

Sustainability report 2020





Our owners' view on sustainability:

”
Sustainability is a journey.
We can't wait for one big
solution, we have to take
many small decisive steps.”

Peter, Jonas and Mathias Kamprad



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A long-term business perspective

Making Ikano Bank a truly sustainable company starts in the management team. We met up with CEO Henrik Eklund and chief commercial officer Jessica Svantesson in the Swedish woods north of Malmö to talk about long-term thinking, good business and a sustainable society. At a Covid-19 safe distance, of course.



What does the word sustainability mean to you?

Jessica: For me it's all about using our resources wisely and always have a long-term perspective on everything we do. Both on how we use our planet's resources and how we create a sustainable and long-term business.

Henrik: I agree, and I think an important part is that what we do is sustainable and fair for all involved. Sustainability is a humane perspective as well as a matter of resources.

What role does Ikano Bank play in contributing to a sustainable society?

Henrik: Trustworthy and stable banking is fundamental to a sustainable and equal society. People trust their money with us, and that is a huge responsibility. To provide banking services on fair terms to the many people is our most important contribution.

Jessica: Yes, and in addition to our own work for sustainability we can help others to realise their ideas for a sustainable future, by financing them. It is a part of our responsibility to find and encourage such initiatives. For example, our loans for solar panels.

We often say that sustainability is in our DNA as a company. What do we mean by that?

Henrik: It dates all the way back to our founder Ingvar Kamprad. His philosophy was truly sustainable, both in not being wasteful with resources and relating to other people with kindness and respect. Making the most of what we have is in our culture, whether it's a piece of wood for furniture or fair financial services. Naming it sustainability is a later addition, even if it is an important word today.

Why is focus on sustainability good for our business?

Jessica: Again, it is about long-term thinking and creating trust. Long and fair relationships make our customers happy, our employees happy, and our owners happy.

Henrik: Sustainability is also an important part of the digital transformation the Bank is in. With our new platform we can launch products faster and lower our costs. Wasting less resources is sustainable and good for business.



Lastly, what sustainable achievements in 2020 are you most proud of?

Jessica: I think we have some really cool projects in the area of financing sustainable solutions. Like Farming-as-a-Service with Swegreen, and our cooperation with Ikea on circular use of office furniture.

Henrik: I am very proud of our co-workers. This has been a demanding year, of working from home and thousands of online meetings. But I actually feel this has brought us closer together at Ikano Bank – and hopefully this has given us all in the world a new perspective on sustainability.



Ikano Bank at a glance

Working together using common sense and simplicity, and daring to be different is how we conduct our business every day.

1,008

employees in
8 countries.



Furniture-as-a-Service (FaaS) launched for IKEA Business customers in Finland. The concept will be rolled out in all Nordic countries during 2021.



Ikano Pay

our new retail offer was put in production on the UK market.

3,346

solar panel installations financed by Ikano Bank since 2018.

We create possibilities for better living by offering simple, fair and affordable services, enabling a healthy economy for the many people.



3 product awards won in Germany. German Fairness Award and 2 BankingCheck Awards.

100 %

of the energy used in our Swedish, German and Polish offices is from renewable sources.

SEK 60,968 m

business volume.



Ikano Bank selected top 100 Career company in Sweden.

7.1 tons

reduction in internal paper consumption 2018–2020.





Our business model

Our business model can be illustrated with a house. Our values, people, history and international outlook lays the foundation for our three business areas, and our vision and business idea is what guides us every day. Together we are building a long-term focused bank with sustainability as a natural part of everything we do.

Ikano Bank is part of Ikano Group, and is owned by the Kamprad family. In addition to finance Ikano Group also has business operations in real estate, production, analytics, insurance and retail. Today Ikano Bank operates in Sweden, Norway, Denmark, Finland, The United Kingdom, Germany, Austria and Poland, offering financing services to consumers and businesses directly and indirectly via partners.

Our offer to the market

Our business is divided into three areas, with three different target groups. This makes the Bank resilient to market changes and contributes to lower risk in our operations.

Consumers. We offer private customers simple and smart banking services such

as loans for private consumption, credit cards and savings accounts

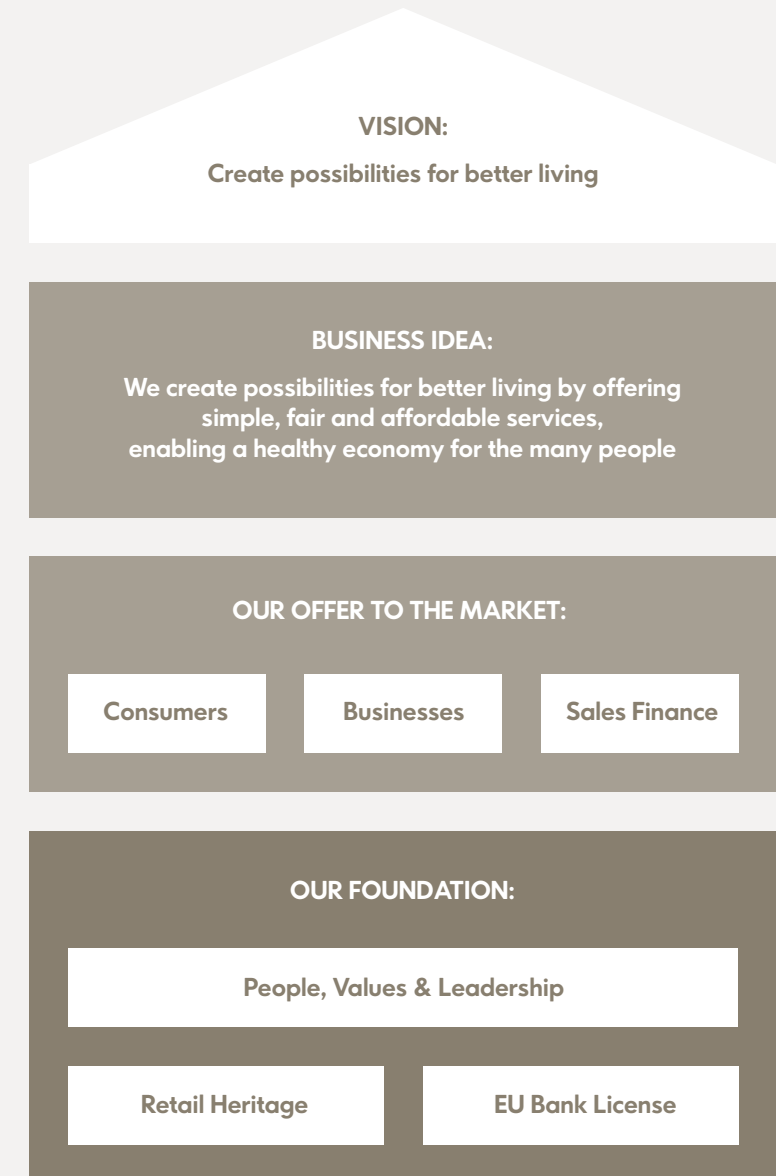
Businesses. We offer leasing and factoring services to companies through direct sales as well as via partners. Our services give customers financial flexibility. Our solutions enable companies to free up capital and finance their growth. In turn, our partners increase their sales.

