

Sustainability report 2018



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This is Ikano Bank

Where we come from

Ikano was originally a part of the home furnishing company IKEA, founded 1943 by Ingvar Kamprad in Älmhult, Småland. During the 1980's, IKEA was divided into three independent groups of companies: Inter IKEA, INGKA and Ikano.

In Småland, people are known for being hard-working and innovative. With their no-nonsense approach to problem-solving in general and to business challenges in particular, they have taught us the value of working together to create meaningful solutions that simplify people's lives and contribute to better living.

When Ingvar started his furniture business, he applied the lessons he learned in Småland using every opportunity to reduce costs and save in every possible way, except on ideas and quality.

In 1988, Ikano became an independent group of companies, owned by the Kamprad family. We have built our own identity, but our constant drive to simplify people's lives and our cost-conscious mind-set remain the same.

In 1995 Ikano's first retail bank opened in Älmhult. Ikano Bank has since then operated, under a banking license from the Swedish Financial Supervisory Authority. Today Ikano Bank operates in Sweden, Denmark, Norway, Finland, Germany, Austria, Poland and the United Kingdom.

Who we are

Ikano Bank AB (publ) (“Ikano Bank” or the “Bank”) conducts banking business with registered domicile in Älmhult, Sweden, and head office in Malmö, Sweden. Ikano Bank is owned by Ikano S.A. with its registered office in Luxembourg.

Our services in financing solutions are for consumers and businesses, offered directly and indirectly via partners. Ikano Bank, which was granted a banking license for its operations in 1995 carries out banking operations in Sweden, Norway, Denmark, Finland, the United Kingdom, Germany, Austria and Poland.

Ikano Bank is part of the Ikano Group, which has been an independent group since 1988. The Ikano Group was previously part of IKEA. In addition to finance, the Ikano Group also conducts business within real estate, production, insurance and retail.

In Ikano we are driven by a common vision and values. We work together to deliver on our promise to customers, partners and each other; everything we do should be done on fair terms. Our vision is to create possibilities for better living for the many people.

Our offering

Ikano Bank offers simple and fair banking and financing solutions for the many people and businesses.

We offer private customers simple and smart services such as loans for private consumption, credit cards and savings

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

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

Our organisation

Ikano Bank head office is situated in Malmö, Sweden where its Nordic customer contact centre is also located. In addition, the Bank has an office in Sundbyberg, where the Bank's sales organisation for Swedish leasing and factoring business is located. The Bank operates abroad through six foreign branch offices which are located in:

- Glostrup, Denmark
- Asker, Norway
- Espoo, Finland
- Nottingham, United Kingdom
- Wiesbaden, Germany
- Warszaw, Poland

In addition, the Bank conducts limited financial activities in Austria.

Governance

Board of directors

The Board of Directors (or 'the Board') responsibility includes the company's organisation and administration in accordance with the Swedish Companies Act. The Board of Directors appoints the CEO and, where applicable, the members of the Board Committees. The Board continuously reviews the work of the CEO. The Board also decides on salary and other benefits for the CEO, for employees who report directly to the CEO and for employees who have the overall responsibility for any of the Bank's control functions. The Board's activities and the division of responsibility between the Board and the CEO are regulated by the Board's formal work plan, which is adopted by the Board every year after the Annual General Meeting. According to the work plan, the Board makes decisions regarding the Bank's overall strategies, acquisitions and material investments. The rules include terms of reference issued by the Board of Directors to the CEO. These policy documents are reviewed and approved annually by the Board. The Articles of Association state that the Board shall consist of no less than three and no more than ten members without deputies.

To meet our Board of Directors, please visit:

<https://goo.gl/94Z5yA>

Policy to select and assess Board members and key functions holders

Ikano Bank has a policy for selecting and assessing Board members and key function holders of the Bank. The policy contains criteria and general requirements for the appointment of individual Board members

and key function holders, to ensure diversity and competence regarding the composition of the Board as a whole.

The Board must have an appropriate composition. When electing members of the Board a goal is that the Board members together should have a range of backgrounds, expertise, experience, education, and knowledge so that they can complement each other. The members should together constitute a diverse range of gender, age and geographic origin. The Board must always include a sufficient number of members who are not employed in the Bank or the Ikano S.A. group. A diverse Board composition counteracts inappropriate herd behaviour and contributes to sound risk management in the Bank.

