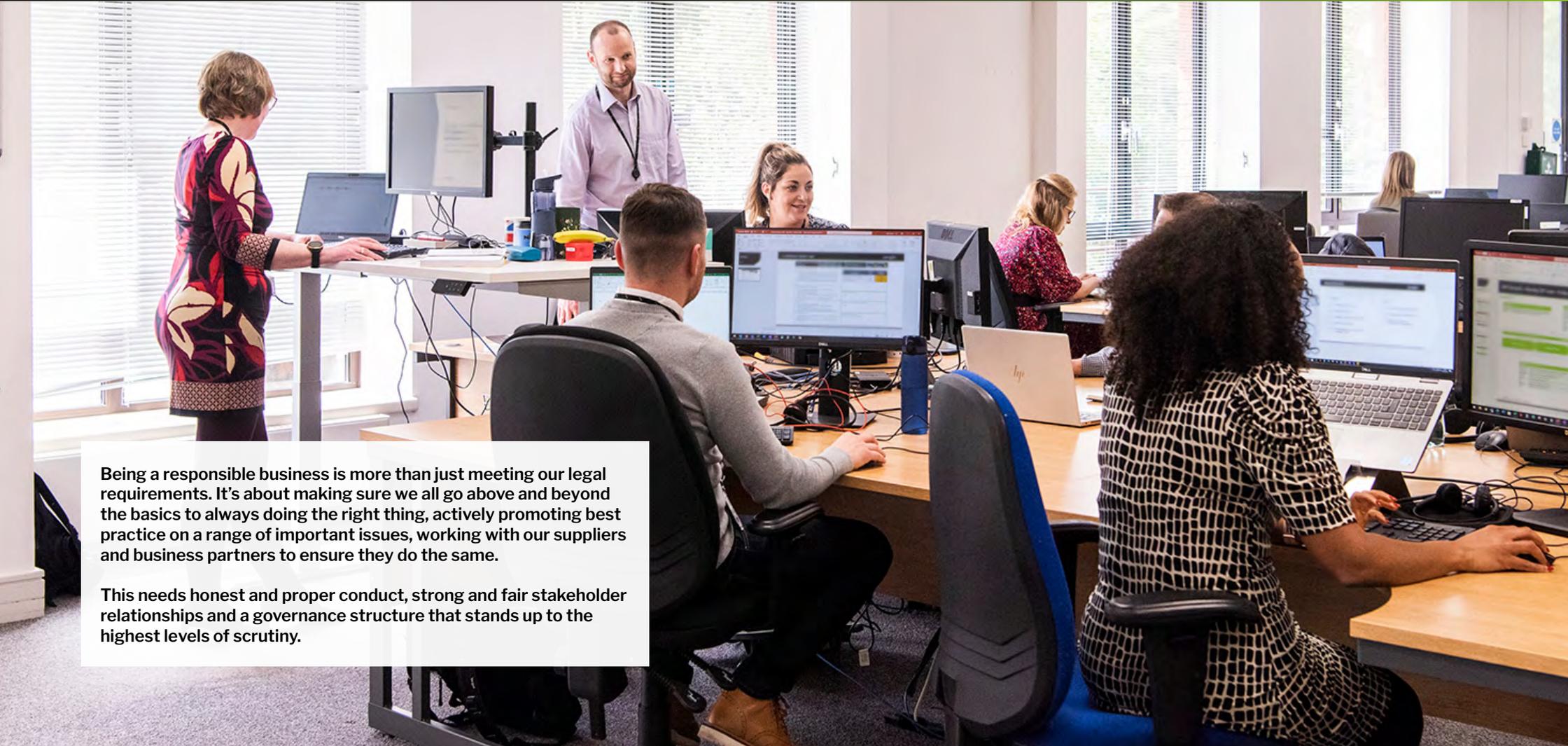
being a

RESPONSIBLE BUSINESS



Being a responsible business is more than just meeting our legal requirements. It's about making sure we all go above and beyond the basics to always doing the right thing, actively promoting best practice on a range of important issues, working with our suppliers and business partners to ensure they do the same.

This needs honest and proper conduct, strong and fair stakeholder relationships and a governance structure that stands up to the highest levels of scrutiny.