Sales finance. We offer sales supporting finance solutions, including loyalty programmes, loyalty cards and instalment payment solutions, to retail partners. Our services enable our partners to increase loyalty and generate additional sales, as well as offer their end-customers increased financial flexibility.

Our foundation

Our retail heritage lays the foundation for our purposeful, customer centric and values driven culture.

Based on our values; working together, common sense and simplicity, and daring to be different we conduct our business every day. Guided by our promise; On fair terms. This is the foundation for how we grow our people and business, ensuring efficient ways of working, clear governance, leadership skills, competences and continuous development.





Sustainability governance

Sustainable development is an important and integral part of the pursuit of value creation for customers, employees, and the society. We are making sustainability an integral part of the overall business strategy.

We believe that having a clear understanding of the importance of sustainability in everything we do, with focus on the impact we have both in our operations and how we can support our customers, and thus increase business value is increasingly important.

During 2020 the governance structure was clarified to ensure we deliver on our ambition to make sustainability a natural part of everything we do.

Board

The Board of directors has overall responsibility for strategy and policies. The Board will address and consider strategic and tactical issues related to the sustainability area.

CEO

The chief executive officer is responsible for the execution of the sustainability direction and implementation of the governance structure set by the Board.

Transformation office

The Transformation office has the operational responsibility by mandate from the CEO to drive the sustainability agenda across the Bank. The Transformation Office coordinates the overall agenda, ensuring correlation between strategic initiatives for sustainability and reporting on the progress. It is also responsible for the overall prioritisation of initiatives to ensure alignment with the business strategy.

Global functions and business units

Our ambition is to have sustainability as a natural part of how our global functions and business units operate every day. They are responsible for implementing sustainability policies, secure sustainable products and services in our customer offerings.

Sustainability work groups

If needed, sustainability work groups will be formed to drive specific sustainability tasks related to policies and strategy. A steering committee will be formed around the work groups according to need. The work groups will consist of representatives from markets and functions relevant to the assigned task.

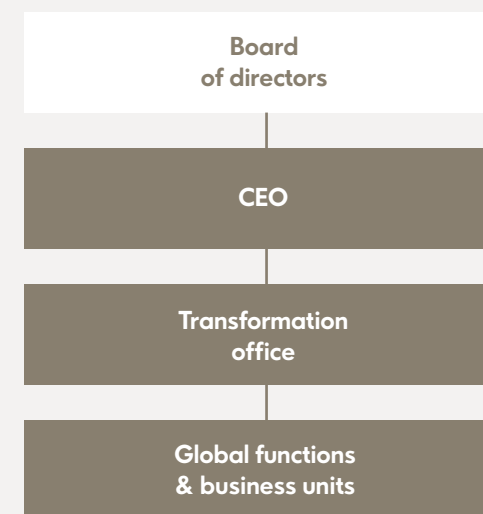
List of relevant policies for sustainability governance

IKANO GROUP POLICIES (adapted by the Bank)

- Charity
- Code of conduct
- Partnership
- Whistle-blower

IKANO BANK POLICIES

- Anti-money laundering and counter terrorism financing
- Compensation benefit
- Compliance
- Conflicts of interest, anti-bribery and corruption
- Credit Risk
- Finance
- Governance, risk Management and control
- Operational risk
- Personal data protection
- Risk and capital
- Risk control





Our sustainability direction

We have a responsibility in the way we do business to contribute and be a good partner in society. We recognize that trust in banks increasingly relies on how they make money. Trust plays a key role in customer choice and is an essential ingredient for our future growth.

The expectations from society and the local community towards banks are that banks need to become sustainable. Our direction for sustainability is an important part of our business strategy.

We use our ambition; **To be recognised as a trusted and sustainable bank, making us the natural choice for the many people** as inspiration and to keep us on track.

Our business idea; **We create possibilities for better living by offering simple, fair and affordable services, enabling a healthy economy for the many people** places sustainability at the heart of our business. We believe people with a healthy economy contribute positively to the wider economy, help drive social progress and are more able to make better environmental choices.

Our culture and values create a powerful desire to do the right thing. Through the

way we do business, through the choices we make and the services we offer, we must at the very least ensure that our own impact on people and the planet is made responsibly.