Individual Board members, the CEO, and key function holders are evaluated from several different aspects before they are appointed. For example, the Bank investigates whether the member, the CEO, or key function holder has been convicted of a crime, or have incurred any other sanctions for breaching rules (e.g. within the framework of other directorships) or been found guilty of any other inappropriate behaviour. The Board member's, the CEO's and key function holder's experience, both theoretical education and practical experience, is also checked and evaluated before the member, the CEO or key function holder is appointed. Finally, other factors are evaluated such as potential conflicts of interest, the possibility of allocating sufficient time for the assignment, the Board's overall composition, etc.

The policy includes a form ("Information to be provided by a potential board member or a key function holder") which must be completed prior to every recruitment. There are restrictions in respect of number of assignments a member of a bank board may hold concurrently. The other assignments of the Board members of Ikano Bank are in accordance with the requirements.

Remuneration

The Bank's remuneration is regulated by the Bank's remuneration policy, which has been formulated based on the Swedish Financial Supervisory Authority's regulations, EBA guidelines, and the principles adopted by the Annual General Meeting.

The main features of the remuneration policy mentioned above are that employees receive compensation in the form of a fixed salary, pension and certain benefits. The compensation is determined individually and reflects the work's complexity (i.e. the level of difficulty of the duties), local market conditions and the employee's performance.

Variable remuneration can be paid in accordance with the terms of the incentive programme that the Bank applies for employees in the management team and branch managers.

Chief Executive Officer (CEO)

The CEO of the Bank is responsible for the Bank's day-to-day administration and is to perform this duty in accordance with current legislation and rules, the Articles of Association, the Board's formal work plan, the terms of reference issued by the Board of Directors to the CEO and all other guidelines and directives issued by the Board.

Organisation

The head office with management and common functions are located in Malmö, Sweden. The central functions include Finance, Operations, Commercial, IT, HR and communication, Legal, Risk Control, Compliance, Internal Audit.

Management team

In addition to the CEO, the management team includes the CFO, CIO, Chief Operations Officer, Legal & Corporate Governance Director, Chief People and Communications Officer, Chief Proposition Officer, IKEA Global KAM, Chief Risk Officer and Chief Compliance Officer. All members of the management team reports directly to the CEO. The Chief Risk Officer and Chief Compliance Officer also reports directly to the Board.

To meet our Management team, please visit: <https://goo.gl/atLCAi>

Financial reporting

The Bank's process for ensuring the quality of the financial reporting includes four main activities: Risk assessment, control measures, information and communication, and follow-up.

Risk assessment comprises identification and analysis of material risks that may affect financial reporting.

The control measures are both of a preventive nature, meaning that they are measures intended to prevent losses or misstatements in the reporting, and of a detective nature. The controls are designed to also ensure that all misstatements are corrected. The Finance function, which compiles the reports, works with carefully prepared accounts and standardised working procedures with control functions.

The internal communication to and from the Board takes place by the Board receiving extensive documentation on the Bank's financial position, including reporting on liquidity and capital, prior to every ordinary Board meeting. These areas are also prepared by the Board's Audit Committee and its Risk & Compliance Committee. Information to the management is provided i.a. at regular Management team meetings in which the CFO participates. Internal policies, guidelines, instructions and corresponding documents that guide and support the financial operations are published on the Bank's intranet.

It is the Board's task to ensure an appropriate, robust and transparent organisational structure with efficient communication and reporting channels. The Board must also ensure that there is a suitable and effective internal control structure. Besides the independent control functions for Internal Audit, Compliance and Risk Control, this structure must also include appropriate processes and procedures for internal control of operating activities, especially financial reporting and accounting.

Compliance

Under the management of the Bank's Chief Compliance Officer (CCO), Compliance is responsible for ensuring that the regulated activities of the Bank are conducted in accordance with applicable laws, regulations and general guidelines of the Swedish Financial Supervisory Authority, the European Banking Authority and other agencies, internal rules and generally accepted practice. To ensure the Compliance function's independence, the CCO reports directly to the CEO and the Board. Reporting to the Board is done at

every ordinary Board meeting and to the CEO every month. CCO also reports to the Bank's Risk & Compliance Committee.

Compliance regularly checks and assesses if the measures and procedures introduced by the Bank are suitable and effective. In addition, actions taken to resolve potential deficiencies in the Company's regulatory compliance are also evaluated.

