

# Sustainability report 2021



**IKANO**  
**BANK**

# Content



Our mission **Enabling a healthy economy for the many people** engraved into a stone wall outside Ingvar Kamprad's home in Småland.



Please consider the environment before printing this report. The document is optimised for full-screen viewing.

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# A journey towards one sustainable bank

At Ikano Bank we work every day to make a difference, by offering people and businesses financial services on fair terms. Our long-term ambition is to become top 3 in sustainability in every market. To find out more about what this really means we had a talk with Henrik Eklund, our CEO, and Anna Werntoft, Chief Transformation Officer and responsible for sustainability in the Bank.

## **Anna, your responsibility is transformation and sustainability, how do these go together?**

Anna: We are in the middle of transforming into a fully digital bank, and sustainability is a fundamental part of everything we do. Our new digital platform enables us to offer consumers and businesses even more accessible financial services on fair terms, adaptable to their changing needs. This is our most important contribution to a sustainable society.

## **Henrik, from your perspective, how important is sustainability for Ikano Bank's overall strategy?**

Henrik: We are fully committed to keep business-driven sustainability at the very centre of everything we do. Our long-term ambition is to become among the top 3 sustainable banks in all our markets, and we are working hard to get all processes in place and make it happen. This year, our board of directors appointed a sustainability committee, to emphasise how important sustainability is within the Bank.

## **What is the main focus of the sustainability work at Ikano Bank right now?**

Anna: One important focus is on educating the organisation, to create awareness and increase the competence around sustainability. We want to make sure we have the same view on sustainability across all our markets and all parts of the Bank.

Henrik: Sustainability is in our DNA, going back to our founder Ingvar Kamprad. Now it's all about figuring out all the how's, find solutions, and develop the right tools to measure our progress. We will continue to challenge ourselves, to make a strong impact and deliver fair and accessible finance to more of the many.

## **You are putting a lot of effort into developing a sustainability framework and KPIs for the Bank. Why is that important?**

Henrik: "Because what gets measured gets done", is the short answer.

Anna: That is true, it is a very important part of taking steps forward in our sustainability work. For example, we have implemented a new ESG investment policy for the bank, defined KPIs for sustainability data and conducted GHG assessments in both 2020 and 2021 to better understand our impact and how to address it.

## **In June 2021 Ingka group acquired 49% of the shares in Ikano Bank. What will the deepened cooperation with Ingka mean, from a sustainability perspective?**

Anna: The partnership with Ingka (IKEA Retail) will allow us to accelerate our transformation and develop new sustainable solutions together. For IKEA Retail, financial services are an important part of fulfilling its sustainability ambitions, and we get the opportunity to be a part of this and reach more of the many people.

## **What now? How will sustainability at Ikano Bank continue to develop in 2022 and beyond?**

Henrik: We will continue to work towards our set strategic goals 2025 in our three sustainability focus areas. Some of our ambitions include launching more products on our new platform, increase our green lending, investing in green bonds and work towards issuing a green bond ourselves, and of course, be a fair and inclusive employer. Without our co-workers none of this would be possible.



Anna Werntoft, Chief Transformation Officer and Henrik Eklund, CEO.

# 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.



Ikano Bank mortgages launched in Sweden.

## 100,000 h



of manual work saved by automated processes

## 13%

share of green investments



## 6 of 8

offices with renewable electricity



IKEA Kreditkarte awarded the German Fairness Award and newly launched credit solution in the UK nominated for several product awards.

Doubled share of green lending in our loan book compared to 2020.

## SEK 61,238 m

business volume.

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



## 131.7

Reduced paper consumption in tonnes since 2018

## 1,069

employees in 8 countries.



# Our business model

We are on our way to become a fully digitalised, sustainable bank for the many people. Our culture and values lay the foundation for our business, and our vision and business idea are what guides us every day. In Ikano Bank we create possibilities for better living by offering simple, fair and affordable services, enabling a healthy economy for the many people. Our offer includes savings and loan products for consumers, sales support services for retailers, and leasing and factoring solutions for businesses.

Ikano Bank is a part of the Ikano Group (Ikano S.A.) who owns 51 % of the Bank. Ikano S.A. is owned by the Kamprad family. In addition to finance, Ikano Group also has business operations in real estate, production, analytics, insurance and retail. Ingka Group, a strategic partner in the IKEA franchise system, operating 392 IKEA stores including city stores, and 73 IKEA shops and IKEA planning studios in 32 countries, owns the remaining 49 % of Ikano Bank through Ingka Investments BV.

Head office is located in Malmö, Sweden and the company is registered in Älmhult, Sweden where the business was once founded. We conduct business in Sweden, Norway, Denmark, Finland, United Kingdom, Germany, Austria and Poland.

## Our offer to the market

Our two business lines have different target groups depending on market. Our two business lines and different target groups make the Bank resilient to market changes and contributes to lower risk in our operations.

## Consumers

We offer sales supporting financial solutions, including loyalty programmes, loyalty cards and installment 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. We also 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 corporate customers financial flexibility. Our solutions enable companies to free up capital and finance their growth.

## 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, and guided by our promise; on fair terms, we conduct our business every day.

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.



# Governance in sustainability

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 within the Bank. During 2021, 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 of directors.

## 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.

## Other global functions and business units

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

## Board sustainability committee

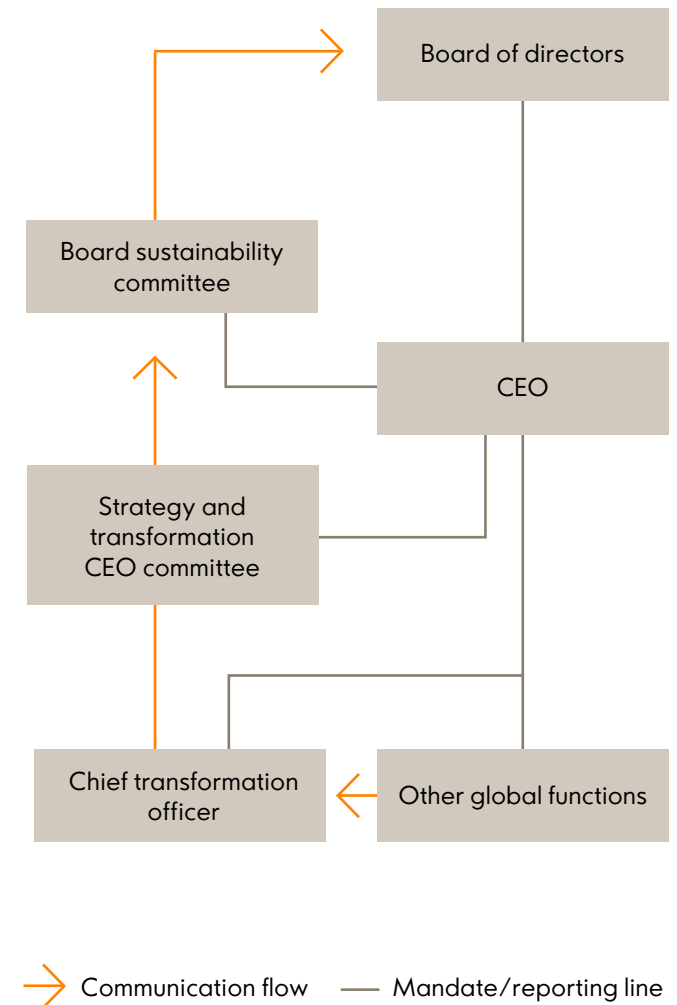
During 2021, the Board of directors established a sustainability committee with the purpose to assist the Board in fulfilling its corporate governance responsibilities regarding steering and managing the sustainability framework.

The committee collaborates and communicates with the Bank management team to align the sustainability strategy with the business and group strategies.

Members; CEO Ikano Group, Board member  
Regular invitees; Group sustainability manager, Bank CEO, Chief transformation officer, Legal counsel

## Strategy & Transformation CEO committee

The committee handles and assists the CEO on all strategic and transformational aspects of the Bank. Sustainability is an integral part of the agenda on how we pursue our mission to become recognized as a trusted and sustainable bank.





### Sustainability work groups

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

There is a close cooperation between Ikano Bank AB (publ), Ikano SA and Ingka Investments B.V. Ingka Investments B.V. owns 49% of Ikano Bank and Ikano Bank supplies Ingka Group with financial services.