Three sustainability objectives

In our sustainability direction for the years 2020–2024 we have identified three main objectives and goals where we will focus our efforts. The ambition provides a long-term direction and is intended to motivate continuous improvement and make sustainability a natural part of our everyday business.

Financial sustainability

We will contribute to the stability of the financial services infrastructure with a well-governed resilient bank, promoting a **Healthy & sustainable living** for the many people.

Environmental sustainability

We will reduce the environmental impact caused by our own operations, as well as finance solutions for a **Circular & climate-positive** economy.

Social sustainability

We will act as a **Fair & inclusive** company, providing development, safety and equal treatment for all co-workers. And we will make a positive contribution to the community around us.



FINANCIAL:
Healthy & sustainable living



ENVIRONMENTAL:
Circular & climate positive



SOCIAL:
Fair & inclusive

Goals 2020–2024

By 2021, the foundation for a fully digital customer experience (B2C) in place

By 2023 all new cards will be e-cards with physical card as an option

By 2023, credit applications being assessed using new data sources (B2C)

By 2022, new green services funded by green bonds in place

By 2024 all physical cards will be made of renewable material

By 2023, digital tools to improve financial well-being are offered

By 2024, all offices sustainability certified or having certifiable standard

By 2024, paper removed from all customer applications and everyday servicing



Guiding our way to sustainability

Driving our sustainability agenda in the Bank is part of the bigger picture. The global development goals defined in the UN 2030 Agenda and the principles of UN Global Compact provide a framework to guide our long-term goals. We have also developed 6 principles for change to support our daily work with sustainable development.

6 principles for change

We have developed 6 principles to guide our work in the years to come. These will guide us in our daily work, as well as in the long-term development of our business.

- 1 Sustainability is the responsibility of everyone
- 2 Improve access to digital services and products
- 3 Our business will actively seek to improve people's lives, society and the environment
- 4 Creating value by developing services and products based on insight into the needs and behaviours of people and businesses
- 5 Invest in new technologies improving our services and products and our own operations
- 6 Actively engage in changes affecting our industry for the benefit of people, society and environment

UN Sustainable Development Goals

The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs). This ambitious agenda will demand the participation of all actors in society and that all three elements of sustainable development are balanced: economic growth, social inclusion and environmental protection.

We have chosen these 7 SDGs to guide our work for sustainability, in areas where we can make the biggest positive impact.



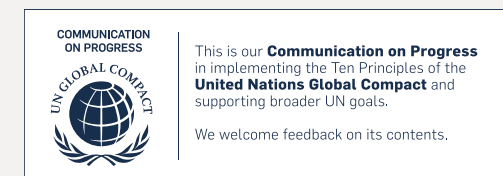
UN Global Compact

We are committed to and continue our work to continuously strengthen our initiatives and actions contributing to the 10 principles of United Nations Global Compact.

We have incorporated the principles of Human Rights and Labor in our Code of Conduct, Ikano Group Partnership Policy and the Modern Slavery Act.

Anti-corruption is well secured through our values, business ethics and how we conduct business.

Environment is a never-ending job for us, we continuously identify new opportunities how we can support both behavioral changes in society by setting a good example first. We are well on the way to reduce our carbon footprint in our own operations and are focusing on enlarging our green lending where we support environmentally friendly solutions.





Materiality analysis

As part of our sustainability direction we have conducted a materiality analysis during 2020. This helps us to identify the most important sustainability areas for us and our stakeholders.

The materiality analysis was conducted during 2020. To form the basis of the analysis 10 relevant sustainability areas were chosen, in accordance with the Ikano Bank sustainability direction.

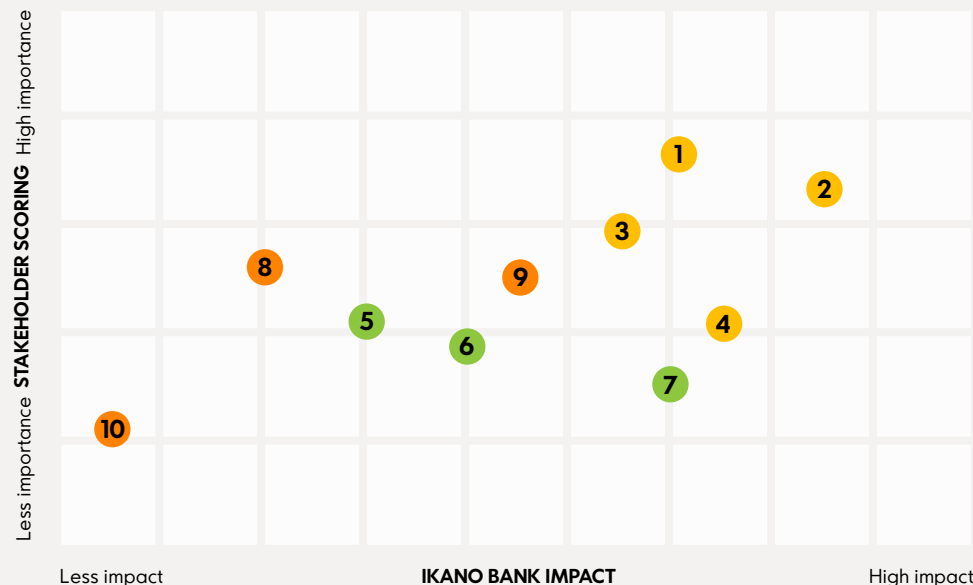
In the first step the areas was evaluated by letting key stakeholders score the areas according to how important they consider it that Ikano Bank works with the respective area, in interviews and surveys. A selection of the following stakeholders were included:

- Private customers
- Partners
- Employees
- Board
- Investors

The results show that the economic areas are generally deemed most important, with the exception of responsible investments. Social sustainability is deemed least important of the selected areas. Employee development, health and safety is the area with most variety in stakeholder scoring, while counteract corruption and money laundering is the area with least variety in stakeholder scoring. It is important to note that all areas assessed are deemed important to the stakeholders.

