



paragon

Paragon Banking Group PLC  
GENDER PAY GAP REPORT 2019

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As sponsor of Paragon's Women in Finance project, I am pleased to introduce the Group's third gender pay gap report.

At Paragon, we are committed to developing a diverse and inclusive workforce that reflects the world in which we operate. Gender diversity is an important element of our people strategy, and respect and fairness are central to our core values. We consider diversity amongst our directors, management and workforce as fundamental to these concepts, as well as ensuring good outcomes for our customers and being positive for our business.

During 2019 we have continued to develop specific initiatives to drive female involvement at the higher levels of the Group. Whilst our gender pay measures are broadly similar to those for 2018, we recognise these will take time to make a difference and will only improve the metrics on a long-term basis.

We recognise that there is still a long journey ahead, both for us and for the industry. We are confident that the measures we have put in place will help provide our people with the opportunities they deserve and the Group with the workforce we need to achieve our strategic goals.



## Confirmation statement

I confirm the accuracy of the information presented below in respect of Paragon Finance PLC required by regulation 2 of the Regulations.

### **RICHARD J WOODMAN**

Chief Financial Officer

March 2020



# What is the gender pay gap?

A gender pay gap is the difference in average pay between males and females in an organisation. It compares all employees, regardless of seniority, and may exist as a result of the nature of the positions within an organisation held by male and female employees. It does not indicate that men and women in similar positions are paid different amounts, which would contravene equal pay legislation.

## Gender pay gap reporting

All UK companies with more than 250 employees are required to report on their gender pay gap, in accordance with the 'Equality Act 2010 (Gender Pay Gap) Regulations 2017' ('the Regulations').

The Group has one subsidiary with more than 250 employees, Paragon Finance PLC ('Paragon Finance') and its gender pay data is set out below marked 'Paragon Finance'. In keeping with the overall intent of gender pay reporting, and to provide better information for users, the Group has also decided to disclose its consolidated figures, shown below as 'Group', as it has done in previous years.

The Regulations require entities to publish information on:

- Mean and median gender pay gaps
- The split of each pay quartile by gender
- The proportion of male and female employees receiving bonuses
- Mean and median gender bonus gaps

*Data provided in this report was taken at 5 April 2019.*

## Our employee base

### Group



### Paragon Finance



## Our gender pay gap

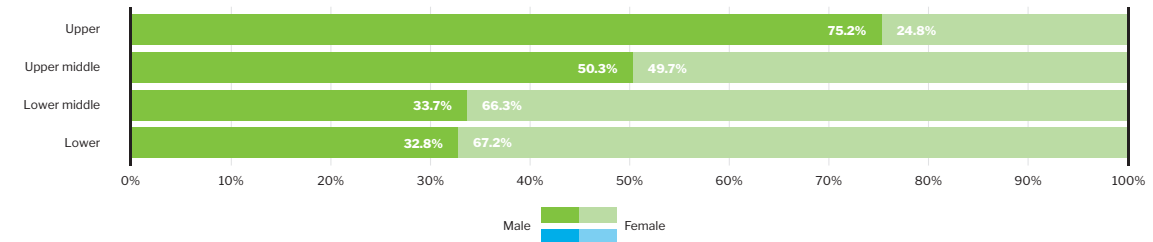
The mean pay gap is the difference between average hourly earnings of men and women. The median pay gap is the difference between the midpoints in the ranges of hourly earnings of men and women. It takes all salaries in the sample, orders them from lowest to highest and selects the middle value.

	Group		Paragon Finance	
	2019	2018	2019	2018
Mean	41.3%	39.7%	41.4%	40.0%
Median	33.9%	30.7%	31.3%	29.5%

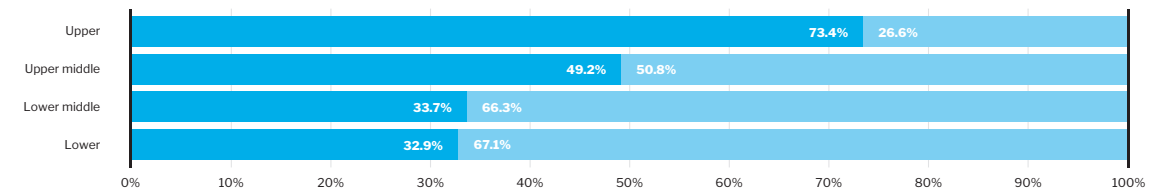
### Proportion of males and females in each pay quartile

These charts show the gender split of employees grouped by hourly pay rates into four equally sized quartiles. The upper quartile includes the highest paid employees.