### 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
- ESG investment





# Guiding our way to sustainability

The sustainability agenda we have set in Ikano Bank is part of a bigger picture. We follow several initiatives and collaborations, supporting us in becoming a sustainable bank for the many people. We follow the Paris Agreement, and adhere to the International Labour Organisation (ILO) Convention, United Nations Sustainable Development Goals (UN SDGs) and the United Nations Global Compact principles.

We have developed 6 principles to guide us in our daily work and 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 peoples' 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

## Our commitment and responsibility

At Ikano Bank we have an overall commitment and responsibility to stay true to our values, safeguard our brand and minimise threats to our reputation. Our values; common sense and simplicity, working together and daring to be different guide the way we do business; and we never compromise on our promise - on fair terms.

We want our customers, partners and co-workers to choose us for what we stand for, what we deliver and how we deliver it. That is why we have formulated a set of sound business standards, requirements and declarations of intent that we are strongly committed to and which are set out in the Ikano Code of Conduct and in the Ikano Partnership Policy. The latter policy sets out Ikano's position on labour and human rights and outlines our expectations of our business partners.

Ikano upholds the human rights of all co-workers and treats everyone with dignity and respect. We adhere to internationally recognised laws and standards including the Universal Declaration of Human Rights. This means that Ikano refrains from using child and involuntary labour, upholds decent and lawful working and remuneration standards, respects the rights of our co-workers to organise freely, exerts no discrimination and dissociates from harassment and abuse in the workplace.

Ikano is committed to the highest standards of ethical conduct and we expect the same commitment from our partners. The values of trust, integrity and honesty are the foundation of all our relationships.

## UN Sustainable Development Goals (SDGs)

The UN SDGs provide a framework for collective actions to tackle the global sustainability challenges. At Ikano Bank, we support all of the UN SDGs, and we use them to guide our strategic ambitions. We have chosen to focus on 7 goals, where we believe we can make the biggest positive impact.



## Our progress

See overview summary on page 39


### UN Global Compact

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

- We have incorporated the principles of Human Rights and Labour in our Code of Conduct, Partnership Policy and the Modern Slavery Act (UK specific).
- Anticorruption is secured through our values, business ethics and how we conduct business.
- Environment is a never-ending job and we continuously identify new opportunities how we can support behavioural changes in society by setting a good example. We are 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

### Our progress

See overview summary on page 40



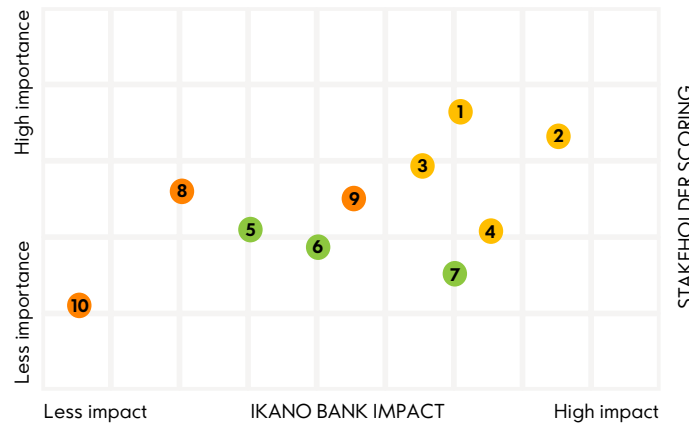
**COMMUNICATION ON PROGRESS**

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

### Materiality- & Stakeholder analysis

We performed a materiality- and stakeholder assessment during 2020 and reported our findings in the 2020 Sustainability report. We continue to work with the identified areas and the progress we have made is reflected in this report.



- 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

# Building sustainable financial services

We are on a journey to become a fully digitalised, sustainable bank, adaptable to the changing needs of people and businesses. By building a new digital platform we support our customers in creating a healthy economy and a sustainable living, through simple, fair and affordable financial services. Through our B2B business of leasing and factoring we also support the development of climate-positive and circular solutions.

## **An event-driven, cloud-based platform**

The new digital platform is cloud-based and event-driven, which means that we have the ability to transform our business from a traditional transaction-based operation to a “streaming bank”, based on the same technology as Netflix or Spotify.

The technology gives customers easier access to financial services and for instance can start their loan application on one device and finish it on another. The event-driven technology also enables much faster response and personalised communication with customers.

## **Sustainable credit checks with Open banking**

The new digital platform also opens opportunities for Open banking. This means using programmable interfaces (API technology) to access a wider range of external financial information during e.g. credit check

processes. From a sustainability perspective, Open banking gives access to more data which in turn can give more people access to affordable and fair financing, such as students and members of the “gig economy” who today struggle with access to loans on fair terms. Still, the Bank can maintain, or even improve, the risk level using many different credit data sources.

## **First loan product on the new platform**

In May 2021, we launched our first loan product on the new platform, together with IKEA on the UK market. The new digital solution means that IKEA customers are offered a seamless loan process, in store and online, from application to approval (or rejection) in less than 60 seconds, with no paperwork needed. The result has been satisfying so far and has made the loan application process accessible and faster for both customers and instore staff.

During 2022, the roll-out will continue in more countries and with the development of other financial products on the new platform.

## **Fair and accessible mortgages**

Buying a house or apartment is for many people their life’s biggest investment, and an important piece of the

puzzle for a healthy economy. Therefore, we want to offer attractive mortgages on fair terms for the many people. In November 2021, we launched mortgages in the Swedish market through our part-ownership in Borgo AB, a digital fintech platform enabling an accessible, paperless process for mortgages.

## **Financing green innovation and solutions**

Through our B2B business in leasing and factoring we want to encourage companies to pursue sustainable and circular ideas and technology, such as electrified company cars, Farming-as-a-Service, sustainable energy solutions, and mobile wastewater cleaning units. Through our close cooperation with IKEA, we will continue to support circular and climate-smart solutions for their business customers with our financial services.

In 2021 the Bank made the decision to invest in a new digital platform for our B2B business. During 2022 and coming years we will transform our B2B business with new technology and services to provide more business customers with sustainable financial services on fair terms.



Jessica Svantesson  
Chief Commercial Officer

**Hej Jessica,**

**How can our financial services contribute to a sustainable society?**

To me, the sustainability of our services has two dimensions. One perspective is to offer simple, fair and affordable financing that supports sustainable living for our customers. For example, to be able to collect expensive credits in one loan on better terms. Or make affordable payments on a sofa that will last many years ahead. It can also be the possibility to buy sustainable solutions such as solar panels for your home.

The other dimension is to keep our offering sustainable for Ikano Bank. To manage risks and build efficient processes that ensures profitability and financial stability for us as a financial institution.



Johan Bjurup  
Chief Digital Officer

**Hej Johan,**

**How can our digital transformation improve sustainability?**

Developing a new digital platform is a huge step for us and will make our financial services more sustainable in several ways.

One aspect is affordability. With Open banking we can give more people access to sustainable financing, while still reassure that the customer can afford to pay back their loan. Another is convenience. With faster approval processes and a seamless experience across devices it's easier for people to choose our services on fair terms, instead of a more expensive "quick-loan". That way we contribute to a healthy economy for our customers.

In addition, we are making our internal processes more resource efficient, with agile ways of working, use of data-driven insights, and replacing manual work with bots.

# Our long-term ambition

## Where we are now

We believe people with a healthy economy contribute positively to the wider economy, help drive social progress and are more able to make better sustainable choices. We strive to support the needs of the many people, with high ambitions to further develop and create financial inclusion.

Through use of data and analysis, we seek to understand who in our communities are not able to access capital, and why. We aim to reach more people based on this analysis and offer solutions empowering them to improve their life quality and reach their sustainable lifestyle goals. Thereby we contribute to a healthier overall economy and society.

Significant amounts of capital is still flowing to unsustainable investments instead of responding to the investment needs that exist for a green transition. We have ensured that our treasury capital is invested in a way that supports a low-carbon economy.

## Where we want to be by 2030

We will offer customers, fully digitalised and seamless services and solutions that are simple, fair and affordable and that create possibilities for better and more sustainable living. Together with our partners we will also actively support the development of circular solutions. By reaching more people who previously could not access capital, we will support the inclusive growth and development of the communities in which we are active.