The second step of the analysis is an assessment of the level of impact Ikano Bank has on each sustainability area. The scale is 1–7, where 1 = relatively low impact and 7 = very high impact.

The two parts of the analysis were then combined to form the materiality analysis matrix and will form the basis and guide the focus for the continued sustainability work in the Bank.



- 1 Counteract corruption and money laundering
- 2 Financial stability
- 3 Responsible lending
- 4 Responsible investments
- 5 Sustainable purchases
- 6 Climate-smart business and value chain
- 7 Environmentally beneficial financing solutions
- 8 Equality and diversity
- 9 Employee development
- 10 Social responsibility

- Financial areas
- Environmental areas
- Social areas



Healthy & sustainable living

We contribute to the stability of society's financial infrastructure by maintaining a well-governed, resilient, and profitable bank. We have a responsibility to contribute to a financially healthy society, and we enable a healthy economy for the many people.

We will secure long-term growth and ongoing competitiveness, for us and our customers, by investing in new technology, offering products and services with real value for our customers. And by applying our values and ethical culture in

all aspects of our daily business we will build trust among our customers, partners, suppliers and co-workers.





A financially stable bank

To be able to play our part in contributing to a sustainable society we need to have a strong financial position with good margins in terms of liquidity and capital. It is a matter of trust for our stakeholders and a matter of long-term survival and growth for us.

Financial services on fair terms

Our business idea is to create possibilities for better living by offering simple, fair and affordable services, enabling a healthy economy for the many people. To achieve that we need to build a stable bank with a long-term perspective, and with a balanced level of risk. In addition we need to satisfy all stakeholders, such as our owners, employees, lenders, authorities, etc. That is why we need to manage the business in terms of margins, risk, costs, etc, to ensure that we can meet the demand for our products in the future and to be able to build trust from our stakeholders.

Profitability as a vehicle for stability

As a bank we are governed by strict legal requirements to keep a certain amount of equity, at any given time. Thus, running a financially strong business is a central component to be able to serve more customers and create the possibility for growth.

This means that long-term financial stability for the Bank is about ensuring that we meet capital requirements, commitments and provide returns to owners. In order to grow the business and add value to our customers and other stakeholders it is a prerequisite to run a profitable business and invest in the development and future growth of the business.

Creating financial stability in 2020

The Covid-19 pandemic does not only have consequences for our personal lives, but also for the economy and our customers' financial situations. During the year we have supported our customers, experiencing liquidity problems due to Covid-19, by e.g giving temporary payment holidays.

The Credit Risk organisation and Treasury are on a higher alert level and are closely monitoring the situation to secure that we have control of our credit portfolios and financial position needed to continue to support our customers and have a long-term business perspective.





Counteract corruption and money laundering

As part of the financial system, Ikano Bank is exposed to the risk of being misused for money laundering and/or terrorism financing, as well as exposed to fraud and corruption. Counteracting this is a highly prioritised area for the Bank.

During 2020 additional resources and competencies has been assigned to counteract corruption, fraud and money-laundering, both at our central Financial Crime Team and at our local offices.

Money laundering and financing of terrorism

An AML (Anti Money Laundering) policy and guidelines define the overall framework of the AML-measures taken in the Bank. A central Money Laundering Officer and local Money Laundering Reporting Officers in each of the countries where Ikano Bank operates, ensures compliance with the local requirements in the area.

Fraud

In the broadest of terms, fraud is a legal and social concept that generally refers to an intentional act committed using deception to secure an unfair or unlawful gain. It poses a risk of significant financial loss, reputational damage and adverse impacts to not only Ikano Bank but also our

customers. Ikano Bank works to develop and maintain its capability to prevent, detect and respond to fraud, and wherever possible seeks to minimise exposure to risk.

Bribery and anti-corruption

It is the policy of the Bank to use only ethical business practices while conducting business activities and to comply with all applicable laws, rules, and regulations governing anti-bribery and corruption in all the countries where we operate. Ikano Bank has a zero tolerance approach towards acts of bribery and corruption, by co-workers or anyone acting on our behalf. Ikano Bank has policies and procedures in place to detect and avoid bribery and corruption, including training of staff.

Market conduct

We follow all relevant laws, ordinances and internal regulations as well as generally accepted practices or standards regarding its licensed operations in order to have a sound governance and control culture within the Bank. The core of these efforts is to prevent non-compliance with external or internal regulations, which could increase operational risks, risks of legal sanctions, supervisory risks, economic losses and damage to reputation. Ikano Bank will at all times aim to follow proper standards of market conduct.

Conflicts of Interest

Conflicts of interest may have a negative impact on customers and is an area of importance to secure the confidence in the financial market and the companies acting on it. Ikano Bank seeks to avoid all conflicts of interest, wherever they arise. If avoidance of a conflict of interest is not possible, Ikano Bank will take measures to manage and mitigate the effect of such conflict of interest.

Communication and training

An Anti-Money Laundering (AML) e-training is part of the annual mandatory training for all co-workers. The purpose of the AML training is to give all of our co-workers an introduction and understanding of money laundering and terrorism financing, and our role in the detection and prevention of Ikano Bank being misused for these purposes.

★ HIGHLIGHT 2020:

During 2020 Ikano Bank has invested in a new software system for detecting fraud. The system will be used in all products based on the Banks' new lending platform. This will make the process faster and improve the customer experience.

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We want to adhere to all laws and regulations in the area, and at the same time make the customer experience as good as possible. And we strive to be as transparent as we can, to build confidence with our customers.”

