

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Bond Framework

Paragon Banking Group PLC

20 May 2026

VERIFICATION PARAMETERS

Type(s) of
instruments
contemplated

- Green Bond Instruments¹

Relevant standards

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2025)
- Green Loan Principles (GLP) as administered by the Loan Market Association (LMA) (as of March 2025)

Scope of verification

- Paragon Green Bond Framework (as of May 18, 2026)
- Paragon Eligibility criteria (as of May 18, 2026)

Lifecycle

- Pre-issuance verification

Validity

- Valid as long as the cited Framework remains unchanged

¹ The assessment is limited to green bonds. These may be issued in various formats: public placements as well as secured bonds (such as Covered Bonds).



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SCOPE OF WORK

Paragon Banking Group PLC ("the Issuer," "the Company" or "Paragon") commissioned ISS-Corporate to assist with its Green Bond Instruments by assessing three core elements to determine the sustainability quality of the instruments:

1. Paragon's Green Bond Framework (as of May 18, 2026), benchmarked against the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and the Loan Market Association's (LMA) Green Loan Principles (GLP).
2. The Eligibility criteria— whether the project categories contribute positively to the United Nations Sustainable Development Goals (U.N. SDGs) and how they perform against ISS-Corporate's proprietary issuance-specific management of environmental and social risk indicators (see Annex).
3. Overview of Paragon's sustainability strategy, drawing on the key sustainability objectives and priorities defined by the Issuer.

PARAGON OVERVIEW

Paragon Banking Group Plc engages in the provision of finance in the form of mortgages for landlords and loans for business customers. It also provides mortgages, finance, and vehicle contracts. The company operates through the Mortgage Lending and Commercial Lending segments. The Mortgage Lending segment provides buy-to-let mortgage finance for landlords operating in the UK's Private Rented Sector. The Commercial Lending segment involves equipment leasing, development finance, structured lending, and other offerings targeted towards SMEs. The company was founded in 1985 and is headquartered in Solihull, the United Kingdom.

ESG risks associated with the Issuer's industry

Paragon is classified in the mortgage and public sector finance industry, as per ISS Sustainability's sector classification. Key sustainability issues faced by companies² in this industry are statutory ESG-standards linked to the geographical allocation of the lending portfolio, employee relations and work environment, sustainability impacts of lending and other financial services/products, customer and product responsibility.

This report focuses on the sustainability credentials of the issuance. Part III of this report provides an overview of the Issuer's overall sustainability strategy.

Rationale for issuance

The Green Bond Framework has played an important role in supporting Paragon's sustainability ambitions, targeting emissions related to mortgage lending. It provides criteria to identify investments which support the transition to a low carbon economy, specifically for the real estate and transportation sectors.

² Please note that this is not a company-specific assessment but rather areas that are of particular relevance for companies within this industry.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part I:	The Issuer has defined a formal concept for its Green Bond Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the GBP and GLP.	Aligned
Alignment with GBP and GLP		
Part II:	The Green Bond Instruments will (re)finance the following eligible asset categories:	
Sustainability quality of the Eligibility criteria	Green categories: Green Buildings and Clean Transportation. Product and/or service-related use of proceeds categories⁴ individually contribute to one or more of the following SDGs:   The environmental and social risks associated with the use of proceeds categories and the financial institution are outlined in part II.B.	
Part III:	The Issuer has disclosed its ESG pillars. Internal performance targets are set for these pillars. Progress on the sustainability strategy is being publicly reported.	
Paragon's sustainability strategy		

³ The evaluation is based on the Paragon's Green Bond Framework (as of May 18, 2026), on the analyzed selection criteria as received on as of May 18, 2026.

⁴ Green Buildings, Clean Transportation.

SPO ASSESSMENT

PART I: ALIGNMENT WITH THE GREEN BOND PRINCIPLES

This section evaluates the alignment of the Paragon's Green Bond Framework (as of May 18, 2026) with the GBP and GLP.