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

For the world to get on track to a net-zero economy, capital is needed to accelerate the transition. We are committed to the UN Environment Program Finance Initiatives (UNEP FI) & Principles for Responsible Investments (UN PRI) and will proactively seek to increase financing in green and socially responsible sectors. 50% of our sales of lending will be verified as green by 2030.

We will work with all our offices to reach climate neutrality and focus on the well-being of our co-workers.



# Our sustainability goals

## 2022–2025



### Healthy & sustainable living

We will offer seamless and simple digital banking services, granting access to capital to more of the many and promoting a healthy & sustainable living.



### Circular & climate positive

We will work to reduce the environmental impact caused by our own operations, as well as finance solutions for a circular & climate positive economy.



### Fair & inclusive

We will provide development opportunities, a safe work environment and equal treatment for all co-workers. At the same time, we will make positive contributions to the community around us.

#### By 2025

- 100% digitally signed customer contracts
- 25% share of our liquidity portfolio is defined as green
- Be ranked in the top 3 of sustainable banks in each market in which we operate.

#### By 2025

- Increase our sales of lending verified as green by 10 times.
- Reach climate neutrality in our offices.
- 100% of our retail partners will have committed to 1.5° C business plans.

#### By 2025

- Reach more of the many people by granting loans to customers who are currently under-represented (e.g. students, self employed).
- Create platforms and distribute knowledge to include more people and help them build a better personal economy.
- Mirror in our workforce the diverse society in which we operate.



# Healthy & sustainable living

By 2025

100 % digitally signed customer contracts

25 % share of our liquidity portfolio is defined as green

Be ranked in the top 3 of sustainable banks in each market in which we operate



## The challenge

The right to a healthy and sustainable living should be for all, but is still unaffordable and inaccessible for many. A stable financial infrastructure, with well-governed, trustworthy and financially stable banks, is necessary to make sustainable choices affordable for everyone.

## Our commitment

We are committed to listen to our customers, to learn more about what they need to achieve a healthy economy. We will innovate and develop sustainable, accessible, and easy-to-use financial services on fair terms for the many people. And we will build a stable, profitable bank, creating trust among our customers, partners, suppliers, and co-workers.



# A financially stable bank

Trustworthy and stable financial institutions is an important part of building a sustainable society. To be able to fulfil our business idea of enabling a healthy economy for the many people, we need to build a financially strong bank, with a balanced level of risk. In addition, we need to take all stakeholders', such as our owners, employees, partners, lenders, authorities, etc., aspects into account.

That is why we need to manage the business in terms of margins, risk, costs, and legal/regulatory compliance. This way we 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. Running a financially strong business is a central component to be able to serve more customers and invest in the development and future growth of the business.

This means that long-term financial stability for the Bank is about ensuring that we meet capital requirements, commitments and provide returns to our owners to ensure investment in our future development of the business.

## **Ingka as new part-owner creates further opportunities**

In June 2021 Ingka Group obtained a 49% stake in Ikano Bank. We have already made extensive investments in our digital transformation, and with Ingka as new part-

owner we can further accelerate our development. This will improve the Bank's competitiveness and ability to become a trusted and sustainable bank for the many people and businesses.

## **A co-ownership worth celebrating**

In June 2021, after 30 years of commercial collaboration, the deepened partnership between Ikano Bank and IKEA was finally official. Together we will continue the journey to make financial services accessible and affordable for the many people. And during five weeks in October and November we celebrated together with fun challenges, knowledge sharing and prizes to win.

Every week a new challenge was launched, with themes such as "Make your wallet happy", "Think outside the flat pack" and "Send a postcard from the future". The contributions were many and full of good ideas, the best ones awarded with IKEA gift cards and breakfast or lunch for the team at the local IKEA store.







# 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 fraud and corruption. We continuously work in a structured way to counteract those risks throughout our organisation.

## Counteracting money laundering

During 2021, we have strengthened our organisation with a new global team, adding resources specialising in counteracting money-laundering and terrorism financing. In addition, An AML (Anti Money Laundering) policy and guidelines define the overall framework of the AML-measures taken in the Bank, and local Money laundering reporting officers in each of the countries where we operate, ensures compliance with the local requirements in the area.

## Fraud

Fraud poses a risk of significant financial loss, reputational damage, and adverse impacts not only to Ikano Bank, but also to our customers. We continuously work to develop and maintain our capability to prevent, detect and respond to fraud, and wherever possible seek to minimise exposure to risk. In May 2021, we launched a new fraud detection system, in connection to our new financial service product for IKEA in the UK. It has improved the onboarding process with fast anti-fraud controls and a top-class customer experience.

## Bribery and anti-corruption

Our policy is 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 markets 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. We have policies and procedures in place to detect and avoid bribery and corruption, and ensure our co-workers are trained accordingly on an annual basis.

## Annual training for all co-workers

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. During 2021 a new mandatory e-learning was launched, focusing on anti-bribery and corruption as well as conflict of interest and whistleblowing.

### This happened in 2021

- New global AML team
- New anti-fraud system implemented
- New mandatory e-learning launched





# Responsible lending

We strive for “a healthy risk culture” at Ikano Bank. That means we manage our lending activities consciously within a set risk appetite and act responsibly towards our customers and clients by applying a sustainable lending practice. To us, responsible lending is all about taking our customers’ best interest into account, contributing to a financially healthy society and delivering accessible financial solutions on fair terms.

## Responsible lending to consumers

We offer simple banking products (savings, cards, loans, and mortgages) on fair terms direct to consumers and via retail partners. 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.

Regulatory requirements for assessing the affordability of our customers supports our focus on acting as a responsible lender. Therefore, it is vital for the Bank to monitor and track implementation of new and amended regulations in this area.

Responsible lending to consumers also includes exploring new data sources that supports the sustainable lending practice. Open Banking facilitates access to customer application data in new ways and is an instrument for approving customer groups that historically have been rejected. By further developing Open Banking, we are aiming to reach even more of the many people.

## Responsible lending to businesses

We offer leasing and factoring to businesses, on fair terms and with focus on trustful relationships and long-term affordability. We also work to ensure that our engagement is compatible with our ethical values and will not damage the Bank’s reputation or otherwise damage the Bank’s brand. This applies even if the Bank was to assess that the environmental risk is manageable from a business perspective.

We have not actively limited our lending business to certain sectors, but no funding is approved regarding the financing of oil and gas exploitation, weapons or machines for producing weapons.