Dan Hedgate,
Chief Operations Officer, Ikano Bank



Responsible lending

We see “A healthy economy for the many people” as an integral part of what we want to achieve as a company. Lending money to individuals and companies in a responsible and sustainable way is an important way to achieve that and to remain relevant for future generations. For us it is a huge opportunity and responsibility to contribute to a financially healthy society.

We strive for “a healthy risk culture” at Ikano Bank. That means we manage our lending activities conscious within set risk appetite, and act responsibly towards our customers and clients by applying a sustainable lending practice. We maintain sufficient capital and liquidity levels to sustain during downturn in the economic environment, as well as to support investments and growth in the business.

Responsible lending in private loans

We offer simple banking products (savings, cards, loans) on fair terms. We are open and transparent about what applies and have no hidden fees in our agreements and make sure we assess our customers’ ability to repay their loans as a responsible lender should.

Responsible lending in business credits

Lending to businesses is conducted in a sustainable manner. We fulfill this by always safeguarding the sustainability of the credit process. If the risk is of such a nature that the Bank considers the transaction incompatible with the Bank’s ethical values, that the transaction may damage the Bank’s reputation or otherwise damage the Bank’s brand, the credit will not be approved. This applies even if the Bank were to assess that the environmental risk is manageable from a business perspective.

We have not actively limited our business to certain sectors, but no funding is approved regarding the financing of weapons or machines for producing weapons. In addition, we have no engagement in oil or gas exploitation, in business credits or own investments.

Risk reporting

Regular risk reporting to the management of the Bank ensures that the Bank’s risk exposure is within set risk appetite. The reporting includes but is not limited to incidents related to fraud, integrity and information security as well as customer complaints and key risk indicators. The landscape for information security is constantly changing hence Ikano Bank continuously monitor and assess the threats in this area. Cooperation with external forums is a necessity and Ikano

Bank collaborates with several external parties to closely monitor new threats and weaknesses.

Integrity and confidentiality of data

Ensuring the integrity and confidentiality of customer, partner and co-worker data, Ikano Bank has policies and guidelines in place for Information Security as well as Personal Data Protection. The Bank is subject to national and EU regulatory requirements as well as regulations and guidelines from the Swedish Financial Supervisory Authority (SFSA) and the European Banking Authority (EBA).

Everybody’s responsibility

It is the responsibility of all co-workers to ensure that the policies and guidelines are followed. The work with information and IT security is continuously addressed with preventive measures and we apply a process where regular operational risk assessments are conducted. Mandatory compliance training is provided to all co-workers annually, using an online platform. The training consists of a number of areas ensuring compliance and risk mitigation.

- Code of conduct
- Fraud awareness
- General Data Protection (GDPR)
- Information Security Essential
- Operational Risk Management Essential
- Anti-Money Laundering





Responsible investments

Investing in economically, socially, and environmentally sustainable bonds is a vital part of our ambitions for financial sustainability. By investing a share of our liquidity reserve in green bonds we contribute to the funding of responsible and climate-positive projects.

A green bond is a bond whose proceeds are used to fund environmentally friendly projects, such as renewable energy, energy efficiency, clean water, clean transportation etc.

Today, these bonds are increasing in popularity among investors and is expected to continue to climb, as awareness is built, and more investors become concerned with climate changes and want to align their portfolios with the Paris Agreement and the UN's sustainable development goals (SDGs).

Since 2017 Ikano Bank has invested a portion of the liquidity reserve in green bonds and our ambition is to grow the portion of green investments in the coming years. The Bank is also looking into the possibility of issuing green bonds.

Green bond investments for a sustainable Malmö

One example of our responsible investments is in green bonds issued by the City of Malmö. The Malmö green bond program was initiated in 2017 and is aimed at funding projects and developments in areas such as:

- Green buildings
- Renewable energy
- Sustainable transportations
- Emission-reductions
- Nature-preserving activities

★ HIGHLIGHT 2020:

We have improved our rate of investments in green bonds, and are planning to issue green bonds ourselves.

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Treasury invest a portion of our liquidity reserve portfolio in green bonds, knowing that our investment is being used in a responsible and climate positive manner.”

Fredrik Sannemo,
Head of Treasury, Ikano Bank





Circular & climate positive

Climate change is a key challenge facing communities worldwide with its direct impacts on the daily lives of people and businesses. We all have a joint responsibility to use our planet's resources wisely and do our utmost to secure the future for upcoming generations.

We will contribute to a sustainable use of the earth's resources by reducing the harmful effects caused directly and indirectly by our operations. And we will support customers in making more sustainable choices, through the products and services we offer.





Financing solutions that benefit the environment

We want our customers to be able to live more sustainably. And we want to encourage ideas and technologies that provide solutions for a sustainable society. Therefore, we constantly work to deliver environmentally beneficial financing solutions.

IKEA Furniture-as-a-Service (FaaS)

In 2020 IKEA launched a new scheme for renting out office furniture such as chairs and work desks, financed by Ikano Bank. The aim of the subscription-based leasing offer is to secure reuse as many times as possible before material and component recycling at the product's end of life. During 2020 the concept was tested in Finland and will be rolled out in all Nordic countries during 2021.

Acquiring FaaS instead of spending large sums of money to furnish an office will be particularly helpful for startups and small family-owned businesses.

Biowater technology A/S

– leasing of mobile cleaning unit

Biowater Technology is a Norwegian company that develops and builds turnkey solutions for cleaning public and industrial wastewater. The company wanted to offer

potential customers a unit for a test period before ordering a solution, and in 2020 Ikano Bank Norway agreed to finance a leasing solution. Both parties hope and expect to attract even more new orders for new small-scale units in the future.