GBP	ALIGNMENT	OPINION
1. Use of proceeds	✓	The use of proceeds description provided by Paragon's Green Bond Framework is aligned with the GBP and GLP. The Issuer's green categories align with the project categories as proposed by the GBP. Criteria are defined clearly and transparently. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described. The Issuer clearly specified the method defined for each secured GSS standard bond in the Framework.
2. Process for project evaluation and selection	✓	The process for project evaluation and selection description provided by Paragon's Green Bond Framework is aligned with the GBP and GLP. The project selection process is defined. ESG risks associated with the project categories are identified and managed appropriately. Moreover, the projects selected show alignment with the Issuer's sustainability strategy. The Issuer defines exclusion criteria for harmful project categories (as per EU Paris Aligned Benchmark). The Borrower provides information on how the selection and evaluation process fits within the context of their overarching objectives, strategy, policy and/or processes relating to environmental/social sustainability, in line with best market practice
3. Management of proceeds	✓	The management of proceeds provided by Paragon's Green Bond Framework is aligned with the GBP and GLP.

GBP	ALIGNMENT	OPINION
		The Issuer will strive to ensure that the net proceeds collected will equal the amount allocated to eligible projects. The net proceeds are tracked appropriately. The net proceeds are managed on an aggregated basis for multiple green bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. Finally, the risk of double counting is addressed by Paragon who is transparent on the nature of the instruments and its impacts.
4. Reporting	✓	The allocation and impact reporting provided by Paragon's Green Bond Framework is aligned with the GBP and GLP. The Issuer commits to disclose the allocation of proceeds transparently and report with appropriate frequency. The reporting will be publicly available on the Issuer's website if the outstanding instruments include bonds. Paragon has disclosed the type of information that will be reported and explains that the level of expected reporting will be at the project category level. Moreover, the Issuer commits to report annually until the bond matured. The Issuer is transparent on the level of impact reporting and the information reported and further defines the duration and frequency of the impact reporting. Additionally, it commits to getting the allocation report audited by an external party, in line with best market practices.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

A. CONTRIBUTION OF THE GREEN BOND INSTRUMENTS TO THE U.N. SDGs⁵

The Issuer can contribute to the achievement of the SDGs by providing specific services/products that help address global sustainability challenges, and by being a responsible actor, working to minimize negative externalities in its operations along the entire value chain.

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as ISS Sustainability's SDG Solutions Assessment, a proprietary methodology designed to assess the impact of an Issuer's products or services on the U.N. SDGs, as well as other ESG benchmarks (the EU taxonomy Climate Delegated Act, the Green/Social Bond Principles and other regional taxonomies, standards and sustainability criteria)⁶.

The assessment of UoP categories for (re)financing is displayed on a three-point scale:

Obstruction	No Net Impact	Contribution
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Each of the green bond instruments' use of proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁷	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
Green Buildings (Residential) ▪ <i>Residential buildings in the UK</i> ⁸	Contribution	 

⁵ The impact of the UoP categories on U.N. SDGs is assessed with proprietary methodology and may therefore differ from the Issuer's description in the Framework.

⁶ Our assessment methodology differentiates between product/service categories and operational improvement categories. The latter refers to financing directed toward an entity's internal operations that do not themselves produce revenue. In the case of financial institutions, this differentiation is not applied due to the limited visibility they have over borrowers' operational specifics and the diversified nature of their lending activities.

⁷ The review is limited to the examples of projects spelled out in the Framework.

⁸ The Energy Performance Certificate regime in the United Kingdom is undergoing regulatory reform, including revisions to EPC metrics and assessment methodologies. Assets determined to be eligible under the Framework with reference to existing EPC metrics will remain eligible for the duration of the applicable certificate validity periods and during any transitional phase. In connection with future issuance under this Framework, eligibility assessments may reference successor EPC standards or other officially recognised measures of equivalent energy performance that are in force at the time of issuance, where formally implemented and applicable to the relevant asset class.

