

## Introduction

Acting responsibly in the markets in which we operate, caring for our people and treating our customers fairly are key principles at the heart of everything we do.

One of the Group's aims is that its employees, job applicants, retailers, business introducers and suppliers should be treated fairly and that they should not be disadvantaged by unjust or unfair conditions or requirements. As part of this, Paragon Banking Group PLC ('PBG') is committed to ensuring that there is no slavery, servitude, forced or compulsory labour or human trafficking in our supply chains or within any part of our operations. We do not tolerate the exploitation of anyone who is employed by us or who works with us towards achieving our business goals.

PBG supports the objectives of the Modern Slavery Act 2015 (the 'Act') in raising awareness of modern slavery and human trafficking. As required by Section 54 of the Act, PBG presents its slavery and human trafficking statement for its financial year ended 30 September 2017. This statement is drawn up in accordance with the available government guidance.

## Our business

PBG is a FTSE 250 listed company which is incorporated in the UK and headquartered in Solihull. PBG has a number of subsidiary companies, which, together with a number of other related entities are included in its consolidated financial reporting (together the 'Group').

The Group is a banking group whose operations are conducted wholly within the UK. It does not operate in any areas generally considered to have a high risk of incidence of modern slavery and human trafficking. The Group's supply chain is mainly focussed on the procurement of professional and office services within the UK, which, again, are not considered to be high risk sectors for modern slavery and human trafficking.

This statement is made by PBG and applies to all the entities within the Group. Regulatory and corporate details regarding the Group's subsidiaries can be found at:

<http://www.paragonbankinggroup.co.uk/regulatory-status>

<https://www.paragonbankinggroup.co.uk/companydetails>

## **Policies on slavery, servitude, forced or compulsory labour and human trafficking**

We are committed to ensuring that none of these offences occur in our supply chains or in any part of our business. Our Modern Slavery Policy was approved by the boards of PBG and relevant subsidiaries and reflects our groupwide commitment to acting ethically and with integrity in all our business relationships.

The Group is subject to the UK Human Rights Act 1998. The Board of PBG has overall responsibility for ensuring that all areas within the Group uphold and promote respect for human rights. The Group's policies and procedures seek to anticipate, prevent and mitigate any potential negative human rights impacts as well as enhance positive impacts. In particular, this is managed through policies regarding employment, equality and diversity, modern slavery, conduct risk and information security.

All these policies seek both to ensure that employees comply with the relevant legislation and regulations in place and to promote good practice. The Group's policies are formulated and kept up to date by the relevant business area, authorised in accordance with the Group's governance procedures and communicated to all employees through a number of methods as well as through the Human Resources Policies Manual.

All employees are required to read and confirm their understanding of HR Policies which include the Modern Slavery Policy. In addition to the Modern Slavery Policy, the requirements of the Act are reflected in a number of our policies including recruitment, whistleblowing and anti-bribery and corruption.

## **Impact on our business**

The Group has assessed its employment arrangements and its HR Policies and has determined that the risk of offences, related to modern slavery, being committed is low.

The Group utilises a relatively small number of contractors (short and longer term) and apprentices to support its business needs. All employees are thoroughly vetted prior to appointment irrespective of whether they are permanent or temporary. All employees, including all those who are part of the Apprenticeship Scheme and all temporary or contract staff are paid equivalent to those paid as permanent employees. The Group adheres to the standards of the Living Wage Foundation which are reviewed on an annual basis.

We have in place rigorous recruitment processes to ensure that where we appoint a third party to assist with recruitment they do not charge recruitment fees to the individual being considered for appointment.

We undertake verification of all individuals, as required by UK legislation and regulation, prior to their appointment and for certain roles this includes criminal record checking.

## **Impact on our supply chains**

The Group initially assessed its supply chain (including its business introducers) and determined that the risk of slavery, servitude, forced or compulsory labour and human trafficking in this area was low, due to the concentration of these suppliers in the UK and within industries generally considered low risk. This risk assessment remains valid.

During 2016 and 2017 the Group identified which of its suppliers could be considered to be in areas of greatest risk. It then contacted them together with the Group's larger suppliers determined by invoicing cost, to ascertain whether they had appropriate procedures in place to combat modern slavery. The results of this exercise did not raise any concerns.

Going forward, a revised outsourcing and supplier management framework is being rolled out with supporting engagement policies and controls for all suppliers. This commenced in 2017 and will be fully deployed during 2018. This framework will:

1. include, in respect of modern slavery, a risk assessment when the supplier is first contracted with. The risk assessment will form part of the determination of whether the potential supplier is considered to be high, medium or low risk;
2. enable early identification of supply chain issues, including any relating to modern slavery; and
3. include monitoring of each supplier at least annually, depending on its risk categorisation, and this monitoring, including in relation to modern slavery will continue throughout the cycle of the relationship.

This enhanced framework will ensure that we have effective systems to:

1. identify, assess and monitor potential risk areas in our supply chains;
2. mitigate the risk of slavery and human trafficking occurring in our supply chains; and
3. protect whistleblowers.

## **Training**

As part of its commitment to ensuring that employees are aware of and comply with relevant legislation and the Group's Modern Slavery policy, a dedicated on-line training module and assessment module was designed and rolled out to all employees during 2017. All employees undertake refresher training on the module annually and it forms part of the Group's induction training.

## **Our effectiveness in combating slavery and human trafficking**

The Group uses the following key performance indicators ('KPIs') to measure how effective it has been in ensuring that slavery and human trafficking is not taking place in any part of the business or the supply chain.

- Whistleblowing reports - during the year ended 30 September 2017 no incidents of slavery, servitude, forced or compulsory labour or human trafficking relating to the Group's employment arrangements or its supply chains were recorded through the whistleblowing process or came to the Group's attention through its other management and human resources processes.
- Modern slavery e-hub learning completion rates for 2017 - 97% of employees completed the module.

In 2018/19 KPIs related to the outsourcing and supplier management framework will be developed.

## **Sign off**

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes Paragon Banking Group PLC's slavery and human trafficking statement for the financial year ended 30 September 2017. APPROVED BY THE BOARD OF PARAGON BANKING GROUP PLC ON 22 March 2018.

A handwritten signature in black ink, appearing to read 'Nigel Terrington', written in a cursive style.

**Nigel Terrington, Chief Executive**  
**Paragon Banking Group PLC**  
**Date: March 2018**

\*This statement was adopted by the boards of Paragon Bank PLC, Paragon Finance PLC, Paragon Asset Finance Limited, Idem Capital Holdings Limited, Idem Capital Limited and Idem Capital Securities Limited in March 2018.