

PARAGON BANKING GROUP PLC
Equality, Diversity, and Inclusion

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1 Introduction

The purpose of this document is to set out Paragon Banking Group PLC's ("the Group") or ("Paragon") appetite and approach to equality, diversity, and inclusion.

The Group recognises that ensuring employees are treated equally, having a diverse workforce, and an inclusive culture are all important factors when managing its business and meeting the requirements of the Group's People Risk Policy. Failure to do this could result in the Group being insufficiently or inappropriately resourced, the workforce not being engaged, or an increased risk of employee relations' issues arising.

2 Who does this policy apply to?

This policy applies to all directors, employees, temporary workers, and contractors, within the Group, including all business areas and subsidiaries, with no exclusions.

3 Key objectives of the policy

The objective of this policy is to outline the Group's approach to equality, diversity and inclusion, the expectations for employees and in particular line managers to ensure that the Group's approach is understood and appropriately managed.

The Group implements this policy by:

- Development and communication of supporting HR processes and procedures which colleagues across Paragon are expected to follow
- Making available the policy and supporting processes to all colleagues through the CoreHR platform
- Engaging with and supporting line employees and managers, including the provision of training

4 Policy

4.1 Policy requirements

The Board believes the achievement of a diverse workforce at all levels delivers the best culture, behaviours, customer outcomes, profitability and productivity and therefore supports Paragon's success as a business.

Paragon is committed to eliminating discrimination and promoting equality, diversity, and inclusion amongst all its employees through its policies, procedures, and practices and through its professional dealings with each other, customers and third parties.

Every employee is entitled to a working environment that promotes dignity, equality, and respect for all. Paragon will not tolerate any acts of unlawful or unfair discrimination (including harassment) committed against an employee, contractor, job applicant or visitor because of a protected characteristic:

- sex;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race (including ethnic origin, colour, nationality and national origin);
- disability;
- sexual orientation;
- religion and or belief; and
- age.

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Paragon opposes all forms of unlawful and unfair discrimination by being committed to:

- Avoiding unlawful discrimination in all aspects of employment including recruitment and selection, promotion, transfer, opportunities for training, pay and benefits, other terms of employment, discipline, selection for redundancy or dismissal.
- Seeking to provide a work environment in which all employees are treated with respect and dignity and one that is free from harassment and bullying.

Discrimination on the basis of work pattern (part-time working, fixed term contract, flexible working) which is unjustifiable will also not be tolerated.

All employees are responsible for the promotion and advancement of this policy. Behaviour, actions, and words that contravene the policy will not be tolerated and will be dealt with in line with Paragon's disciplinary procedure.

Expectations of all employees and directors:

- Treat all employees and directors, whether part time, full time or temporary fairly with dignity and respect
- Select the most suitable candidate for employment and promotion based on aptitude and ability; educational and professional background will only be considered where it is essential to the role
- Help and encourage all employees to develop their full potential to ensure talents and resources are fully utilised to benefit the individual and Paragon
- Encourage, recognise, and value individual differences and the contributions of all employees
- Not tolerate any form of discrimination, intimidation, bullying or harassment
- Ensure training, development and progression opportunities are available to all employees with a continuing focus on under-represented groups
- Promote equal opportunities for those with protected characteristics defined under the Equality Act
- Treat no one less favourably because of their political affiliation, trade union membership or because of their ill health

Human Resources will continually monitor and review all employment policies, procedures, and practices to ensure fairness.

4.2 Policy implementation

4.2.1 Governance

Since inception in March 2002, the policy has been regularly reviewed in line with legislative changes. Associated reporting is contained within Paragon's Annual Report and Accounts and further information is published on Paragon's website within the Corporate Responsibility pages.

The Group's Nomination Committee ("NomCo") takes an active role in setting and meeting diversity objectives and strategies for Paragon as a whole, and in monitoring the impact of diversity initiatives. Examples of the type of actions monitored by NomCo:

- Commitment to increasing the diversity of the Board by setting stretching targets
- Dedicated initiatives with clear objectives and targets in areas of the business that lack diversity
- Focussing on increasing diversity across middle and senior management roles
- Providing mentoring and sponsorship schemes
- Commitment to more diverse shortlists and interview panels
- Positive action to encourage more progression for women into non-traditional roles

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- Ensuring diversity of personal attributes exists across teams, including the Board, to provide a range of softer skills

Executive Committee members' annual personal objectives include a focus on promoting equality, diversity and inclusion and individual performance is considered by the Group's Remuneration Committee when considering any annual variable pay award.

4.2.2 Training

Equality, Diversity, and Inclusion eLearning is compulsory for all employees on an annual basis, the results of which are reviewed by the Head of People Partnering who will initiate any remedial training as required.

4.2.3 Equality, Diversity and Inclusion targets and commitments

NomCo agree and oversee the progress towards specific diversity targets detailed below on behalf of the Board. Progress is reported annually on Paragon's website and within the Annual Report and Accounts.

4.2.3.1 FCA PS22/3: Diversity and inclusion on company boards and executive management

In April 2022, the FCA published its final policy decision for proposals set out in CP 21/24 'Diversity and inclusion on company boards and executive committees'. The new Listing Rules require the Group to include a statement in its annual financial report setting out whether they have met the following board diversity targets:

- At least 40% of the board should be women
- At least one of the senior board positions (Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID) should be a woman
- At least one member of the board should be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics)

The Group is required to make these disclosures in its annual reports for financial years starting on or after 1 April 2022, and reporting is on a 'comply or explain' basis.