Loans for solar panels

Since 2018 Ikano Bank has offered financing of solar panels to IKEA customers in Poland, and in 2019 Svea Solar and IKEA launched a cooperation for affordable solar panels on the Swedish market, financed by Ikano Bank's financing solution Ikano Jordnära. In addition, Ikano Bank UK has offered loans to customers to be validated in the Energy Performance Validation Scheme certification. In 2020 Ikano Bank financed a total of 1 114 installations, with an estimated production of 4 498 500 KWH.

Farming-as-a-Service with Swegreen

During 2020 Ikano Bank Sweden has started a cooperation with Swegreen, offering a financing solution for in-store farming of fresh greens.

Swegreen is a technology company in the vertical farming industry, offering a digitally based cultivation solution, integrated in stores or restaurants, for hyper-local production of lettuce, herbs or other vegetables. The solution is offered with a unique subscription service called Farming-as-a-Service (FaaS).



Financed solar panel installations 2018–2020

	2018	2019	2020
Installations	1,011	1,221	1,114
Estimated produced (KWH)	3 543 399	4 788 466	4 498 500

”

Our FaaS model means that every store and restaurant owner can offer their customers hyper-locally grown, fresh and high-quality crops that have fantastic nutrition and taste – at competitive prices.”

Andreas Dahlin, CEO, Swegreen



Climate smart business

We work to reduce the climate impact of our operations in many ways. In how we run our offices, how we travel and conduct meetings, in our partnerships and how we communicate with our customers.

Digital transformation

Ikano Bank is in the middle of a major transformation. A new digital platform has been developed, enabling data-driven financial services, a better customer experience and faster development of new products. During 2020 the first product on the new platform, Ikano Pay, was put into production on the UK market, and in 2021 more countries will follow.

Lowering paper consumption

Our digital transformation enables us to diminish the use of paper for loan applications, statements, and other communication with our customers. From 2018-2020 we have lowered our total paper consumption with 38.6 %, from 18,472 kg in 2018 to 11,349 kg in 2020 at our own offices. We are also working to reduce paper consumption together with external partners.

Sustainable data centers

Finding sustainable solutions for IT services and data storage is an important part of our digitalisation process. Our servers

today hosted externally in datacenters in Finland are run 100 % by electricity from renewable sources.

Reuse and recycling of equipment

Since 2012 we have an agreement in place for reuse and recycling of IT equipment. The purpose of the program is to return redundant IT equipment from our offices to our partners, for reuse (after cleaning, checking, and data removal) or recycling of parts and material. During 2020 the Swedish offices returned a total of 704 kg equipment, saving 34,737 kg CO₂ equivalent.

In Finland we donated a total of 30 old phones and chargers (company-owned and private) to financially disadvantaged families.

Green House Gas Assessment (GHG)

We work continuously to lower the consumption of electricity, heat, and water in our offices. Based on data from 2018 (baseline), 2019, and 2020 we see a positive trend in our consumption (even though some offices being closed or not used as much during the pandemic 2020 make comparisons difficult). During 2021 we will make a Green House Gas (GHG) Assessment for scope 1, 2 and 3, and set more detailed targets and initiatives to lower our climate impact.

Initiatives in our offices 2020

Poland

100% renewable energy & BREEM certified

Denmark

Replaced print/copy machines to more energy saving models.

Finland

Moved to handle B2B contracts electronically which significantly reduced consumption of paper and envelopes.

Germany

Commissioned a new air conditioning system and charging stations for 2021.

UK

Paper reduction due to automating processes and changing way of working. Consequence reducing paper by 75% equaling less waste.

★ HIGHLIGHT 2020:

During the year 74 bots have been deployed in our customer processes during 2020 (20 during 2019). This means saving almost 29,000 hours in manual work. The bots have improved customer journeys and lead times as well as closed compliance gaps.

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From a sustainability perspective our digitalization has several advantages. Less use of paper and plastic, the ability to support circular business models, and the right tools to offer services on fair terms to more of the many people.”

David Elvström,
Chief Transformation Officer,
Ikano Bank



Climate smart business (continued)

Traveling

Traveling by rail is always the first choice for business trips. When public transport (bus, train etc.) is safe and efficient, it shall always be the first choice before taxi, private or rental car. Car pooling should be coordinated whenever possible.

We expect to see a different pattern for traveling post Covid-19 and here we will do even more to encourage online meetings before traveling, especially for shorter meetings less than 2 hours.

All of our offices are located within convenient distance to trains and/or buses. At some of our offices we also have bicycles to borrow. From 2023 all our benefit cars will be electrical.

Less travel, more online meetings

During 2020 the way we connect and conduct our meetings have been largely changed, due to Covid-19 travel restrictions and working from home. Video conference tools have been rolled out to all co-workers, to be able to connect and meet both internally and externally. While our total air travels have been massively reduced compared to previous years, we have held in average 12,000 online meetings per month. A necessity in the circumstances, but also resulting in a 88 % decrease in our estimated flight emissions during 2020.



Air travel 2018–2020

	2018	2019	2020
Segments	4,669	3,770	474
Kilometers	3,184,775	2,752,104	342,971
CO2 /kg (GHGP)	311,720,976	273,015,471	32,954,782



Sustainable offices

Ikano Bank runs 8 offices in 7 countries, with a total of 1,008 employees. We work continuously to reduce the environmental impact of our office operations, from changing lights to minimizing waste.

100 % renewable energy offices



BREEAM and LEED-certified buildings



100 % eco-certified paper offices





Sustainable purchases

Responsible sourcing is an important lever for delivering sustainable development and results. Our Sourcing Department has developed tools and processes to ensure that we procure and source responsibly.

We work to ensure that business is conducted responsibly across the whole chain. This includes understanding supplier commitment to sustainability within their own organisation through our sourcing processes, performing due diligence against our supplier base further before on boarding and auditing our suppliers to ensure compliance with our partnership policy.