USE OF PROCEEDS (PRODUCTS/SERVICES) ⁷	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<i>Residential buildings belonging to the top 15%⁹ low carbon buildings in the local context¹⁰ (i.e. England & Wales) or have an Energy Performance Certificate ("EPC") A or B (where the EPC EER score is within the top 15% of England & Wales) label or demonstrate equivalent energy performance under successor domestic EPC metrics introduced by the UK Government</i> ▪ Renovated residential buildings <i>The renovation achieves savings in net Primary Energy Demand of at least 30% in comparison to the baseline performance of the building before the renovation¹¹.</i> Clean Transportation <i>Financing or refinancing the acquisition of fully electric vehicles for passenger transport and light commercial vehicles</i>	Contribution	 

⁹ "Top 15%" means EPC EER score $\geq$ the 85th percentile threshold for the England & Wales domestic EPC distribution based on [DLUHC "Live tables on Energy Performance of Buildings Certificates"](#). The threshold will be refreshed at least annually and disclosed in annual allocation/impact reporting. It is acknowledged that EPC coverage is not universal, as EPCs are only required when a dwelling is constructed, converted, sold, or let; therefore, the dataset is not a complete record of the entire housing stock.

¹⁰ Low-carbon buildings in the local context based on primary energy demand or emissions intensity performance.

¹¹ The energy performance before the renovation can be based on actual or reference energy data, energy labels or estimated energy used based on the building regulation that was applicable in the building year of the building. Renovated buildings may take into account the future PED thresholds for renovations in line with the future Long Term Building Renovation Plan of the government. The initial primary energy demand and the estimated improvement are based on a detailed building survey, an energy audit conducted by an accredited independent expert or any other transparent and proportionate method and validated through an EPC. The 30 % improvement results from an actual reduction in primary energy demand (where the reductions in net primary energy demand through renewable energy sources are not taken into account), and can be achieved through a succession of measures within a maximum of three years

B. PARAGON'S MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS

Financial institutions are exposed to E&S risks through their financing of economic activities that impact E&S factors and, to a lesser extent, through their own operations and impacts they themselves generate on the environment and society in which they operate.

The table below describes sustainability-related risks considered relevant to the Bank's operations and the types of projects (re)financed via the Framework.

The assessment covers all business lines and locations across the United Kingdom.

Integration of ESG guidelines into the financing process

In the UK, expectations relating to environmental and climate-related financial risks for banks are set by the [Prudential Regulation Authority](#) (PRA). The PRA's supervisory framework, as set out in [SS5/25 – Enhancing bank's approaches to managing climate-related risks](#), requires firms to consider climate-related risks within existing governance and risk management arrangements, including processes for risk identification, monitoring and disclosure. Guidance under SS5/25 specifies that firms are expected to incorporate climate-related risks into existing financial risk management practices and to use scenario analysis as a tool to support risk identification and assessment. Additionally, PRA-related guidance indicates that firms are expected to consider climate risks within internal processes such as capital adequacy assessments (e.g. ICAAP).

Paragon integrates ESG considerations, primarily climate-related risks, within its existing [enterprise risk management framework](#) rather than through a standalone ESG risk framework. Paragon has designated Climate Risk as a principal risk and ESG risks are also considered within established risk categories such as credit, operational, and reputational risk, supported by governance oversight, a Risk Appetite Framework, and risk monitoring processes. ESG considerations are also reflected indirectly through focus on asset characteristics such as energy efficiency in property lending. Paragon states that direct lending is prohibited to the identified sectors that are mis-aligned with the sustainability strategy.

The framework is applied across core business lines, including mortgages, SME lending, and development finance, and reflects the Group's UK-focused operations.

[Risk identification](#) and management is described at an aggregate level through risk registers, enterprise risk identification processes and scenario analysis. The annual report indicates that risk management is structured by business line (e.g. mortgages, SME lending, development finance), and lending activities are managed through existing credit frameworks, lending decisions incorporate general credit risk assessment. The Group performs ongoing monitoring of risks including credit risk and portfolio risk assessment, stress testing and scenario analysis. Paragon Bank has a process in place for risk governance and escalation which conducts escalation of material risk under board and committee

oversight. Paragon states that ESG-related factors, primarily environmental risks, are considered within asset-level underwriting and development finance processes, including energy efficiency thresholds, flood risk assessment, and ongoing project monitoring. However, it does not evidence a borrower-level ESG risk assessment framework. Paragon confirms that the post-disbursement risk management and monitoring is conducted monthly and reported to the credit committee in line with the institution's Enterprise Risk Management Framework and Risk Appetite Framework. The Group references alignment with climate-related disclosure practices, including The Task Force on Climate-related Financial Disclosures (TCFD). A multi-tiered committee system reviews credit decisions and escalates higher-risk proposals for further scrutiny. [Governance](#) is structured with an independent oversight from Audit, Risk and Compliance Committee. Paragon also states that the material and emerging issues are escalated through a defined governance structure via a Sustainability Committee reporting to Executive Committee (ExCo) and, where necessary, the Board. The involvement of senior lending management suggests that ESG risks are considered within decision-making processes.