Risk Control

Risk Control under the management of Chief Risk Officer (CRO) is responsible for (i) overarching direction of and the rules for risk management, and (ii) supervision of risk management and risk control function within the Bank. To ensure the Risk Control function's independence, the CRO reports directly to the CEO and the Board. The CRO reports to the Board at every ordinary Board meeting and to the CEO every month. CRO also report to the Bank's Risk & Compliance Committees.

CRO's area of responsibility includes identification, measurement and oversight of all risks related to the Bank's business. CRO is responsible for developing appropriate methods for the analysis and measurement of the risks and for continuously following up and checking that every risk is kept within permitted limits.

Internal Audit

Ikano Bank has a separate Internal Audit function. It works on behalf of the Board and acts independently from the Bank's operations. The work is conducted based on an annual audit plan prepared by the Audit Committee and approved by the Board. The results of the internal audit are reported to the Board twice a year and to the Audit Committee every quarter.

The Bank's Internal Audit function assists the Board and its Audit Committee in the identification and follow-up of various matters concerning the Bank's financial reporting. The tasks of the Audit Committee include the follow-up of important observations and recommendations from both Internal Audit and external auditors regarding financial reporting. The Audit Committee reports to the Board and recommends suitable measures when Board decisions are required.

In operational terms, the Internal Audit function is run by Ikano S.A. in accordance

with an outsourcing agreement. In 2018, PwC assisted Internal Audit in the execution of the internal audit.

External audit

The Bank's auditor participates in one Board meeting per year and is further invited to participate in all meetings of the Audit Committee where he/she provides information on the observations of the Bank's internal procedures and control systems.

Our vision is to create possibilities for better living

The Ikano Spirit is important for our success. Our core values: common sense and simplicity, working together and daring to be different bring us together and help us deliver good results.

“Our mission is to simplify the many people’s lives so they can focus on living it”

Our business idea

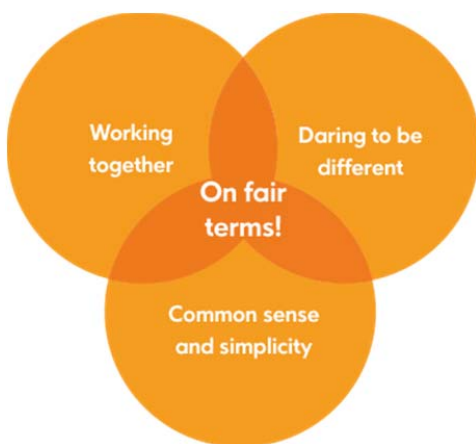
Together we create finance, loyalty and payment solutions for consumers, retailers and other businesses, based on fair terms and simplicity.

Our values

We want our customers, partners and co-workers to choose us for what we stand for, what we deliver and how we deliver it.

Three basic values guide all Ikano businesses: common sense and simplicity, working together and daring to be different.

These values support our promise: on fair terms.



On fair terms

We act for a sustainable future, taking responsibility for the economic, social and environmental aspects related to our business.

Our Code of Conduct

We have high expectations when it comes to performing our business in an honest, open and ethical way. To support us in keeping up the good work, we have established a Code of Conduct (the Code).

The Code helps us to keep a long-term perspective on our business and we recognise our responsibilities; not only towards our co-workers but also to our customers, partners, suppliers and society as a whole.

Our promise and Code of conduct together show the surrounding world that we do business on fair terms. That’s why we are committed to maintaining openness, legal compliance as well as high ethical and moral standards in the way we do business. The Code is the foundation on which our business integrity rests and it defines our standards for doing business on fair terms.

All our employees have received and sign the Code of Conduct, which has been translated into all languages where we operate.

Sustainability a vital part of our daily operations

We strive to make a difference by improving our business, the many people's everyday life and the planet. We want to achieve this by making sustainability a natural part of our everyday business. We see many opportunities to improve and broaden our commitment.

Our Green Offices project, using renewable energy in operations and other ways to reduce our carbon footprint are just a few of the initiatives on our list. Being careful with resources, managing costs for the future, controlling energy use and caring for people

and the community is common sense and good for business.

We can and want to do more when it comes to sustainability. Our culture and values shape the way we do business and create a powerful desire to do the right thing.

As part of the community, wherever we operate, we recognize that we have a responsibility beyond the direct impact of our business. We are a contributor and we strive to be a good partner in society.