Governance



The Board consistently focuses on being a responsible business in all we do - from helping our customers to understand environmental issues and taking action to respond to those challenges, to hiring and training a diverse workforce and helping them to thrive. This is not only the right thing to do, it is good for our business and helps make us an employer of choice.



Barbara Ridpath
Non-executive Director at Paragon

Sustainability Committee

Our established Sustainability Committee is a dedicated sustainability governance function with a broad ESG remit, comprising senior membership from across the business, including those from the Executive Committee and the Managing Directors of our three principal business areas. Chaired by our External Relations Director, Deborah Bateman, it reports to the Executive Committee and Board on a regular basis.

Three dedicated working groups report to the Sustainability Committee, with remits relating to Financed Emissions and Opportunities; Operational Footprint; and Social and Governance issues.

Board oversight

Climate change is designated as a principal risk, meaning information and measures on climate change risks and sustainability are considered at Board level, and climate-related issues are prioritised as part of our decision-making process.

The Board is updated on a regular basis through the Chief Executive Officer's monthly report which provides oversight of sustainability and climate-related matters and how they impact strategy.

The Board is regularly updated on the Group's climate change commitments across the operational footprint and financed emissions. This year this has included briefings covering short-term deliverables and ambitions, along with the relevant updates on other climate related risks and opportunities. These briefings have highlighted the implications of net zero on business strategy, stressing the importance of the dependency the commitments have on wider industry and government action.

As part of the 2023 Internal Capital Adequacy Assessment Process (ICAAP), a climate change scenario analysis module was approved by the Board. Focused training was delivered on the outcomes of the business-wide climate risk review, the impact of originally proposed Minimum Energy Efficiency Standard regulations in the PRS, and the key challenges of net zero alignment across the mortgage portfolio.

Additionally, Richard Woodman, our Chief Financial Officer, is designated as the Director responsible for climate change matters. He has an individual performance target to understand and assess the financial risks from climate change and oversee those risks with the firm's strategy and risk appetite.

Executive remuneration



Hugo Tudor
Non-executive
Director and Chair
of Remuneration
Committee

In 2022 we introduced a climate metric into our long-term incentive plan awards for senior managers, which reflects the broader emphasis of the Group's overall sustainability strategy. The total ESG component of the metrics in the long term incentive award encompasses risk, people, customer and climate metrics. The detail of each of the conditions may vary from year to year. Both the climate and people

metrics have been updated for the awards to be made in December 2023 to reflect developments within the Group's approach, and that of the wider market, in both these areas. The people metric has three strands which consider performance in the areas of:

- employee engagement
- voluntary attrition compared to industry averages
- diversity of senior management

From 2023, the diversity element will encompass a wider diversity picture than gender alone. The climate metric from 2023 will consider:

- operational footprint emissions reduction
- financed emissions decarbonisation assessments
- sustainable products
- education and engagement

Continuing to ensure good customer outcomes and support for our customers also form regular strands in the annual bonus targets for the Chief Executive, Chief Financial Officer and other members of Executive Committee. The CFO has Senior Management Function responsibility for the financial risks related to climate change.

Employee Code of Conduct

After rolling out a Code of Conduct for our people in 2022, this year we refreshed the Code to update the high standards of behaviour we expect from everyone at Paragon. 100% of our people confirmed they had read and understood the updated version. Click [here](#) to read our employee Code of Conduct.



Learning together

The nature of the financial services sector means all our people need to understand the different rules and regulations that must be adhered to. To help with this and ensure we are delivering good outcomes for our customers, all employees undertake structured learning throughout the year, covering topics ranging from financial crime to whistleblowing. During 2023, 17 modules were completed, with an average completion rate of 99.7%.

In addition, this year we introduced a more strategic and balanced approach to objective setting, ensuring that every person adopts objectives in the five areas that are fundamental to business success.

Enterprise Risk Management Framework

This structured approach allows us to manage the risks we face in achieving our objectives. It ensures that we consistently identify and manage risks, meaning we protect and create value for all our stakeholders.

Resilience and business continuity

Our financial and operational resilience, and business continuity frameworks are designed to ensure we continue to support our customers in the event of unexpected business disruption. It focuses on understanding and safeguarding critical processes and being able to continue delivering our key services at acceptable, pre-defined levels. This framework is certified to ISO220301:2019.