Due diligence measures for labor, health, safety, biodiversity, community dialogue

The Bank confirms that all assets to be financed under this framework are located exclusively in the UK, which therefore provides high labor and health and safety for construction and maintenance work as the UK Government has ratified all ILO core conventions.

In the UK, labor rights are principally governed by the [Employment Rights Act 1996](#) and the [Equality Act 2010](#), which establish protections relating to fair working conditions, non-discrimination and equality in employment. Additional statutory protections are provided through legislation covering [minimum wages](#), [working time limits](#), freedom of association and collective bargaining, and the prohibition of forced and child labor under [Trade Union and Labor Relations Act 1992](#).

Occupational health and safety is governed by a UK's statutory framework centered on the [Health and Safety at Work etc. Act 1974](#), which establishes a general duty on employers to protect the health, safety and welfare of employees and others affected by work activities. This framework is implemented through the Management of [Health and Safety at Work Regulations 1999](#) and [Workplace Regulation 1992](#) setting minimum standards for workplace conditions and specific risk areas.

Additionally, Paragon Banking Group maintains internal [health and safety framework](#) and governance arrangements applicable to its own operations and workforce. These include structured oversight, employee training, and monitoring processes designed to promote safe working environments and continuous improvement in health and safety performance. Its Group Occupational Health and Safety Management System (OHSMS) is certified to ISO45001:2018 and compliance is audited bi-annually by a UKAS accredited auditor.

Paragon Bank is subject to national environmental and land-use legislation governing biodiversity protection and environmental impacts associated with new construction projects. UK's National regulatory requirements covering conservation and biodiversity for construction and infrastructure projects are anchored in the [Environment Act 2021](#), mandatory [Biodiversity Net Gain obligations](#), the [Conservation of Habitats and Species Regulations 2017](#), [Environmental Impact Assessment rules](#) and species protection legislation.

Governance over ESG topics

Paragon Bank embeds ESG considerations systematically into its enterprise risk management (ERM) framework, primarily through identifying Climate Risk as a principal risk and the integration of climate-related risks into existing risk categories such as credit, operational, and reputational risk, supported by internal control functions including compliance and internal audit and communicated through Board reporting and sustainability disclosures. The Group's enterprise risk management framework is implemented through three lines of defence model, which delineates responsibilities for risk management, oversight, and assurance. The first line comprises operational and support functions that own and manage risks within defined limits. The second line consists of the risk and compliance functions, which establish the framework, provide oversight, and challenge risk management practices. The third line is the internal audit function, which independently evaluates the effectiveness of risk management and internal controls. Issuer involved internal and external stakeholders in the management of climate-related risks within its overall risk management framework. External stakeholders include customers and intermediaries, investors, regulators, rating agencies, suppliers and the wider supply chain, as well as audit and accreditation bodies, which are engaged primarily through disclosure and reporting processes. Internally, Board is responsible for approving the climate change risk strategy, risk appetite, and related commitments. The Sustainability Committee functions as the primary management body for climate-related risks, overseeing risk identification and management, monitoring emerging risks, and escalating material issues to executive and Board-level committees.

Responsibility for ESG risk management is distributed across the Board, Board Risk Committee, senior management and a management-level Sustainability Committee. The Board monitors progress against climate-related objectives through periodic disclosures and internal reporting. The Issuer has established processes to ensure that climate-related risks are regularly reported and escalated to governance bodies. Climate-related performance and risk information is monitored on an ongoing basis and reported through management information (MI) to relevant committees, including the Sustainability Committee and executive-level risk committees. In addition, the Group's executive remuneration considers climate and sustainability related performance target indicators under the performance share plan for the directors and has remuneration policy in place.