We strive at making sustainability a natural part of our daily operations. To live up to our standard as a fair and caring company, we explore our footprint and take the necessary measures to reduce negative impact, increase our positive impact on the environment, and compensate when needed.



We believe in inspiring, training, and involving people – engaging them. We have the right tools, but in order to make it happen we need to be innovative and encourage disruptive thinking. Interacting with businesses and people on a local level is a direct way to build long-term relationships, rewarding for both Ikano as a business, and everyone involved.



We want our customers and partners to join us in facing tomorrow's challenges. By working even closer with our customers and partners and by acting in line with our values, people will learn about sustainability, put it into practice and pass this knowledge on to others.

Sustainability framework in 3 dimensions

In 2018 our aim has been to continue to engage our co-workers in our different local social/charity initiatives and establishing long term relations to NGO's (Non-governmental organisations) in every market we operate in. Our sustainability work is carried out in three dimensions; financial, social and environmental.

To provide the best possible result each dimension carefully encompasses and focuses on different priorities to create added value.

It is critical to our success that we continue to identify and coordinate new strategies within these dimensions to keep up with what it is we can do to help create positive



Financial sustainability **- relationships built on trust**

Clear communication, clear internal regulations and a healthy risk culture are imperative for maintaining good management and control of the Bank's operations. It ensures that we deliver our promise to customers and that we do things on fair terms.

Our most important tool for delivering fair terms for customers is responsible lending, therefore we always conduct an individual credit check on every new borrower. It is especially important for consumers that



The environment **- being economical and considerate**

change and make key decisions on how to operate in a sustainable way.

Our sustainability strategy 2017-2019 was developed aiming at integrating sustainability in everything we do, based on our promise; on fair terms, and our values. Our sustainability work should also help, develop and represent our business.

While we need to continue to work differently to be able to fulfil future customer and people needs while reducing resource use and maintaining our low prices and relevance for the many people. We also want to be bold, innovative and committed to taking action.

loans are based on an overall picture of the individual's repayment capacity and capability.

The concept of financial sustainability also covers our own financial position, how we view risk and how the Bank's long-term access to capital is secured. Ikano Bank has a strong capital base and good liquidity, our owners think long-term and our earnings are re-invested into our business. Long-term thinking and financial stability means we will be able to deliver sensible financial services to a broad consumer base- and to do so on fair terms.

The key initiatives of our environmental work are integrated in our Green Office concept, which covers energy issues, recycling,

selecting suppliers, environmental equipment and electronics that are designed to improve measurability and environmental performance. The Green Office concept was implemented effective January 2015 and is being gradually rolled out at existing sites.

Ikano Bank's Swedish operations were re-located to a new office in Malmö's new climate-smart Hyllie district 2015, which integrates all aspects of the Green Offices concept from day one and has multiple environmental certifications. Its energy

consumption is significantly below applicable norms and all building materials were carefully selected to satisfy stringent environmental and health standards.

Travel is another important part of Ikano Bank's environmental work, so we encourage all business travel and commuting to be on public transport.

We have also invested heavily in video equipment so that many meetings now can take place over video instead of meeting face-to-face.

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Social commitment **- initiatives that make a difference**

We're pleased and proud to have people who show such great commitment to social issues. Together, we want to contribute to long-term change and better conditions in vulnerable people's lives, locally and globally.

Each year, we take a decision on which social initiatives to support. These proposals are often generated by our co-workers, who we also encourage to engage actively in projects and initiatives that they care about.

We prioritize initiatives that involve self-help, have links to our business, and that are consistent with the Ikano Group charity policy, which is mainly focused on supporting children and women and their opportunities for learning and developing –



this includes education, health issues, access to clean water and solar energy. Partnerships in this segment should be for the long-term and we should

be able to document their effects.

All co-workers are entitled to spend one day of paid leave per year supporting a local charity. We call them Social days and with this day, we aim to increase the co-worker engagement for Ikano's sustainability work, giving them the opportunity to contribute towards a good cause.

Our long-term objective is to see all co-workers seizing the opportunity to engage in a social sustainability activity.

The 2030 Agenda for Sustainable Development

The United Nations request to *‘end poverty and create a life of dignity and opportunity for all, within the boundaries of the planet’*¹, is an invitation to governments, business and civil society to endorse the [Sustainable Development Goals](#) (SDG) and a call for worldwide action. The SDG will mobilize efforts and financial resources from all countries, as well as from the public and private sectors.