## Risk reporting

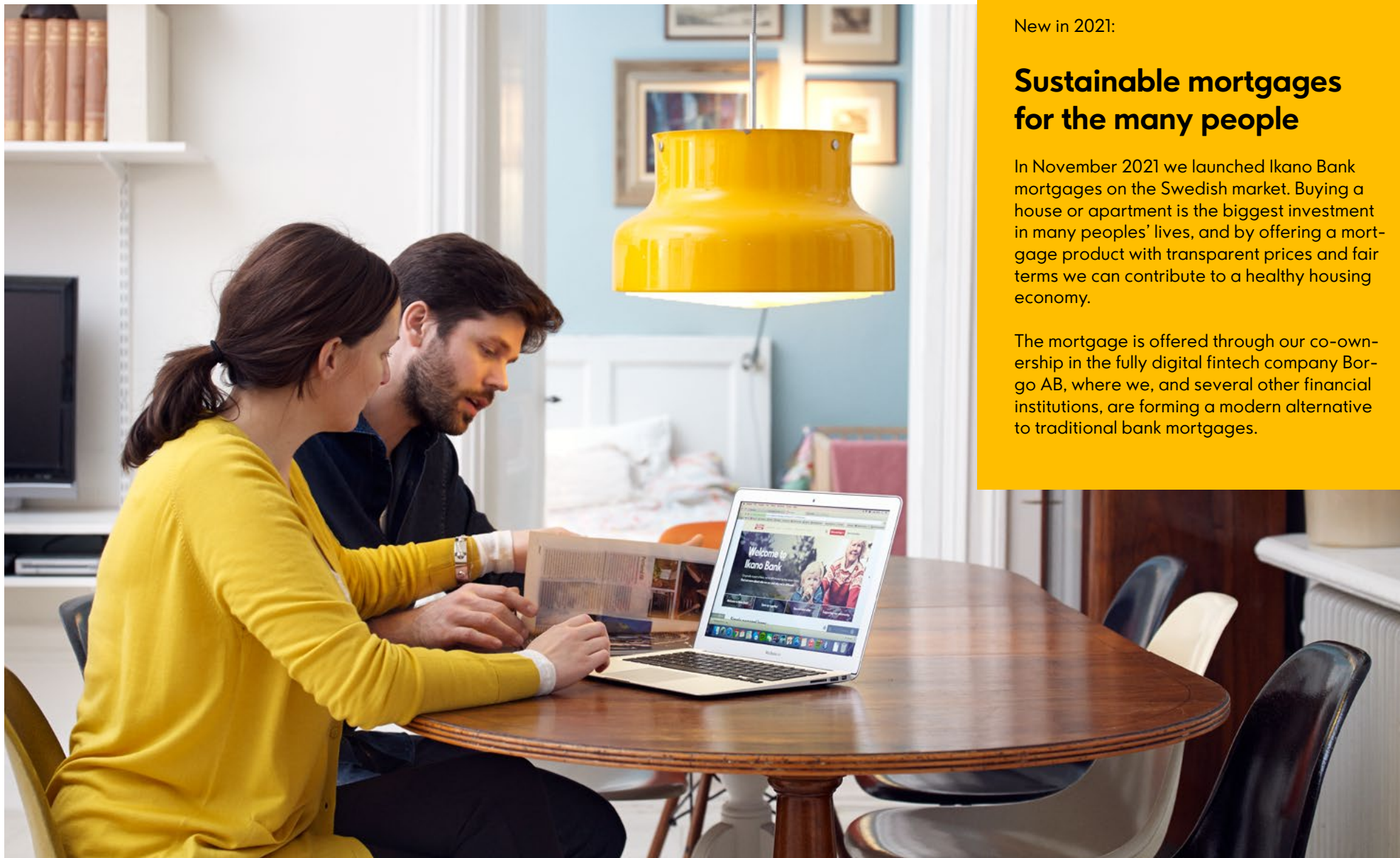
We ensure that the risk exposure of the Bank is within a set risk appetite and monitor risk incidents in regular reports to the management of the Bank. The reporting includes but is not limited to incidents related to fraud, integrity and information security as well as customer complaints and key risk indicators. The landscape for information security is constantly changing hence Ikano Bank continuously monitors and assesses the threats in this area.

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). We collaborate with various external parties to closely monitor new threats

and weaknesses to ensure 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.

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



New in 2021:

## Sustainable mortgages for the many people

In November 2021 we launched Ikano Bank mortgages on the Swedish market. Buying a house or apartment is the biggest investment in many peoples' lives, and by offering a mortgage product with transparent prices and fair terms we can contribute to a healthy housing economy.

The mortgage is offered through our co-ownership in the fully digital fintech company Borgo AB, where we, and several other financial institutions, are forming a modern alternative to traditional bank mortgages.



# Responsible investments

Investing in green bonds is increasing in popularity. As awareness builds, and more investors become concerned with climate change and want to align their portfolios with the Paris Agreement and the UN Sustainable Development Goals (SDGs) this is one way to make an impact and drive sustainable development.

By investing in green bonds, we in Ikano Bank contribute to the funding of climate-positive and socially responsible projects, such as renewable energy, energy efficiency, clean water, clean transportation, etc.

## Increasing share of green bonds

During the year, we have significantly increased the share of green bonds in our liquidity portfolio, from approx. 5% to 13%. Ikano Bank's sustainability ambition is to reach at least 25% by 2025.

We also aim to issue green bonds under our MTN programme during 2022 in order to finance green lending.

## New ESG Investment Policy

Ikano Bank does not invest in sectors or business areas that are assessed to present major sustainability risks, do not comply with our ethical standards or company values, and are verified as not being in line with the Paris Agreement or non-compliant with the United Nations Global Compact Principles (UNGCP) or the International Labour Organizations (ILO) Conventions. This includes violations on human rights, labour, environment and corruption issues.

In 2021 we implemented a new ESG (Environment, Social and Governance) Investment Policy, to ensure that we exclude investments in the following sectors and business areas:

- Alcohol
- Fossil fuel & nuclear power (including coal, oil, gas)
- Gambling
- Pornography
- Tobacco / Cannabis
- Weapons (all type of weapons including nuclear)

The ESG Investment Policy can be found here:

<https://ikanobank.se/om-banken/ekonomisk-information>

# 200%

Increase in the share of green bonds in Ikano Bank's liquidity portfolio 2021

"Investing in green bonds may not yield the highest returns for us, but not all profit is quantifiable. As green bonds offer us the option to diversify our portfolio with not only income-based decisions but environmentally (ESG) based decisions as well. We have invested in green bonds since 2017 and the portion (%) of green bonds in our portfolios has grown during the years and will continue to grow in line with our sustainability ambition to reach at least 25 % by 2025."

Jonas Ljunge, Treasury Portfolio Manager





# Circular & climate positive

By 2025

Increase our sales of lending verified as green by 10 times.

Reach climate neutrality in our offices.

100% of our retail partners will have committed to 1.5°C business plans.



## The challenge

Climate change is one of the greatest challenges facing our planet, already affecting the daily lives of millions of people. To reach the global climate goals we all have a responsibility to use our planet's resources wisely and minimise our climate footprint.

## Our commitment

We will work to reduce the environmental impact caused by the work we do, as well as by our partners and suppliers. We will also contribute by offering fair and accessible financing solutions for a circular and climate positive economy, for both consumers and companies.

# Financing solutions that benefit the environment

Since 2020 we have started to measure our share of green lending, with the ambition to increase our green lending over time. We work with the Green Bond Principles (ICMA) frame work for products qualifying as green and we see a great potential in growing our green share of our loan book. During 2021 we have seen a positive trend in green lending, from 0,8% share in 2020 to 1,7% share in 2021 of total loan book. Our Danish branch have increased the share 13 times, while our Norwegian branch have more than doubled their share and our Finish branch have delivered their first green volumes.

## Loans for solar panels

In 2021 we have continued to offer financing of solar panels, primarily in Poland and Sweden. Our Polish branch has and continue to show a high increase of financing compared to previous years with a prediction of a 100% growth in 2022. In 2021 Ikano Bank financed a total of 625 installations with an estimated production of kWh 3826400.

## Farming-as-a-Service with SweGreen

In 2020 our Swedish branch started a cooperatin 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. The solution is offered with a unique subscription service called Farming-as-a-Service (FaaS). In 2021 we have financed an additional 3 more projects making it 4 projects in total since the start of our partnership.

## Summary

We see great opportunities to continue to increase our green share of our loan book moving forward. Currently the biggest contributor is solar panels followed by EV- & Plug-in Hybrid vehicles and eco-certified products contributing to a better environment.

Solar panel financed	2021	2020	2019	2018
Solar panels (qty)	625	1,114	1,221	1,011
Estimated produced (kWh)	3,826,400	4,498,500	4,788,466	3,543,399

Comment: The decrease compared with 2020 result is related to change of partner in Poland and a temporary stop to our green lending offering in the UK.



# Climate smart business

Reducing the climate impact of our operations is an important aspect of our business. It is about how we set up and run our offices, how we travel and conduct meetings, it is in who we collaborate and partner with and how we communicate with our customers. We constantly work to measure and improve our efforts to reduce our climate impact.

## Green House Gas Assessment (GHG)

We have performed a Green House Gas (GHG) Assessment for scope 1, 2 and 3 for both 2020 and 2021, using 2020 as the baseline for what to prioritise to reduce our emissions. As part of the process, we have set targets and defined initiatives to lower our climate impact.

The assessment shows that our loan book and investments represent more than 99% of our total emissions. By offering more sustainable loans and do more sustainable investments, we will create a substantial impact on our emissions over time.

Moving on, we will focus on delivering towards our set goals as well as working on understanding the GHG data to support us in making better decisions. During 2022 we will start to look into setting science-based targets (according to the SBTi frame work) confirming our set goals or adjust them based on our findings\*.