Other elements of the risk management framework

Paragon Bank integrates additional elements into its risk management framework, including three lines of defence model. The Issuer has established a risk appetite framework that incorporates climate-related risks within its broader Enterprise Risk Management Framework. The framework is supported by key risk indicators and performance measures used to monitor exposure and alignment with defined risk thresholds. Oversight of climate-related risk appetite is provided through governance structures including the Sustainability Committee, Executive Risk Committee, and the Board. The institution conducts regular stress tests and scenario analysis as a part of its risk management and capital planning process focusing mainly on macroeconomic and credit risk factors, with climate considerations included. These risks are integrated into its internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP).

Inclusion (non-discrimination)

Paragon Bank's [Diversity and Inclusion Policy](#) establish internal expectations to mitigate discrimination risks in business activities. The policy applies broadly across the organization and emphasizes the prevention of discrimination, harassment, victimization, and bullying, supported by governance structures, training, and monitoring mechanisms. It also reflects a principle of fair treatment for a wide range of stakeholders, including customers and business partners, indicating that equality considerations extend beyond employment into service provision.

Under the [UK Equality Act 2010](#), entities providing services, including credit, are required to avoid less favorable treatment of individuals on the basis of protected characteristics such as age, disability, race (including ethnic or national origin), religion or belief, sex, and sexual orientation. Part 3 of the Act extends these obligations to the provision of services, making both direct and indirect discrimination unlawful.

Responsible lending practices

Sales practices

Paragon Bank is required to operate remuneration structures, monitor sales conduct, assess complaints, and remediate issues aligned with [Financial Conduct Authority \(FCA\) Principles for Businesses](#), the [Conduct of Business Sourcebook \(COBS\)](#) and the [Consumer Duty](#). Such rules require that incentive and reward structures do not encourage harmful behavior or mis-selling and that performance assessment considers conduct and customer interests.

Additionally, Paragon Bank is mandated by the UK regulation to provide appropriate training for responsible sales, suitability, and fair communications, including for green claims. Paragon has also published a [Group Code of Conduct](#) and responsible-business commitments on integrity and fairness for customers.

Responsible marketing

Paragon Bank operates within the UK regulatory framework that mandates responsible marketing of financial products. As an FCA-authorized institution, Paragon is subject to the FCA Principles for Businesses, the Conduct of Business Sourcebook (COBS) and the Consumer Duty, which require all marketing and financial promotions to be fair, clear and not misleading, with correct disclosure of product characteristics, pricing, fees and key risks. These rules prohibit hidden costs and misleading small print and require firms to support customer understanding and deliver good outcomes throughout the product lifecycle.

Paragon has publicly committed, through its Code of Conduct and responsible-business governance, to acting with integrity and fairness toward customers. While Paragon does not disclose a standalone responsible-marketing policy specific to green products, UK regulation requires that customers receive transparent pricing information, clear explanations of product risks, and objective reasons for rejection where relevant. Oversight of marketing practices is exercised through FCA systems-and-controls requirements, internal compliance functions and complaint-handling processes.

Responsible treatment of customers with debt repayment problems

Financial institutions in the UK are required to ensure that their lending products do not contribute to over-indebtedness and that customers experiencing repayment difficulties are treated fairly. Paragon Bank, as an FCA-authorized lender, is subject to the Financial Conduct Authority (FCA) Principles for Businesses, the Consumer Duty, and sector-specific rules such as the [Mortgage Conduct of Business \(MCOB\)](#) and [Consumer Credit \(CONC\)](#) sourcebooks. These frameworks require affordability assessments before lending, conservative underwriting (including loan-to-value limits where applicable), and ongoing monitoring to identify emerging financial stress. Firms must take pre-emptive action where customers

show signs of financial difficulty, ensuring that credit is provided only where there is a reasonable expectation of repayment.

When customers encounter repayment problems, UK regulation obliges lenders to consider forbearance and restructuring options before enforcement. Under MCOB and CONC, Paragon Bank is required to treat customers with forbearance, which may include payment deferrals, term extensions, interest-only periods, or other restructuring solutions that seek to stabilize the customer's position rather than worsen it. These measures must take account of the customer's interests and be offered on non-detrimental terms, with fees and charges not used punitively. In line with these requirements, Paragon [Responsible Business Report](#) presents the 'Breathing Space' (Debt Respite) scheme, which provides legal protection to individuals struggling with debt and enhanced safeguards for customers receiving mental-health crisis treatment. Paragon is also a member of the UK Finance Customer Resilience Community, through which it collaborates with peers on best practices related to vulnerability, tailored support and forbearance. Throughout the year, Paragon uses staff awareness initiatives to strengthen employee skills in identifying and supporting customers facing financial difficulty. While UK banks are not legally required to provide internal or external debt-counselling services, they are expected to signpost customers to free, independent debt-advice providers (such as those recognized by the Money and Pensions Service) when repayment stress is identified.