The 2030 Agenda for Sustainable Development has set up 17 Sustainable Development Goals and 168 targets which *‘are determined to take the bold and transformative steps which are urgently needed to shift the world on to a sustainable and resilient path’*². 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.

Ikano Bank has a role to play and is a contributing force of change towards making it happen. We have analysed and integrated the goals and targets that are most relevant for our business and where we can contribute the most. Some of the actions were already part of the organization’s nature and spirit, like the diversity among our employees or our work against corruption. Some others are new, and we accept the new challenges they pose while creating possibilities for better living and a positive impact on the planet.



¹ Learn more about the SDG at <http://sdgcompass.org/sdgs/>

² Resolution adopted by the General Assembly on 25 September 2015. Transforming our world: the 2030 Agenda for Sustainable Development.

People

Grow our people through our culture and values



Ikano is a workplace where people grow, both professionally and as individuals. Attracting, developing and retaining the right people is a vital part of driving the organisation forward and enabling sustainable growth.

“We are a group of open-minded, enthusiastic people who are encouraged to work together, develop ourselves and contribute to the success of Ikano.”

We are proud of the unique Ikano culture and values. Living by those values is our way to build a trustful and including co-worker climate. This climate is a condition for driving a change-oriented culture that initiates and anticipates internal and external changes. It is also the basis to developing truly diversified and skilled teams that complement customer needs and expectations.

Our diversity is a strong asset



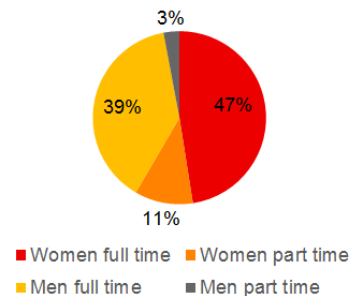
One of our success factors has been to work together and take a different view on problems to find solutions. No co-worker should be discriminated against because of age, gender, religion, sexual orientation, marital

or parental status, political opinion or ethnicity. All co-workers with the same experience, performance and qualifications shall receive equal pay for equal work.

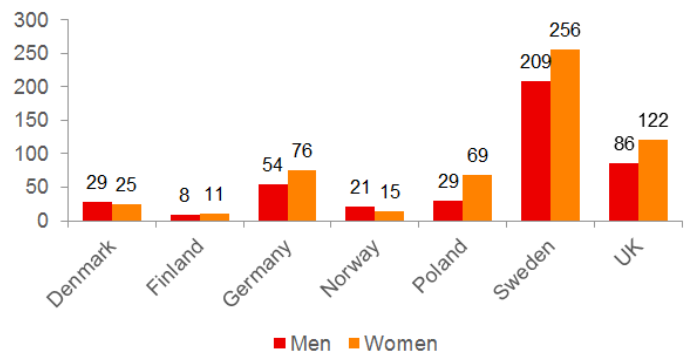
Freedom of association is a basic human right. This means that you are free to join – or not join – any institutional and recognised co-worker association of your choice, without fear of reprisal, interference, intimidation or harassment.

The following data have been compiled, based on annual average employees and using headcount.

Total no. of employees by contract and gender



Diversity



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 remain.

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.

Occupational health and safety at Ikano Bank is characterised by the opportunity for development, influence and variation, as well as a positive work environment. And occupational health and safety permeate all decisions that are taken and all activities that are carried out. In our workplace the following conditions apply:

- occupational health and safety is carried out in cooperation with the employer, co-workers and the safety representative
- all co-workers receive the induction and training they need to be able to work safely
- regularly, as well as in the event of changes, we investigate and assess risks relating to our physical, organisational and social health and safety environment in order to take the steps needed to create a workplace that is both safe and secure
- all incidents and accidents that occur are reported and investigated, so that we can take the necessary action
- occupational health and safety factors are always considered when any type of procurement is made
- we comply with all the occupational health and safety laws, and we achieve our occupational health and safety targets
- we follow up our systematic occupational health and safety work on an annual basis.

European Works Council

The European Works Council (EWC) consists of employee representatives from all countries where Ikano Bank operates. The representatives have the right to information and contact with the management (through the Chief People & Communication 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, normally in May and November. Topics on the agenda could for example be the economic and financial situation of the Bank, overall employment plans and trends, re-organisations, training and development.