4.2.3.2 FTSE Women Leaders (previously Hampton Alexander)

FTSE Women Leaders have made four recommendations that businesses should be working towards, following the requirements for Hampton Alexander reporting ceasing:

- The voluntary target for FTSE 350 Boards & for FTSE 350 Leadership teams should increase to a minimum of 40% women's representation by the end of 2025
- FTSE 350 companies should have at least one woman in the Chair, Senior Independent Director role on the Board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025
- Key stakeholders should continue to set best-practice guidelines or use alternative mechanisms to encourage any FTSE 350 Board that has not yet achieved the previous 33% target for the end of 2020, to do so
- The scope of the Review is extended beyond FTSE 350 companies to include the largest 50 private companies in the UK by sales

4.2.3.3 Women in Finance

Paragon signed the voluntary Women in Finance Charter in December 2016 and reached the initial target of a minimum 35% female representation in senior management roles by 31 January 2022. The Group is committing to achieve and maintain a new target by 31 December 2025:

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- A minimum of 40% female representation in senior management roles, defined as members of the Board, Executive Committee, and the direct reports of Executive Committee members

4.2.3.4 Race at Work Charter

Paragon signed the voluntary the Race at Work charter in April 2021. The Race at Work Charter is a public commitment to improving the experiences of black, Asian and minority ethnic employees in the workplace. It sets out five actions for signatories to take:

- Appointing an Executive Sponsor for race
- Capturing data and publicising progress
- Ensuring zero tolerance of harassment and bullying
- Making equality in the workplace the responsibility of all leaders and managers
- Taking action that supports ethnic minority career progression

4.2.3.5 Disability Confident

In April 2021, Paragon achieved Level 1 'Disability Confident Committed' status under the Government's Disability Confident scheme. As a Disability Confident Committed organisation, Paragon has agreed to the five Disability Confident core commitments and identified at least one additional action. Paragon will meet the following commitments:

- It will ensure its recruitment process is inclusive and accessible
- It will communicate and promote vacancies
- It will offer an interview to disabled people
- It will anticipate and provide reasonable adjustments as required
- It will support any existing employee who acquires a disability or long-term health condition, enabling them to stay in work

In addition, Paragon will provide paid employment opportunities to people with disabilities.

Further to this, in October 2022 Paragon achieved Level 2 'Disability Confident Employer' status by completing actions to meet two key themes:

Theme 1 – Getting the right people for your business

Theme 2 – Keeping and developing your people

4.2.3.6 Progress Together

In 2022 Paragon became a founding member of Progress Together, a membership body that is working to improve socio-economic diversity at senior levels across the financial services sector. As a founding member the Group acts as an advocate and role model for social- mobility across the sector.

4.2.4 The Equality, Diversity, and Inclusion Network

Paragon's Equality, Diversity, and Inclusion ("EDI") Network launched in October 2020. The EDI Network comprises of a group of employees from across Paragon, who have formed a committee to run the Network. Committee members demonstrate an understanding and passion for promoting the benefits of EDI and each member is an advocate to raise awareness and promote EDI at both an operational and strategic level.

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The EDI Network is expected to:

- Meet regularly, share ideas, and engage in discussion about a range of relevant subject areas
- Identify activities and events to engage, inspire and support employees across all areas of diversity and inclusion
- Actively encourage employee involvement by seeking views and feedback on EDI at Paragon
- Create learning opportunities for employees to deepen and develop their personal understanding of EDI issues
- Identify opportunities for the Group to engage with its local communities to promote EDI
- Provide feedback and insight to the Executive Committee on issues of culture and EDI in the workplace, including recommendations and actions to support the delivery of the Group's strategic goals
- Working with the External Relations team, communicate and celebrate EDI activities
- Actively work with key stakeholders to continually improve the network's activities and value

Updates regarding the EDI Network's activities are reported annually for review and noting by the Nomination Committee.

5 Definition of terms

5.1 Discrimination

Treating someone less favourably than another individual because of a protected characteristic; age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion and belief, sex, sexual orientation.

5.2 Bullying

Offensive, intimidating, malicious or insulting behaviour through means intended to undermine, humiliate, denigrate, or injure the recipient.

5.3 Harassment

Unwanted conduct which has the purpose or effect of violating the victim's dignity, creating an intimidating, hostile, degrading, humiliating or offensive environment.

5.4 Victimisation

Someone singled out for using workplace procedures to exercise their legal rights.

6 Applicable laws, regulation, and industry guidance

These policies take into consideration the applicable laws, regulations, and industry guidance, including the following:

- Employment Rights Act, 1996
- Equality Act, 2010
- FCA PS22/3: Diversity and inclusion on company boards and executive management
- Women in Finance Charter, HM Treasury
- FTSE Women Leaders Review (previously Hampton Alexander review)
- McGregor Smith Review, Department for Business, Energy & Industrial Strategy
- Race at Work Charter, Business in the Community

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- Disability Confident employers' scheme, Departments for Work and Pensions
- Gender Pay Gap reporting, Government Equalities Office

7 Policy framework

The Group governs compliance with this policy by:

- HR engagement with business areas and oversight of their adherence to the underlying processes and procedures
- HR monitoring of equality, diversity, and inclusion related MI to identify emerging and crystallised issues
- Quarterly updates on the implementation of this policy provided to the Customer and Conduct Committee and Executive Committee via its People updates
- Annual reporting and oversight to the Nomination Committee on the implementation of this policy

8 Related documents

- People Risk Policy
- Disciplinary Policy
- Whistleblowing Policy