Our partnership policy

The partnership policy covers a broad range of areas such as general compliance with applicable laws, respect of labour and human rights, observance of health and safety in the workplace, environmental protection and last but not least the expectation of retaining high business morale in all partnerships.

We also proactively support suppliers to increase their awareness of responsible sourcing and their performance in relation to it. The result is risk mitigation for Ikano Bank, our suppliers and customers that in

turn secures a commercial advantage for our business.

Managing our supplier base

Our aim is to enhance Ikano Bank's business position by mitigating supplier-related risks, building trust among our stakeholders, strengthening our brand and providing value when positioning ourselves in the marketplace as a trusted partner.

Effective management of our supply base is a top priority and our suppliers are required to meet our minimum standards. A critical part of the sustainable sourcing process is following up the results to ensure continuous improvement.

★ HIGHLIGHT 2020:

During the year we have decided to make virtual visits, instead of physical, when possible. This will make the process more efficient as well as saving travel costs and emissions. It also makes us more compliant from a supplier due diligence perspective.



Fair & inclusive

By actively promoting human rights, fair working conditions, diversity and equality we will make a difference to the lives of people, the community and the environment.

By encouraging personal and professional development we will benefit from motivated and competent co-workers with experiences and viewpoints drawn from a wide range of backgrounds, helping to drive creativity and new ideas. We will play an active role in mak-

ing the society better through social initiatives and partnerships.





Equality and diversity

We work to ensure that employees, customers and others who interact with the Bank are not treated differently due to gender, ethnicity or beliefs. And we actively promote human rights, fair working conditions, diversity and gender equality.

We are proud of our culture and values. Living by those values is our way to build a change-oriented, trustful and inclusive co-worker climate.

Diversity is our strength

One of our success factors is to work together and build on our diverse backgrounds and unique strengths to have dynamic and high-performing teams.

No co-worker should be discriminated because of age, gender, religion, sexual orientation, marital or parental status, political opinion or ethnicity. All co-workers with the same experience, performance and qualifications shall receive equal pay for equal work.

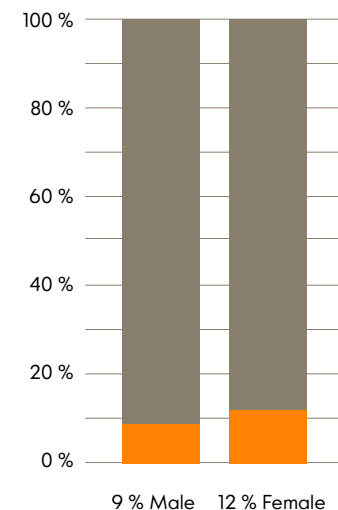
We strive for gender equality, and recruit employees of all ages. In 2020 the average age at Ikano Bank was 39 years.

★ HIGHLIGHT 2020:

We strive to have a 50/50 gender split at all leadership levels and in all positions. Already today the total manager gender split is male 52 % / female 48 %.

During 2020 the gender balance in our Bank management team improved to 60 % men and 40 % women (70/30 % in 2019).

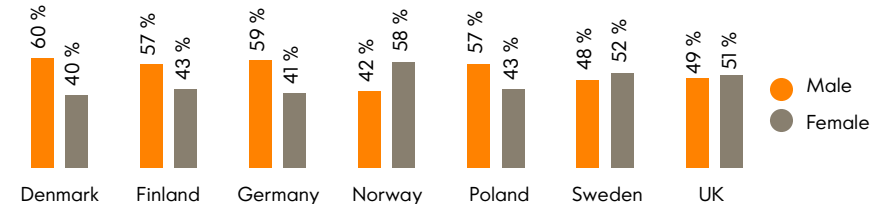
Employee turnover



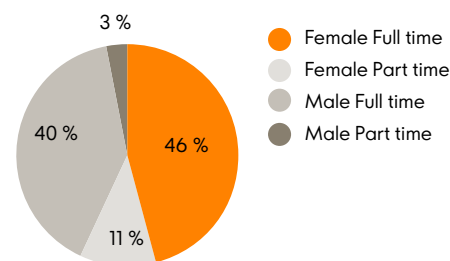
Gender distribution

	Male	Female
Total employees	43 %	57 %
Total managers	52 %	48 %
Bank management team	60 %	40 %
Board members	71 %	29 %

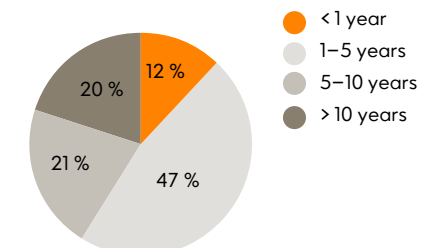
Manager gender distribution per country



Employees by contract and gender



Workforce by seniority





Employee development, health and safety

Being a fair and caring employer is an important part of our social responsibility. Attracting, developing and retaining the right people is a vital part of driving our organisation forward and enabling sustainable growth.

We want to create a learning culture that builds the competence and talent needed today and in the future. A systematic approach to developing co-workers is an important part of this. As well as listening to peoples' views and ensure health and safety at work.

Ikano Bank People

In 2020 the first bank-wide HR information system (HRIS), Ikano Bank People, including key integrations and a self-service portal was launched. It provides more control over employee personal data and support leadership with digital, transparent and automated processes for managing their teams. The system supports the positive employee experience during onboarding, employment and offboarding. Additionally, it creates efficiency gains and secure workforce data availability and consistency.

Compliance training

We use an online platform where co-workers learn what is required from a compliance perspective. Mandatory trainings are performed annually by all Ikano Bank co-workers. Read about the mandatory trainings on page 14.

Our leadership programmes

The leadership programme "My Cautious Leadership" (MCL), initiated in 2019, continued throughout the year, however it was adopted to a digital set-up. In 2020 we also initiated another programme called "Leading through change" to support the Bank's transformation. The programme includes four modules; Culture, Values & Leadership, Psychological Safety, Trust, and Change Management. As a first step it is rolled out to all Country- and Function management teams.