## Becoming a paperless and automated bank

Our digital transformation enables us to remove the use of paper for loan applications, statements, and other communication with our customers. During 2021, many

improvements have been made to reduce and remove physical paper in our daily operations. From 2018-2021 we have lowered our total paper consumption with 38.9% from 338.2 tonnes in 2018 to 206.5 tonnes in 2021 (figures include both internal and external consumption of paper). Our ambition is to become a paperless bank by 2025.

In addition, we continue to automate our operations by replacing time-consuming manual work with bots. This not only increase efficiency in our daily operations, but also reduce errors in the process. During 2021, we added 70 bots and saved 101,286 hours of manual work, meeting our set target of saving 100,000 hours. Since 2020 we have implemented a total of 168 bots.

## Travelling

Travelling by rail is always our 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. Carpooling should be coordinated whenever possible. Our offices are located within convenient distance to trains and/or buses. At some of our offices we also have bicycles to borrow. By the end of 2023 all our benefit cars will be electrical.

We continue to use online meetings as the preferred solution, being both safe and efficient, and we only travel when the meeting objective cannot be achieved through an online meeting.

## Sustainable offices

Ikano Bank runs 8 offices in 7 countries, to accommodate

approx. 1,000 employees in total. We work continuously to reduce the environmental impact of our office operations, from changing lights to minimising waste.

We have set a goal to reach climate neutrality in our offices by 2025. This, in combination with the GHG assessment, has initiated a number of actions:

- Reduce our use of electricity, cooling and heating where possible
- Increasing our share of renewable energy
- Transit our company cars to more environmentally friendly options, e.g. EVs or Plug-in Hybrids
- Ensure that all our IT equipment is recycled or reused
- Reduce daily consumption products including paper

A number of achievements have been made and we will continue with the ambition to have climate neutral offices by 2025. See section Key figures for sustainability on page 33–34 for more details.

\* The Science Based Targets initiative (SBTi) is a collaboration between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature.



**Results in 2021:**

- 6 of our 8 offices now have renewable electricity (Denmark and Finland added in 2021)
- 11.9% of our cars are now EV or plug-in Hybrids
- Our paper consumption both internally and externally have been reduced with 131.7 tonnes (since 2018)



# Highlights of initiatives in our offices 2021

## Denmark

- 100% renewable electricity purchased from March
- Ordering lunch from staff canteen via app to lower food waste including "Samla Lån") used in communication with customers

## Finland

- 100% renewable electricity and cooling
- 100% LED lights installed
- Only use FSC certified paper

## Germany/Austria

- Transformation to digital customer communication resulting in 50% reduction of paper and envelopes



## Norway

- Moved to a more sustainable office with green energy rating (previously red) and geothermal heating and cooling
- Subsidized public transportation to work
- Subsidized EV charging

## Poland

- Commitment to only use FSC certified paper
- All new company cars will be plug-in hybrid
- Electricity, heating, and cooling is 100% renewable

## Sweden

- Transformation to digital bank loans resulting in 50% reduction of paper and envelopes (not including "Samla Lån") used in communication with customers

## UK

- Implementing digital solutions to become paperless in customer communication, KYC, and archiving.

# Sustainable purchases

Responsible sourcing plays an important part in delivering sustainable development and results. Following last year's deployment of more stringent tools and processes, we have continued to develop the way we work with sustainable sourcing, assessing and verifying our supplier base.

## Choosing sustainable suppliers

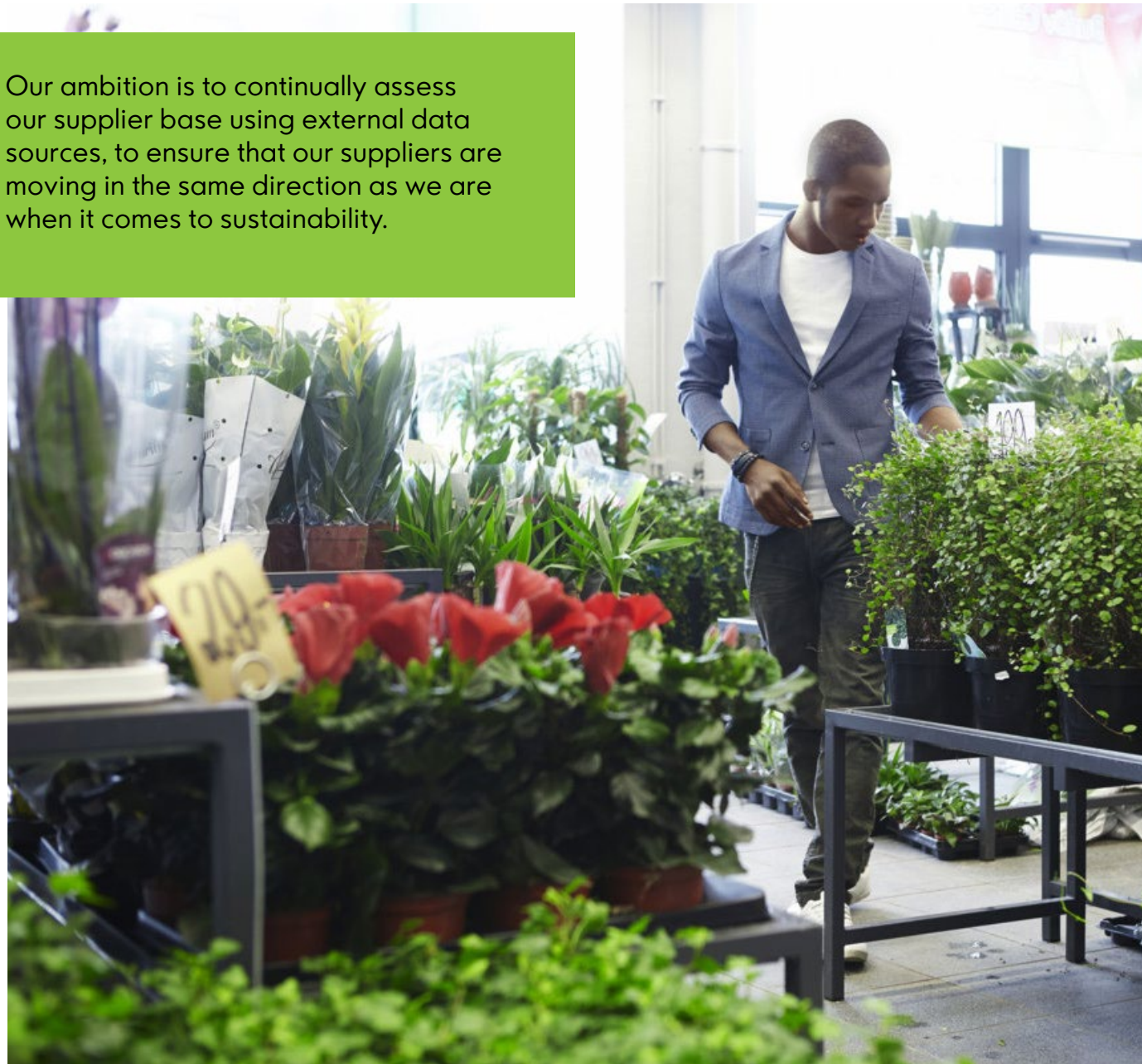
To understand the sustainability ambitions and commitments from potential suppliers we use standard questionnaires, helping us to work only with suppliers scoring high in the area of sustainability.

In addition, all new supplier agreements will include standard sustainability clauses stated in our Ikano Partnership Policy meaning that suppliers will be contractually bound to achieve the minimum requirements. Suppliers bidding for Ikano Bank business are required to confirm acceptance to the Partnership Policy.

## Managing our supplier base

As part of our efforts to secure a responsible and sustainable supplier base, we aim to have regular supplier evaluations with the support of our partners and third-party service providers. Suppliers are being selected for audits, both desk-based and on-site, based on their initial RFI (Request For Information) score, including country and industry sustainability indicators, as well as the level of supplier criticality for the Bank.

Our ambition is to continually assess our supplier base using external data sources, to ensure that our suppliers are moving in the same direction as we are when it comes to sustainability.





# Sustainable IT

Ikano Bank is on a journey to become a fully digitalised and sustainable bank for the many people. A new digital platform has been developed, enabling data-driven financial services, a better customer experience and faster development of new products. This is in line with our vision of reaching more of the many people with accessible financial services.