In the context of retail mortgage lending, repossession and foreclosure are regulated tightly in the UK and are treated as a last resort. Under MCOB and the [Administration of Justice Acts](#), lenders must demonstrate that all reasonable attempts to resolve arrears through forbearance have been exhausted before seeking possession. Courts retain discretion to suspend or delay repossession if repayment arrangements are feasible, and firms are expected to maintain clear communication with borrowers throughout the process.

PART III: PARAGON'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
	The Issuer focuses on the following ESG pillars: <u>Environmental</u> ▪ Reducing operational greenhouse gas emissions, including decarbonization initiatives at its head office and broader operational footprint. ▪ Financing a greener economy by providing lending products and initiatives that support customers, energy efficiency improvements and sustainability objectives (e.g. green homes and SME transition financing). ▪ Aligning climate-related risk management and disclosures with recognized frameworks, including Task Force on Climate-related Financial Disclosures (TCFD), and engaging in industry collaborations to improve financed emissions measurement and climate risk assessment. <u>Social</u> Core ESG pillars ▪ Supporting customers responsibly, particularly in specialist and underserved markets, while helping them navigate sustainability and cost-efficiency challenges. ▪ Investing in employees, including talent development, diversity and inclusion initiatives, employee wellbeing, and engagement. ▪ Contributing to local communities through partnerships, volunteering, and charitable initiatives, with an emphasis on financial inclusion, education, and social mobility. <u>Governance</u> ▪ Board-level oversight of sustainability, including a dedicated Sustainability Committee. ▪ Embedding ESG considerations into enterprise risk management, business decision-making, and long-term strategy. ▪ Maintaining robust ethical standards, transparency, and accountability across operations and stakeholder relationships.

TOPIC	ISSUER APPROACH
Definition of core ESG pillars	The ESG pillars of the Issuer have been defined using TCFD ESG framework through materiality assessment and stakeholder engagement. The pillars are supported by Board-level oversight and are integrated into strategy and risk management.
ESG targets and timeline	To achieve its ESG commitments, the Issuer has set the following targets and timeline:¹² Environmental: ▪ Commitment in support of the UK's drive to achieve net zero- Achieve net zero by 2050 across all greenhouse gas emissions. ▪ Reduce operational emissions to a residual level aligned with a sector neutral 1.5°C pathway by 2030. ▪ Reduce mortgage portfolio emissions by 35% by 2030 from a 2022 baseline, aligned to the Climate Change Committee's pathway. ▪ 60% of new mortgage lending rated EPC A-C by 2028. ▪ 50% of mortgage portfolio rated EPC A-C by 2030. ▪ £60m of cumulative lending on electric vehicles by 2028. ▪ Allocate £400m of funding towards the Green Homes Initiative by 2028 Social: ▪ Continue to implement remaining cloud-based and digital-first technologies by the end of 2027. ▪ 5% senior management ethnicity target by the end of 2027. ▪ Increase the number of people in 'earn-and-learn' positions by 2027
SBTi Targets	The Issuer has not set any SBTi targets.
Financial budget to achieve the ESG targets (CapEx, OpEx, Product Mix)	There is limited information available on the Issuer's financial budget to achieve its ESG targets. However, Issuer states that targeted budget allocation is in place for ESG initiatives, notably the decarbonization of its head office.
Association/ Collective commitments	The Issuer has collective commitments as follows: ▪ Signatory to HM Treasury's Women in Finance Charter

¹² Responsible Business Report, Paragon Banking Group, 2025, available [here](#).

