

PARAGON BANKING GROUP PLC

Equality, Diversity and Inclusion

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a. Ownership

The policy is owned by the People Director. Changes to the policy require prior approval from the Board of Paragon Banking Group PLC, following recommendation from the Nomination Committee.

b. Review

From 2018, the policy will be reviewed at least annually, or in line with regulatory changes as appropriate.

1 Introduction

The purpose of this policy is to provide equality, fairness and inclusion for everyone employed by Paragon Banking Group PLC (“PBG”) or (“Paragon”). We will treat everyone equally and with the same attention, courtesy and respect regardless of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality, ethnic or national origin and caste), religion or belief, sex or sexual orientation. 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

2 Who does this policy apply to?

This policy applies to all Board members of Paragon Banking Group PLC and Paragon Bank PLC (“the Board”), all contracted employees across Paragon’s businesses, either home based or located in any of the Group’s premises, as well as temporary workers and contractors.

3 Policy

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
- Age

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

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

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.

4 Objectives

This policy will ensure:

- All Board members and employees, whether part time, full time or temporary are treated fairly with dignity and respect
- Selection for employment and promotion is based on aptitude and ability; educational and professional background will only be considered where it is necessary or relevant to the role
- All employees are helped and encouraged to develop their full potential to ensure talents and resources are fully utilised to benefit the individual and Paragon
- Individual differences and the contributions of all employees are encouraged, recognised and valued
- No form of discrimination, intimidation, bullying or harassment is tolerated
- Training, development and progression opportunities are available to all employees with a continuing focus on under-represented groups
- Encouraging diversity, ensuring equality and inclusion is good management practice and promoting equal opportunities for those with protected characteristics defined under the Equality Act is a priority
- No one is treated less favourably because of their political affiliation, trade union membership or because of their ill health, including HIV/AIDS
- All employment policies, procedures and practices will be continually monitored and reviewed to ensure fairness

5 Section 1: 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 Section 2: Implementation

6.1 Governance

Since inception in March 2002, the policy has been regularly reviewed in line with legislative changes and from 2018, is reviewed annually as a minimum. Associated reporting is contained within Paragon's Annual Report and Accounts and further information is published on Paragon's website within the Sustainability section.

Paragon Banking Group's Nomination Committee 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 Paragon's Nomination Committee:

- 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
- 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 Paragon Banking Group's Remuneration Committee when considering any annual variable pay award.

6.2 Training

Subject matter training is compulsory for all employees on an annual basis, the results of which are reviewed by the Head of HR who will initiate any remedial training as required.

6.3 Equality, Diversity and Inclusion targets

The Nomination Committee 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.

6.3.1 *Hampton Alexander*

On 9 November 2017 the Hampton-Alexander Review published a supplementary report on gender balance in FTSE leadership. In its initial report, published in 2016, the Review set the following target, applicable to Paragon, to be achieved by the end of 2020:

- For FTSE 350 companies, a minimum of 33% women's representation on their boards

6.3.2 *Women in Finance*

Paragon signed the voluntary Women in Finance Charter in December 2016, committing to achieve and maintain the following target by 31 January 2022:

- A minimum of 35% female representation in senior management roles (defined as members of the Board, Executive Committee and the direct reports of Executive Committee members)

6.4 The Equality, Diversity and Inclusion network

Paragon's Equality, Diversity and Inclusion ("EDI") network will launch in October 2020. The EDI network will comprise a group of employees from across Paragon, who will form a committee and run the network. Committee members will demonstrate an understanding and passion for promoting the benefits of equality, diversity and inclusion and will be an advocate to raise awareness and promote EDI at both an operational and strategic level.

The Committee will draft and agree their terms of reference for subsequent approval by the People Director. The terms of reference will be published internally and included in the next annual update of this policy.

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