The new platform is based on a modular architecture, which allows for continuous improvements and replacements of specific modules. This enables us to select sustainable choices when new opportunities arise.

## A fully digital mortgage process

During the year we have launched our first loan product on the new platform in the UK, as well as digital end-to-end process for mortgages on the Swedish market, eliminating use of paper as well as traveling to a physical meeting to complete the process. This brings Ikano Bank one step closer to the target of 100% digitally signed contracts in 2025.

## Removing old systems

As part of the transformation, several older systems will be decommissioned. During 2021 6% of the systems were decommissioned. From a sustainability perspective, this means that inefficient systems have been replaced, but also, in some cases, that excessive systems have been removed.

## Sustainable data centres

Finding sustainable solutions for IT services and data storage is an important part of our digitalisation process. Today our servers hosted externally in data centres in Finland are 100% run on electricity from renewable sources.

As part of the transformation, a cloud-first strategy is applied, meaning that cloud services will be used rather than hosted data centres. Cloud providers are typically large scale and use this advantage to decrease the Power Usage Effectiveness (PUE) beyond what is possible for smaller data centres. In combination with the new modular architecture, Ikano Bank will be able to select cloud providers based on, e.g. power consumption. As the transformation is progressing, the options will be evaluated more closely.

## Reuse and recycling of IT equipment

Since 2012 we have an agreement in place for reuse and recycling of IT equipment. The purpose of the programme is to return redundant IT equipment from our offices to our partners, for reuse or recycling of parts and material. During 2021 our offices returned a total of 1,400 kg equipment, saving 181.6 tonnes CO<sub>2</sub> equivalent. Since 2018 we have returned a total of 2,300 kg equipment saving 221.9 tonnes CO<sub>2</sub> equivalent.



**2,300 kg**

IT-equipment reused or recycled since 2018, equivalent to saving 221.9 tonnes CO<sub>2</sub>



# Fair & inclusive

By 2025

Reach more of the many people by granting loans to customers who are currently under-represented (e.g. students, self employed).

Create platforms and distribute knowledge to include more people and help them build a better personal economy.

Mirror in our workforce the diverse society in which we operate



### The challenge

Around the world, millions of people are denied a fair chance to a decent living. Ensuring equal access and rights for all requires full commitment from every level of society. We as a company have a responsibility to ensure that our co-workers, customers, and partners are treated equally and on fair terms. And that we do our part in building a fair and inclusive society.

### Our commitment

We provide development opportunities, a safe work environment and equal treatment for all co-workers, and create a collaborative environment where partners and customers are treated fairly and equally. We will deliver accessible financial services that contributes to closing equality gaps in society. And we will make positive contributions to the community around us.

# Equality and diversity

We are proud of our culture and values. Living by those values is our way to build a change-oriented, trustful, and inclusive work climate, where no co-worker should be discriminated because of age, gender, religion, sexual orientation, marital or parental status, political opinion or ethnicity.

## A diverse workplace

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. 2021 the number of employees from different nationalities increased from 18 in 2020 to 23 in 2021. The age structure in Ikano Bank is well balanced with an almost equal distribution in the age groups from 25 to 55, securing a multi-generation approach in our ways of working. 2021 the average age at Ikano Bank was 39.

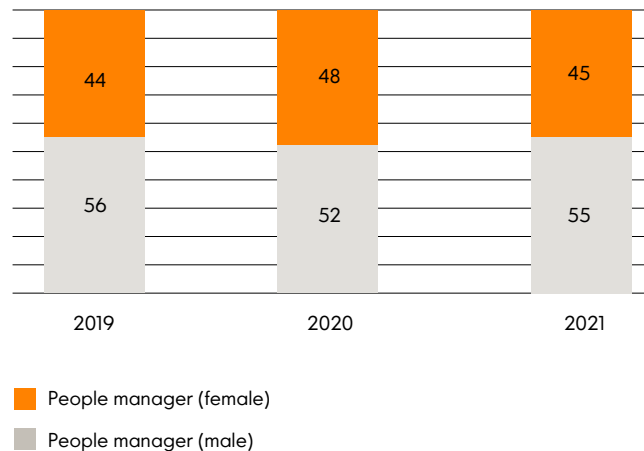
## European works council

In Ikano Bank we have a European Works Council (EWC). The EWC consists of employee representatives from all countries where Ikano Bank operates. The representatives have the right to information and contact with the Bank's management (through the Chief People and Communications Officer and other company representatives) in matters involving at least two countries and having a significant impact on the employees. The representatives and their deputies are appointed for a three-year period (calendar year) and meet at least twice a year. Topics on the agenda could for example be the economic and financial situation of the Bank's, overall employment plans and trends, re-organisations, and training and development.

## Leadership gender equality

We are working towards a 50/50 gender split at all leadership levels and in all positions. While we have an overall distribution of 56% female and 44% male employees in Ikano Bank, the gender distribution within leadership roles is not yet meeting our ambition level. Currently there are 44% female compared to 56% male in people manager roles. However, gender equality has been achieved in 2021 in our Bank management team where we today have a 50/50 ratio. (60/40% in 2020, 70/30% in 2019).

Gender split in leadership roles (%)





**Age group distribution**

18–20	1%
20–25	8%
25–30	12%
30–35	18%
35–40	15%
40–45	14%
45–50	13%
50–55	11%
55–60	5%
60+	4%

**Equal pay gap analysis**

Our ambition is that all co-workers with the same experience, performance and qualifications receive equal pay for equal work. In 2021 we have conducted a gap analysis in all our markets on equal pay for performance independently from gender. Any identified gap is addressed in the annual salary review to secure equal pay for equal jobs.

**Management review**

We work systematically with mapping our needs from a diversity perspective. In 2021, we focused on our managers and leaders as well as key specialist roles. We have concluded our current state based on an analysis of diversity also taking seniority, readiness, and performance into perspective.

# Employee development, engagement and well-being

Attracting, developing and retaining the right people is a vital part of driving our organisation forward and enabling sustainable growth. One important part is to create a learning culture and systematic approach that builds the competence and talent needed, today and in the future. As well as listening to peoples' views and ensure health and safety at work.

## Compliance and training

Working in a highly regulated environment means that compliance is at the core of how we conduct our business. It is important that all employees are well aware of and educated on topics such as information security, data protection and anti-money laundering. Mandatory trainings are performed annually by all co-workers in the Bank and managed through our learning management system to ensure a systematic approach.

## Competence development

To secure business development and relevance on the market, competence development is an important component. We offer a broad range of learning solutions and trainings, such as professional e-learnings and video trainings as well as learning tailored to individual needs and to the needs of specific roles. During 2021, when the availability of physical meetings has been limited, our online tools have been especially valuable to sustain a continuous learning journey for our co-workers. During the year a total of 1,371 hours of training was performed in LinkedIn learning, and 24,138 learning videos watched.

## Our leadership programmes

During the year our focus to develop and support our leaders has been on leadership in an ever changing environment. We have updated our internal programme "Leading through change" to support our leaders in driving the transformation of the Bank. It now consists of modules focusing on culture, values and leadership, psychological safety, and building trust. A majority of our leaders have gone through the programme in 2021, and our work will continue in 2022.

## Performance Management

Since 2016 we are using an annual performance management process called "The engagement dialogue". This 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 while connecting those to the overall business strategy of Ikano Bank.

## Employee Engagement

We conduct a regular pulse survey to measure overall employee satisfaction and engagement throughout the year. The results and feedback given to improve our workplace are discussed within the teams, and actions are taken to secure improvements are made. Our average employee Net Promoter Score (eNPS) in 2021 on a scale from -100 to +100 was 14, where the cross-industry average is 7.4. We have a long-term eNPS goal of 40.

## Whistleblowing

At Ikano Bank we promote and develop a culture of openness. We have a whistle-blower process in place, where co-workers can report any concerns or issues within the Bank anonymously.

## Health and safety

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 illness are prevented through pro-active and timely measures.

During the past two years, the Covid-19 pandemic crisis has presented new challenges in this area. We have worked to secure a constantly safe work environment by introducing new ways of working, collaborating closely between all locations, as well as monitoring and reacting to any issues developed during the crisis. In some workplaces we have supported co-workers with additional onsite testing and vaccination, and put a lot of effort on providing the necessary IT tools to work remotely.

