

Modern Slavery Statement

Introduction

Paragon Banking Group PLC ('PBG') considers acting responsibly in its operating markets, caring for its people and treating customers fairly as key principles to be held at the heart of everything it does. One of PBG's aims in meeting these principles is that 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, PBG is committed to ensuring that there is no slavery, servitude, forced or compulsory labour or human trafficking in its supply chains or within any part of its operations. The exploitation of anyone who is employed by PBG or who works with PBG towards achieving our business goals will not be tolerated. 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 2018. This statement is drawn up in accordance with the available government guidance.

Our business

PBG is incorporated in the UK, listed on the London Stock Exchange and is a member of the FTSE 250. 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, headquartered in Solihull, 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

Policies on slavery, servitude, forced or compulsory labour and human trafficking PBG is committed to ensuring that none of these offences occur in its supply chains or in any part of its business. The Modern Slavery Policy was approved by the boards of PBG and relevant subsidiaries and reflects a groupwide commitment to acting ethically and with integrity in all 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.

The Group's approach to managing its risks is embedded through its policies and procedures and through its Group Operational Risk Management Framework. The policies and procedures provide our colleagues with clear minimum standards driving behaviours which reflect the Group's values and ensure compliance with legal and regulatory requirements. 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 Human Resources policies. In addition to the Modern Slavery Policy, the requirements of the Act are reflected in a number of the Group's policies/procedures 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, whether permanent, temporary, contracted, or on an apprenticeship scheme, are thoroughly vetted prior to appointment, and are paid on an equivalent basis for equivalent roles. In addition, the Group adheres to the standards of the Living Wage Foundation which are reviewed on an annual basis. Rigorous recruitment processes are in place to ensure that where a third party is appointed to assist with recruitment they do not charge recruitment fees to the individual being considered for appointment. Verification of all individuals is also undertaken, 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 2018 the Group has continued to follow processes applied since 2016 to assess areas of potential risk in relation to the Act. It identifies which of its suppliers could be considered to be in areas of greatest risk, and then contacts them together with the Group's larger suppliers determined by invoicing cost, to ascertain whether they have appropriate procedures in place to combat modern slavery. The results of these exercises have not raised any concerns. In addition to maintaining previously applied standard processes PBG has also recruited a Supply Chain Manager into a newly created role. This appointment has been made as part of the Group's objective to ensure a consistent approach in the application of outsourcing and supplier management principles across its businesses. Continued development of the outsourcing and supplier management framework are now managed by the Supply Chain Manager, reporting to the Operations Director, and operating within the governance structure outlined by the Group's Operational Risk Committee. The principles of the framework are intended to ensure that the Group continues 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.

In relation to the requirements of the Act, the objectives of the framework will:

1. ensure that each supplier is assessed in respect of Modern Slavery at the point of contracting in order to determine whether the Group's approach to monitoring that supplier's compliance with the requirements of the Act should be at a high, medium, or low level;
2. enable early identification of supply chain issues, including any relating to modern slavery; and
3. ensure each supplier is monitored, in accordance with its risk assessment, throughout the cycle of the business relationship.

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 2018 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.

Supplier review – based on assessment of all active suppliers, 17% of the Group's suppliers have been identified as in areas of greatest risk in relation to the Act, and as such have been further assessed in-line with process. These assessments have not raised any material concerns.

Modern slavery on-line training module completion rates for 2018 – 95.51% of employees (excluding those on long term sick and maternity leave) completed the module.

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 2018. APPROVED BY THE BOARD OF PARAGON BANKING GROUP PLC ON 28 February 2019*.

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 2019**

*This statement was adopted by the boards of Paragon Bank PLC, Paragon Finance PLC, Paragon Asset Finance Limited, Idem Capital Holdings Limited, and Idem Capital Securities Limited in February 2019.