One of the purposes of the council is to voice their opinions on the matters being discussed in the council. Such opinions are determined by a vote. If the bank's representatives and the employee representatives have different opinions, there is an escalation process giving the employee representatives the right to forward their opinion to the management, and ultimately to the Board (via the Chief People & Communication Officer or through CEO's report to the Board).

Safety is our priority

Ikano Bank has a duty as an employer to investigate and monitor activities in our operations to prevent bad health and accidents, in order to achieve a satisfactory work environment.

Safety of the workplace is always a priority concern. This applies to all aspects of working conditions including labelling and handling of noise levels, temperature, ventilation, lighting and quality of and access to sanitary facilities. Health and safety committees are present in all Nordic countries and Germany. Each of them is responsible to comply with the minimum requirements of the national law.

Every co-worker at Ikano Bank will take personal responsibility for their health and safety environment in their daily work, actively contributing to eliminating risks in the workplace, reporting health and safety risks to the safety representative or their immediate manager, reporting incidents, as well as highlighting proposals for and views on occupational health and safety improvements to the safety representative or their immediate manager. This involves every co-worker reporting to their immediate manager if he/she feels that their workload is unhealthy.

Employee performance and career development



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. Securing sustainable succession is another. We will continue to engage our people through employee engagement surveys as this is one of our strongest tools for promoting openness, honesty and improving our working environment.

The Bank works continuously with competence development. In 2016, a development program for managers, the Management Development Program, and a program for employees, the Personnel Development Program, was carried out. In addition, newly appointed and newly hired managers participate in Ikano's Culture and Leadership Program.

Engagement Dialogue

All co-workers voices are important – their motivation, their personal development and their contribution to the business are equally important. Since 2016 we are implementing the Engagement Dialogue process which is meant to strengthen the co-workers engagement & 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. This process and tool is the starting point for the contribution and development all our co-workers and is important for Ikano Bank's continued success.

Society

At Ikano, our vision is to create possibilities for better living, meaning we must have a positive impact on the lives of the many people, their societies and the planet we live on. This includes financially supporting good causes, especially in the places we operate and can make a difference.



Similar to the SDG we understand the importance of empowering and promoting the social, economic and political

inclusion of the many people.

Through Ikano's Charity Policy we back 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.

Empowerment

We are engaged in projects that contribute to the development of individuals who aren't given equal opportunities, for example mentorship programmes through MINE.



MINE is a non-profit member organisation aiming to increase diversity in the workplace. MINE stands for Mentorship, Inspiration, Networking, and Education. Bank employees have participated in the mentorship programme aiming to introduce people with foreign background to the Swedish labour market. More information, visit www.mine.se

Charity activities

Ikano Bank always strives to act as a socially responsible organisation, a preferred employer and a good local neighbour. We are engaged in a number of charity organisations and activities in all the countries we are present in. As part of our sustainability strategy our goal is to have at least one sustainability action in each market. Below you'll find some examples from a few countries.

To know more about our work in the community, visit our websites:



Sweden: <https://goo.gl/deEQti>



Denmark: <https://goo.gl/bNhx31>



UK: <https://goo.gl/LXZs3s>



Germany: <https://goo.gl/7wWr9H>

Planet

We are in business for the long run. That means we will incorporate sustainability – every aspect of it – in everything we do; from maintaining a sustainable business as well as to inspire people to live a more sustainable life at home. It includes social and environmental issues, such as climate change, natural resource conservation, waste management and working conditions in our supply chain.

Energy consumption



The United Nations Sustainable Development Goals (SDG) aims to increase substantially the share of renewable energy in the global consumption by 2030. We understand our responsibility regarding this issue and our goal is to use mainly energy from renewable sources at all our locations.

To mitigate our impact on the planet we have increase the percentage of renewable energy that we consume in all our facilities. Although we have adopted 100% renewable energy at some of our markets, we will keep working to reach the same goal in all locations.