## New ways of working with internal governance

This year we have also reviewed our internal governance and introduced changes to improve clarity in the roles' responsibilities, accountability, and mandates. This is very much in line with one of our core values, working together. We believe that sustainable growth is best achieved by stronger collaboration across all areas of the Bank and clarity in roles as well as processes.

# Social responsibility

We support initiatives for a positive development in society, through donations, charity work, and cooperation with non-profit organisations. Our focus is mainly on supporting childrens' and womens' opportunities to learn and develop.

Our vision is to create possibilities for better living. We want to make a positive impact on the lives of the many people, the societies they live in and the planet we all share. This includes financially supporting good causes, especially in places where we operate and can make a difference.

We donate to projects focused on supporting children and women and their opportunities for learning and developing – this includes education, health issues, as well as access to clean water and solar energy.

In addition, all co-workers can spend one day of paid leave a year supporting a local charity. With this day, we aim to increase the co-worker engagement for our sustainability work.

Here are some examples of initiatives we have supported this year:

## Recycling mattresses and supporting disadvantaged children in the UK

We support the local charity Operation Orphan for their work with disadvantaged children in Nottingham. Through their initiative “Waste Nott Want Nott” Operation Orphan recycle mattresses, and use the profits made to support disadvantaged children. The mattresses are

picked up for a fee and taken to a specialized facility for zero-landfill recycling. The van used to collect the mattresses is proudly sponsored by Ikano Bank – and all carbon emissions are offset through the fee. In 2021 the initiative ‘Waste Not Want Nott’ by Operation Orphan recycled 1127 items: 616 Mattresses, 259 Sofas, 223 Bed bases/Divans and 29 headboards and footstools.

## Youth crisis centre Joannahuset in Denmark

Together with our sister company Ikano Bolig in Denmark we support the first 24-7 youth crisis centre in Denmark, “Joannahuset”, started in August 2020. In 2021 Joannahuset were given the “Tine Bryld” award for their important work to create a refuge for children and young people with nowhere else to go. Our support is used to finance the rent of the space where the centre is located. Representatives from the Bank and Ikano Bolig also take part in the advisory board. In addition, Ikano Bolig is working on a project for Joannahuset, to find accommodation and establish life for young people after they leave the crisis centre.

## Empowering Children Foundation in Poland

In Poland we support the Empowering Children Foundation, both financially and materially. The foundation provides free assistance to children and young people in need of support, care and protection, via phone as well as support for parents and teachers who need support and information on preventing and helping children experiencing problems and difficulties.

## Supporting new women's shelter and social day work in Germany

2021 we supported the establishment of a new women's shelter in Wiesbaden by donating money for new mattresses (3,115 EUR). Through Social day co-workers also helped in various local initiatives in Wiesbaden, by participating in painting a children's parent centre, redesigning the outdoor plaza at a youth centre, and gardening at a home for disabled.





# Key figures for sustainability

GENERAL INFORMATION		2021	2020	2019	2018
Number of offices	Qty	8	8	8	8
Total office space	m <sup>2</sup>	15,139	15,372	15,372	15,372
Offices certified (LEED / BREEAM)	Qty	3	3	3	3
Offices with renewable electricity with certificate	Qty	6	4	4	4
Electricity	kWh	1,052,493	1,101,368	1,271,837	1,345,717
Heating	kWh	1,373,022	1,384,459	1,573,570	1,622,937
Cooling	kWh	29,431	59,110	135,908	320,866
Water	m <sup>3</sup>	2,985	3,848	11,590	5,478
EV cars	%	3.6	2.3	-	-
Hybrid plug-in cars	%	8.3	1.1	-	-
Remaining cars	%	88.1	96.6	100	100
<b>CLIMATE NEUTRAL OFFICE</b> (Aligned with GHG protocol)		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Climate neutral office	tCO <sub>2</sub> e	5,072	4,831	*	*
<b>PAPER CONSUMPTION</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Internal	tonnes	7.7	12.3	17.1	18.5
External	tonnes	198.8	197.7	249.9	319.7
Total	tonnes	206.5	210.0	267.0	338.2

\*No available data



<b>BUSINESS TRAVEL</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Air	Segments	191	513	2 497	2 739
	Km	106,661	397,655	1,761,698	2,004,080
Hotel	Nights	252	467	1,794	1,985
Rental car	Days	1	4	16	5
<b>RECYCLED IT EQUIPMENT</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
tCO <sub>2</sub> e saved	tCO <sub>2</sub> e	181.6	34.7	5.6	*
Equipment extended life or recycled	tonnes	1.4	0.7	0.2	*
<b>% OF RETAIL PARTNERS COMMITTED TO 1.5°C</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Retail partners committed	%	66.6	*	*	*
<b>SOLAR PANELS FINANCED</b>		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Solar panels	qty	625	1,114	1,221	1,011
Estimated production	kWh	3,826,400	4,498,500	4,788,466	3,543,399
<b>RESPONSIBLE FINANCING</b> (Aligned with the GBP framework)		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Loans defined as green of total loan book	%	1.7	0.8	*	*
Sales defined as green of total sales	%	0.6	*	*	*
<b>RESPONSIBLE INVESTMENTS</b> (Aligned with the GBP framework)		<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Investments defined as green of total investment portfolio	%	13.1	4.6	3.0	*

\*No available data





# People data

General employee information		Unit	2021	2020	2019
Headcount	Count		1,069	1,008	1,067
FTE	Sum		946	898	934
Employment (Full-time)	%		85	86	78
Employment (Part-time)	%		15	14	22
Employment (Permanent)	%		92	97	na**
Employment (Temporary)	%		8	3	na**
Average seniority	Years		5.5	5.4	na**
Diversity information		Unit	2021	2020	2019
Total Employee (female)	%		56	57	57
Total Employee (male)	%		44	43	43
People manager (female)	%		44	48	45
People manager (male)	%		56	52	55
Bank Management Team (female)	%		50	40	30
Bank Management Team (male)	%		50	60	70
Amount of different nationalities	Count		23	18	na**
Employee development and engagement		Unit	2021	2020	2019
Total training hours dedicated in LinkedIn Learning	Hours		1,371	1,625	na**
Learning videos completion in LinkedIn Learning	Count		24,138	31,617	na**
Employee Engagement Index (Ikano Bank)	Index		8.14	8.09	na**
Employee Engagement index (external benchmark)* <sup>3</sup>	Index		7.6	7.5	na**
eNPS (Ikano Bank)	Index		14	17	na**
eNPS (external benchmark)* <sup>3</sup>	Index		7.4	8.1	na**

Social responsibility information		Unit	2021	2020	2019
Total number of social days			56	* <sup>4</sup>	217
Total spend on charity	kSEK		761	1,250	2,157
Board of directors information		Unit	2021	2020	2019
Board constellation – ratio of external members	%		44	57	57
Board constellation – ratio of internal members* <sup>2</sup> <sup>3</sup>	%		56	43	43
Board of Directors (female)	%		22	29	29
Board of Directors (male)	%		78	71	71

\* as per 31/12 of each year

\*<sup>2</sup> employed by shareholder of Ikano Bank

\*<sup>3</sup> all pulsmeter survey participants

\*<sup>4</sup> no data collected due to Covid pandemic

na\*\* values not measured that year

# Our carbon footprint

We have since 2020 worked with the Greenhouse Gas (GHG) Protocol to track and measure our impact on the environment where we operate.

In the table you can find our carbon footprint for the years 2020 and 2021.



Carbon foot print (tCO <sub>2</sub> e)	2021	2020 (baseline)
<b>SCOPE 1</b>		
Cars	140	207
Stationary combustion	20	86
Total Scope 1	160	293
<b>SCOPE 2</b>		
District heating	-	-
Electricity	49	114
Total Scope 2	49	114
<b>SCOPE 3</b>		
Indirect emissions from fuel and energy	42	93
Business travel	13	46
Employee commuting	1,493	1,606
Purchased goods and services	2,730	2,078
Other	585	601
Lending	683,364	711,291
Investments	84,679	60,822
Total Scope 3	772,906	776,537
<b>TOTAL SCOPE 1, 2 &amp; 3</b>	<b>773,115</b>	<b>776,944</b>

# EU taxonomy

The EU taxonomy is a framework which classifies environmentally sustainable economic activities. The taxonomy's goal is to provide clear rules on what can be classified as green or environmentally sustainable and to accelerate green investments by providing transparency to investors, businesses and financial institutions.