Financial crime

Protecting our business and our customers against financial crime and corruption is a priority. We have procedures in place to make sure Paragon is not used to facilitate money laundering, sanctions abuse or other forms of financial crime. All business heads are responsible for having appropriate controls in place to ensure employees adhere to strict policies and fulfil regulatory and legislative obligations.

Supplier relationships

We are committed to the fair treatment of all suppliers, who are essential to keeping our business running and ensuring we meet the needs of our customers. In return we expect our suppliers to help deliver a high standard of service to our customers and to act responsibly, as set out in our recently revised [2023 Supplier Code of Conduct](#).

2023 saw us make a significant investment in a digital supplier platform, which gives us automated control capability to centralise, understand and manage suppliers. In turn, this enables us to work more closely with them to support their sustainability journeys.

This year, we also issued sustainability-focused questionnaires to our Group and Critical suppliers, helping us build a picture of the supplier landscape against our requirements and highlight areas where our suppliers may need our support.

In addition, our legal team has delivered training across the business areas, reviewing contracts which incorporated ESG and sustainability elements. Again, this helps us better understand how we can work more closely with our suppliers in the future to ensure they are meeting our sustainability expectations.

We are a signatory to the UK's Prompt Payment Code, administered by the Office of the Small Business Commissioner, to ensure suppliers are treated fairly in respect of payment terms and receive payment on time. We also aim to ensure all our small business suppliers are paid within 30 days.

Bribery and corruption

We follow the requirements of the Bribery Act 2010 and maintain a comprehensive internal anti-bribery and corruption policy, covering all employees operating across the entire Group.

Health and safety

The health and safety of our employees is a priority for Paragon, and we are compliant with all applicable legal requirements. We have best practice management standards across our businesses to provide a safe working environment for all our employees, contractors and visitors to our premises, and those impacted by our operations in public areas. Click [here](#) to learn more.

Data protection

The protection of data is an ongoing concern for customers, and we are aware that the data we collect and store is sensitive. We understand our responsibility to protect this data and as such have policies and practices in place to ensure it is kept safe and is used responsibly. We have a Data Protection Risk Policy and are certified to the international standard for Information Security, ISO27001. Click [here](#) to find out more about our data protection practices.

Taxation

All our taxable income arises in the UK and our tax strategy complies with all relevant tax obligations and co-operates with tax authorities. Click [here](#) to read our annual tax strategy.



Whistleblowing

We have an established, internal whistleblowing policy which is overseen by our Board. Our whistleblowing procedure includes a confidential advice line operated by Protect, a third party charity, as well as a focused Whistleblowing Group made up of senior management. The members of this group are responsible for ensuring the impartial, fair and robust investigation of all disclosures, as well as protecting all whistleblowers.

Sensitive sectors

The sectors we lend to have a significant contribution to our risk exposure, with more controversial and highly regulated sectors posing a greater reputational and financial risk to our business. In mitigation, our credit policy prohibits lending to the following sectors:

- public houses and bars
- licensed clubs
- gambling and betting activities
- activities of political organisations
- manufacturers of weapons and ammunition

Human rights

We operate exclusively in the UK and, as such, we are subject to the European Convention on Human Rights and the UK Human Rights Act 1998. We take steps to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts through our policies and procedures. This particularly relates to those regarding employment, equality and diversity, treating customers fairly, and information security. Click [here](#) to read more about our approach to Human Rights.

Modern slavery

We support the objectives of the Modern Slavery Act 2015 and we are committed to making sure there is no slavery, servitude, forced or compulsory labour or human trafficking in any part of our operations or our supply chain. Click [here](#) to read our Modern Slavery Statement.

Collective bargaining / trade associations

None of our employees are parties to a collective bargaining agreement. We consider our relationship with our employees to be good and have not experienced any labour-related interruptions of operations.

Focus areas

- Implement a new, integrated risk management system to drive data quality, improve reporting and support framework enhancements
- Update our approach to lending to sensitive sectors

Our collaborative approach

Paragon is proud to work with a wide and diverse group of partner organisations and initiatives to help drive positive change around the sustainability agenda.



paragon

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GRP0120-002 (12/2023)