#### Group



#### Paragon Finance



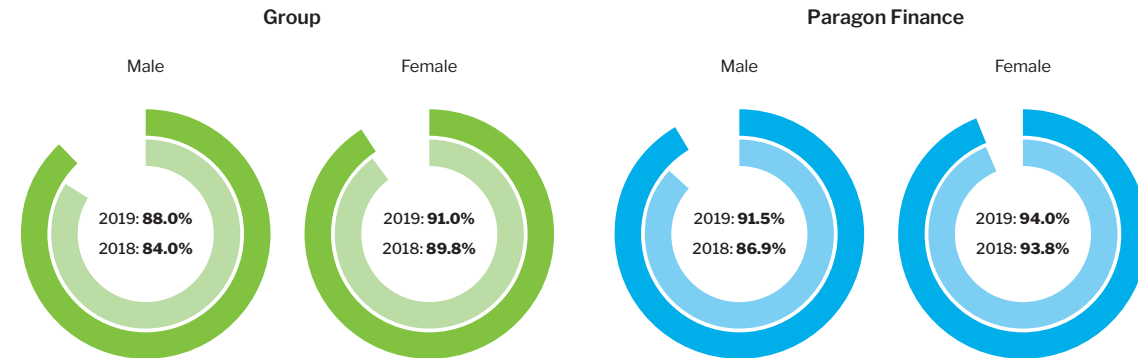
## Understanding Paragon's gender pay gap

- Our pay gap is reflective of differences in seniority between male and female employees. We have a greater proportion of men than women in senior roles and we are taking steps to address this
- We are confident there is not a difference in pay between men and women undertaking the same role and this is not a contributory factor to our gender pay gap.
- The talent pool is unbalanced in many professions in which we recruit, with male employees often significantly outnumbering females in professions which demand higher salaries, such as surveyors and IT. The level of appropriately qualified females makes parity challenging.
- Paragon also has a large number of females working part-time and the calculation takes no account of hours worked by employees in calculating averages. Part-time working is more common at lower levels, and flexible working has historically been more attractive to female employees, which tends to amplify the gender pay gap.
- Since the last published gender pay gap in April 2018, the Group acquired a development finance business, Titlestone, which had a wider gender pay gap than the Group's and a relatively large number of highly paid male employees with significant bonus entitlements.

# Bonuses

## Proportion of employees receiving a bonus

The charts below show the proportion of male and female employee numbers receiving a bonus in the year ended on the snapshot date. The statutory definition of bonus includes the annual profit related pay ('PRP') awards, which are payable annually to all employees of Paragon Finance (other than senior management) who were employed during the year concerned. These amounts are, therefore, paid to the vast majority of the Group's employees and movements in the percentage will relate largely to the proportion of the payroll at the snapshot date who had been employed during the financial year ended on the previous 30 September.



## Gender bonus gap

	Group		Paragon Finance	
	2019	2018	2019	2018
Mean	76.9%	84.9%	77.7%	85.6%
Median	1.2%	3.4%	1.2%	2.8%

It is a feature of the Group's remuneration policy that discretionary bonus payments and share awards are only available to more senior employees and the impact on mean bonus is a large gap so long as a majority of the most senior employees are men. The impact of a very small number of bonus payments to executive directors and other very senior employees, and the exercise of share-based awards by these people, mathematically outweighs the PRP based bonuses paid to the majority.

## What actions are we taking?

We recognise we have a long way to go to close our gender pay gap. We want to increase diversity at all levels across the Group but acknowledge this will take time. We are taking steps to ensure equality of opportunity and to increase the pipeline of female candidates available to assume senior roles in the business, or elsewhere in the financial services sector. These include:

- Reviewing our recruitment and selection practices and instructing search firms to provide improved gender diversity amongst candidates
- Increasing focus on providing female career development and leadership training
- Continuing our programme to identify female leaders and potential leaders amongst the workforces, providing those individuals with increased mentoring opportunities
- Participating in the Women Ahead cross-company mentoring programme
- Training employees, particularly those involved in recruitment, on unconscious bias
- Using an online recruitment system to provide anonymised CVs at the first selection stage
- Conducting a regular diversity survey amongst our employees

Over the coming year, the Group also aims to seek better gender balance in succession planning and establish inclusive networks to broaden the Group's diversity focus.

### Women in Finance

The Group is a signatory to the Women in Finance ('WiF') Charter, sponsored by HM Treasury, an initiative to address the underrepresentation of women in high level management positions in the financial services industry. It requires businesses to set a target for female representation in senior management. The Group continues to make good progress with its headline measure, the percentage of women in senior positions, and at 30 September 2019, the number of senior women had reached 35.9%, in excess of the Group's 35.0% target. This included 3 out of 10 executive committee members.