For an economic activity to be defined as environmentally sustainable under the Taxonomy, and thereby classified as aligned with the Taxonomy, it must meet the following criteria:

- contributes substantially to one or more of the six environmental objectives,
- does no significant harm (DNSH) to any of these environmental objectives, and
- meets certain social minimum safeguards.

The criteria for when an activity can be considered to substantially contribute and not cause significant harm (DNSH) are detailed in the technical screening criteria that are included in delegated acts. If an activity is not included in the technical screening criteria, it cannot be assessed under the Taxonomy and is therefore not a Taxonomy-eligible activity. There are technical screening criteria for two of the environmental objectives: climate change mitigation and climate change adaptation. The other four environmental objectives do not yet have established technical screening criteria. The Taxonomy is currently limited to the classification of environmentally sustainable economic activities. However, work is ongoing at the EU level to review

whether the Taxonomy will be expanded to classify e.g. social sustainability and activities that could cause significant harm to the environment.

## **Taxonomy disclosures 2021 and information on the quantitative indicators**

All businesses that are subject to the EU's Non-Financial Reporting Directive (NFRD) are in scope for the disclosure requirements as set out in the EU taxonomy regulation and must report the required information in their sustainability report. Ikano Bank is defined as an NFRD company, as the Bank is a public-interest entity and has more than 500 employees, and therefore is subject to the disclosure requirements for credit institutions according to the EU taxonomy.

The EU taxonomy related disclosure requirements will be applicable for the first time for financial year 2021 and this is the first time Ikano Bank must report the required information in the sustainability report. For the first two years transitional rules applies for credit institutions and the reporting will as such be limited to what extent customers and counterparties' activities are being eligible or non-eligible with the EU taxonomy. From 2024 and onwards, credit institutions will have to report to what extent customers and counterparties meets the sustainability criteria as set out in the EU taxonomy regulation.





The European Commission has published templates to be used for the taxonomy reporting from 2024 and onwards. No such templates exist for the first two years with limited reporting requirements. To comply with the limited reporting requirements Ikano Bank has chosen to disclose the KPIs in accordance with the template below. When reporting these KPIs in the mandatory reporting they must be based on actual data since estimates are not allowed to be used. Ikano Bank has prepared this year's mandatory taxonomy eligibility reporting based on its interpretation of the requirements and on a best-effort basis. Ikano Bank is monitoring the development of the related regulations closely and are working with interpretations and implementation on a continuous basis.

#### Assumptions in mandatory taxonomy reporting

Undertakings subject to NFRD requirements will first publish their mandatory taxonomy reports during 2022. As the mandatory eligibility disclosures of financial undertakings shall be based on actual information from our customers rather than estimates that means that for now only exposures to households can be considered taxonomy eligible.

Initially only loans to households collateralised by residential immovable property are deemed taxonomy eligible and other types of loans to households are currently not considered to be taxonomy eligible. Ikano Bank only offers mortgages via Borgo AB and as such does not have any exposures to household loans collateralised by residential immovable property. This means Ikano Bank has no assets to report as taxonomy eligible in this year's reporting.

Taxonomy non-eligible assets includes all household loans other than loans collateralised by residential immovable property. Exposures to non-NFRD undertakings within the EU and to non-financial undertakings outside the EU are not assessed for taxonomy eligibility. When identifying NFRD companies, there are limits in the data on customers and counterparties. As a result, the information for non-NFRD companies may be inadequate








Initially other assets such as cash and credits to local governments is not included in the mandatory reporting. Consequently, this means that the template will not sum up to 100 percent.

Demand inter-bank loans, derivatives, trading portfolio and assets related to central governments, central banks and supranational are excluded from being reported as Taxonomy eligible.

Assets	Proportion of Total Asstes, %
Taxonomy eligible asstes	-
Toxonomy non-eligible assets	67.3
Assets related to central governments, central banks, supranationals	7.0
Derivatives	0.0
Assets related to Non-NFRD undertakings	9.7
Trading Portfolio	-
On demand inter-bank loans	4.1

# Our contribution to the UN Sustainable Development Goals

We support the United Nations Sustainable Development Goals (SDGs) in their ambition to achieve a better world for all. As a bank, we have a role to play in contributing to achieving the SDGs. Find out how we contribute to the goals we have chosen to prioritize in the table below.

United Nations Sustainable Development Goals		How Ikano Bank contributes	Read more on page
 3 GOOD HEALTH AND WELL-BEING	Good Health and Well-being	<ul style="list-style-type: none"> <li>Published a new ESG Investment policy</li> </ul>	20
 4 QUALITY EDUCATION	Quality Education	<ul style="list-style-type: none"> <li>Continue to engage through our social initiatives</li> </ul>	32
 5 GENDER EQUALITY	Gender Equality	<ul style="list-style-type: none"> <li>Continued focus on gender balance</li> </ul>	29
 7 AFFORDABLE AND CLEAN ENERGY	Affordable and Clean Energy	<ul style="list-style-type: none"> <li>Increasing our share of green loan book and green liquidity portfolio</li> <li>6 out of 8 offices having renewable electricity</li> </ul>	13, 20, 22 23, 24
 8 DECENT WORK AND ECONOMIC GROWTH	Decent Work and Economic Growth	<ul style="list-style-type: none"> <li>Reducing our physical material in our daily operations</li> <li>Continuous work with human rights, fair working conditions, diversity and gender equality</li> </ul>	23 8, 9, 29
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Industry, Innovation and Infrastructure	<ul style="list-style-type: none"> <li>Investing in a new B2B platform</li> <li>Initiated the work to set higher sustainability requirements towards our suppliers and partners</li> </ul>	11 26
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Responsible Consumption and Production	<ul style="list-style-type: none"> <li>Continuous work towards 100% digital solutions applying cloud-based solutions where possible</li> <li>Removal of physical paper</li> </ul>	11, 27 23



# Our compliance with the UN Global Compact

United Nations Global Compact (UNGC) Principles

We are a signatory to the United Nations Global Compact, a set of ten principles in the areas of human rights, labour, environment and anti-corruption. The table below shows where in this report you can find our progress for each principle.

HUMAN RIGHTS		Location in report	ENVIRONMENT		Location in report
<b>Principle 1</b>	Businesses should support and respect the protection of internationally proclaimed human rights.	Respecting human rights, fair working conditions, diversity and gender equality (page 9) Equality in our foundation (page 29, 31)	<b>Principle 7</b>	Businesses should support a precautionary approach to environmental challenges	Responsible investments (page 20) Our sustainability goals (page 14)
<b>Principle 2</b>	Make sure that they are not complicit in human rights abuses.	Respecting human rights (page 9)	<b>Principle 8</b>	Undertake initiatives to promote greater environmental responsibility.	Our sustainability goals (page 14, 20, 22)
<b>LABOUR</b>			<b>Principle 9</b>	Encourage the development and diffusion of environmentally friendly technologies.	Our sustainability goals (page 14, 20, 22)
<b>Principle 3</b>	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Respecting human rights (page 9)	<b>ANTI-CORRUPTION</b>		
<b>Principle 4</b>	The elimination of all forms of forced and compulsory labour.	Respecting human rights and childrens' rights (page 9)	<b>Principle 10</b>	Businesses should work against corruption in all its forms, including extortion and bribery	Code of conduct, mandatory trainings and whistle-blowing process (page 17, 18, 31)
<b>Principle 5</b>	The effective abolition of child labour.	Respecting human rights and childrens' rights (page 9)			
<b>Principle 6</b>	The elimination of discrimination in respect of employment and occupation.	Equality and diversity in our foundation (page 29, 31)			



# Approval and auditor's sign off

Approved by the Board, date according to digital signature.

## 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 are responsible for the statutory sustainability report for the year 2021 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, date according to digital signature.

Malin Lüning, Authorised Accountant, Deloitte AB





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Reg no. 516406-0922

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Under the supervision  
of the Swedish Finansinspektionen

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