Engagement Dialogue

Since 2016 we are using the Engagement Dialogue process which is meant to strengthen co-workers engagement and commitment and combine each person's needs and wishes with the needs of Ikano Bank. The aim of the Engagement Dialogue is to evaluate what has been achieved in the previous year and establish and agree on next year's objectives.

Employee Net Promotor Score

To measure employee satisfaction, we regularly perform eNPS surveys. Our employee Net Promoter Score (eNPS) in December 2020 was 6.

Whistleblowing

At Ikano Bank we promote and develop a culture of openness therefore we have a process in place where co-workers can report any concerns or issues within the Bank. For situations, where the co-worker does not feel comfortable with reporting a concern through the regular channels, we have a whistleblower process in place, where it is possible to report concerns anonymously. The guideline how to use the whistleblower system is available for all co-workers of Ikano Bank.

Health and safety

Occupational health and safety at Ikano Bank is an important and strategic issue. It is one of the factors that make our co-workers choose to work for us and also choose to stay with us.

Our commitment is to create a physically and psychosocially safe and healthy workplace for all our co-workers, where the risks of occupational injury and work-related ill-health are prevented through pro-active and timely measures.

★ HIGHLIGHTS 2020:

LinkedIn Learning

The introduction of LinkedIn Learning for all employees continues the digital journey of HR to make solutions and content accessible to our people at any time from everywhere. This platform is offering a broad learning and training content to our employees via video learnings and e-learnings. Especially during Covid-19 times it was important to find opportunities online as traditional classroom trainings were not available.

New employee engagement survey

During 2020 we have replaced the annual engagement survey with monthly digital employee surveys across the Bank, as quick and short "Pulses". This will give "live" information for managers and co-workers about their own team; what is working and what is not. All answers are anonymous.



Social responsibility

We support initiatives that work for a positive development in society, for example through donations, charity work, and cooperation with nonprofit organisations. Our charity policy mainly focuses on supporting children and women's opportunities to learn and develop.

Through Ikano's Charity Policy we donate to projects focused on supporting children and women and their opportunities for learning and developing – this includes education, health issues, accessibility to clean water and solar energy. Most of our charitable partnerships are thus handled through our businesses.

Sponsoring young people through school in Wiesbaden

Ikano Bank Germany has been participating in the WiesPaten project in Wiesbaden since 2015, currently with a total of 5 employees involved. The engagement involves sponsorship for a group of students for 3 years until graduation, especially with migration background. Activities involve field trips, training in job applications, and banking education.

Trial purchases used to support disadvantaged children

As part of our digital transformation, we have developed a new digital financing concept, Ikano Pay. During the development Ikano Bank UK have utilised trial purchases (necessary to test the system) to buy children's bedroom furniture from IKEA, which we then donated to local charity "Operation Orphan" for their work with disadvantaged children.

Giving more power to women

The project "Kvinnokraft" (female power in Swedish) is a cooperation between Ikano Bank Sweden and the charity organization Individuell Människohjälps (IM). Since 2018 a total of 36 women with migration background, living in low-income areas in Malmö, has participated in the program. The aim is to help women to work or studies, and to achieve higher self-esteem.

Helping young people to work or studies

In Sweden there are nearly 28,000 young people, 15–29 years, not in work or studies. Ikano Bank participates in a 12 week training and internship programme run by Swedish Save the Children. We support the programme with mentorship and workplace training. During 2020 one of the participants in the programme was offered employment at Ikano Bank.

★ HIGHLIGHT 2020:

To support vulnerable groups in society during the Covid-19 pandemic the Ikano Group decided to reserve 1.5 MEUR for emergency relief donations during 2020, to be distributed across all businesses and countries. At Ikano

Bank we chose to support causes such as #NottinghamNHSheroes in UK, Superselma in Norway, BRIS in Sweden, Joannahuset in Denmark, and women's shelters in Germany, among others.





Overview

Area	Description	Highlights 2020	Read more on page	Contributing to UN SDGs
Healthy & sustainable living				
Financial stability	A strong financial position with good margins in terms of liquidity and capital.	–	11	
Counteract corruption and money laundering	Prevent corrupt or inappropriate behaviour and criminal exploitation of the financial system.	Invested in new software for fraud detection	12	 
Responsible lending	Taking consideration of the customer's financial situation and their ability to follow the payment plan.	–	13	
Responsible investments	Placing investments in economically, socially and environmentally sustainable securities.	Increased green investments and plan to issue green bonds	14	
Circular & climate positive				
Environmentally beneficial financing solutions	Providing financing solutions that make it easier for the customer to live more sustainably.	Launched FaaS for IKEA business customers in Finland	16	
Climate-smart business and value chain	Reduce climate impact in operations and in investments, at the supplier level, and with our customers.	29,000 hours saved with bots and automated customer processes	17	 
Sustainable purchases	Purchasing products and services with regard to environmental and social aspects.	Introduced virtual supplier audits	19	
Fair & inclusive				
Equality and diversity	Ensuring employees, customers and others are not treated differently due to gender, ethnicity and beliefs.	Gender balance in bank management team improved to 60/40 (men/women)	21	
Employee development, safety and health	Ensuring employees, customers and others are not treated differently due to gender, ethnicity and beliefs.	Launched monthly digital employee surveys	22	  
Social responsibility	Support initiatives that work for a positive development in society.	Ikano Covid-19 emergency fund support	23	



Auditor's sign off

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Ikano Bank AB (publ), corporate identity number 516406-0922

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 and that it has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm XX March 2021

Malin Lüning

Authorised Accountant

Deloitte AB