TOPIC	ISSUER APPROACH
	▪ Bronze signatory UK Fair Payment Code ▪ Member of Bankers for Net Zero (B4NZ) ▪ Member of Partnership for Carbon Accounting Financials (PCAF)
Sustainability reporting	The Issuer reports on its ESG performance and initiatives annually through its Responsible Business Report and through integrated disclosures within its Annual Report & Accounts. The integrated report includes climate-related disclosures in line with the TCFD framework, which is used to structure reporting on climate risks, governance, and strategy. The report is available on the Issuer's website.
Previously issued sustainable/sustainability-linked issuances or transactions and publication of sustainable financing frameworks	The Issuer previously issued a Tier 2 Green Bond, raising £150m with the proceeds being allocated exclusively to fund buy-to-let mortgages secured on EPC A/B rated properties and published Green Bond Framework (2021) verified by an external third party.

DISCLAIMER

1. Validity of the Second Party Opinion ("SPO"): Valid as long as the cited Framework remains unchanged.
2. ISS-Corporate is a leading provider of robust SaaS and expert advisory services to companies, globally. ISS-Corporate's data-driven, research-backed Compass platform helps empower businesses to understand and shape the signals they send to institutional investors, regulators, lenders, and other key stakeholders. By delivering essential data, tools, and advisory services, ISS-Corporate can help businesses around the world to be more resilient, align with market demands, and proactively manage governance, compensation, sustainability, and cyber risk initiatives. ISS Corporate Solutions, Inc. ("ISS-Corporate") is a wholly owned subsidiary of Institutional Shareholder Services Inc. ("ISS") and part of the ISS STOXX GmbH group of companies. This document and all of the information contained in it, including without limitation all text, data, graphs, charts (collectively, the "Information") is the property of ISS-Corporate or its affiliates. The Information may not be reproduced or disseminated in whole or in part without prior written permission of ISS-Corporate. ISS-Corporate MAKES NO EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION. ISS-Corporate provides advisory services, analytical tools and publications to companies to enable them to improve shareholder value and reduce risk through the adoption of improved corporate governance practices. The ISS STOXX Governance and Sustainability research teams, which are separate from ISS-Corporate, will not give preferential treatment to, and are under no obligation to support, any proxy proposal of a corporate issuer nor provide a favorable rating, assessment, and/or any other favorable results to a corporate issuer (whether or not that corporate issuer has purchased products or services from ISS-Corporate). No statement from an employee of ISS-Corporate should be construed as a guarantee that ISS STOXX will recommend that its clients vote in favor of any particular proxy proposal or provide a favorable rating, assessment or other favorable result.
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ANNEX: QUALITY MANAGEMENT PROCESSES

SCOPE

Paragon commissioned ISS-Corporate to compile a Green Bond Instruments SPO. The second-party opinion process includes verifying whether the Green Bond Framework aligns with the ICMA GBP, LMA GLP and assessing the sustainability credentials of its Green Bond Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant standards for this second-party opinion:

- Green Bond Principles (GBP), as administered by the International Capital Market Association (ICMA) (as of June 2025)
- Green Loan Principles (GLP) as administered by the Loan Market Association (LMA) (as of March 2025)

ISSUER'S RESPONSIBILITY

Paragon's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risk management at the Framework level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS STOXX, which ISS-Corporate is part of, has built up a reputation as a highly reputed thought leader in the green and social bond market and has become one of the first CBI-approved verifiers.

This independent second-party opinion of the Green Bond Instruments to be issued by Paragon has been conducted based on proprietary methodology and in line with the ICMA GBP.

The engagement with Paragon took place from April to May 2026.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS STOXX Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS STOXX.

About this SPO

Companies turn to ISS-Corporate for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with company goals, reduce risk and manage the needs of a diverse shareholder base by delivering best-in-class data, tools and advisory services.

ISS-Corporate assesses alignment with external principles (e.g., the Green/Social Bond Principles), analyzes the sustainability quality of the assets and reviews the sustainability performance of the Issuer itself. Following these three steps, we draw up an independent SPO so investors are as well-informed as possible about the quality of the bond/loan from a sustainability perspective.

Please visit ISS-Corporate's [website](#) to learn more about our services for bond issuers.

For more information on SPO services, please contact SPOsales@iss-corporate.com.

Project team

Project lead

Marika Peressoni
Associate
Sustainable Finance Research

Project support

Sakshi Gharat
Associate
Sustainable Finance Research

Project supervision

Adams Wong
Vice President
Head of Sustainable Finance
Research