Green offices



Next step of our Green Office self-assessment concept, which covers energy issues, recycling, selecting suppliers, environmental equipment and electronics that are designed to improve measurability

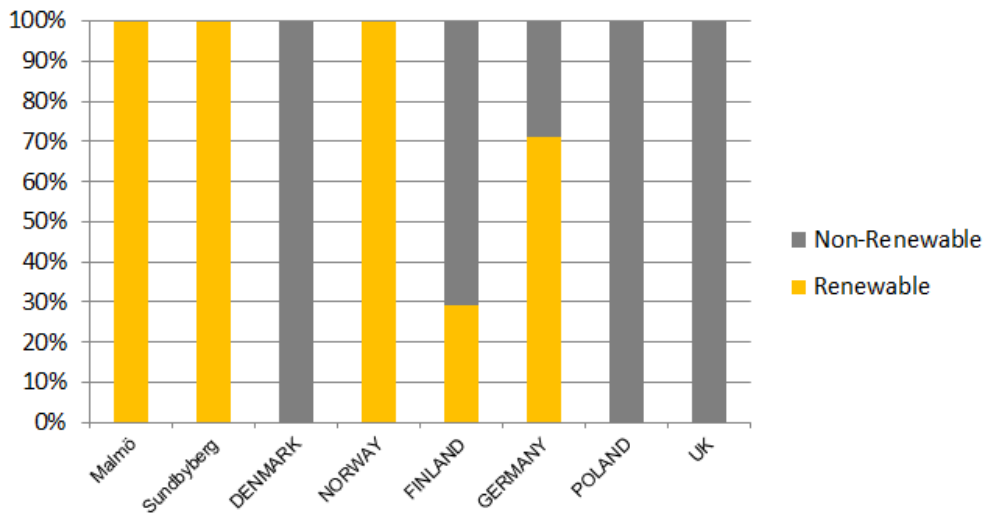
and environmental performance, is being rolled out to all markets. We will continue investing in improvements to reach the highest possible 'green offices' at all our premises.

By 2030 the UNDSGD seeks 'to substantially reduce waste generation through prevention, reduction, recycling and reuse' as their goal number 12. As well as 'achieve the sustainable management and efficient use of natural resources'.

In this regard, our contribution to the UNSDG is to see improvement plans at all sites. For this, we have invested in equipment for smart lightning sensors and the adoption of LED bulbs in the majority of our offices, as well as recycling containers. As an example, this year we have replaced all fluorescent lamps with eco-friendly LED lights in our Wiesbaden office. In order to become more efficient in the way we use resources we will continue deploying such actions in all of our facilities.

Ikano Bank's Swedish operations were re-located to a new office in Malmö's new climate-smart Hyllie district 2015, which integrates all aspects of the Green Offices concept from day one, and has multiple environmental certifications. Its energy consumption is way below applicable norms, and all building materials were carefully selected to satisfy stringent environmental and health standards.

TYPE OF ENERGY CONSUMED BY COUNTRY



Helping homeowners in the UK make a sustainable choice



With the rising costs of energy in the UK and the increasing need to power homes from cleaner more renewable sources,

consumers are interested in the benefits a switch to more home generated renewable power sources could bring. However, with the reduction in government subsidies and the high purchasing costs for equipment such as solar panels, the majority of households considering renewable technology cannot afford to purchase it, creating a need for better financing options.

In December 2017, Ikano Bank in the UK launched a market leading home renewables protection scheme. Our goal was to provide consumers and retailers with a simple, innovative, customer focused finance product that addressed two main retail challenges with renewable technology. To help address this and supporting Ikano Bank's values of offering simple and

meaningful solutions for consumers, the Bank launched a market leading home renewables protection service called the Energy Performance Validation Scheme (EPVS). Ikano Bank developed the EPVS in partnership with The Home Insulation and Energy systems Contractors Scheme (HIES). The goal was to provide a customer focused finance product that would help with the purchasing of renewable products, whilst also removing industry issues such as mis-selling, misrepresentation and poor installation work.

Ikano Bank launched this scheme as a free service, available to everyone regardless of taking finance from the Bank and the results have been impressive. Since its December 2017 launch 100% customer satisfaction has been achieved from over 90,000 customers with Ikano Bank gaining a 92% increase in financed renewable products.

To know more, you can visit <https://www.epvs.co.uk/> <https://www.hiesscheme.org.uk/>

Business

Acting responsibly and fairly has helped us gain the trust of our customers, partners and of society. We have high expectations when it comes to performing our business in an honest, open and ethical way.



Our way of doing business

Our customer promise and our Code of Conduct together promise the surrounding world that we will do business on fair terms. That's why we are committed to maintaining openness, legal compliance as well as high ethical and moral standards in the way we do business.

The working conditions in our supply chain are key issues and therefore we do not tolerate any form of forced, compulsory or child labour.

We follow the Code of Conduct and the law

Ikano Bank shall abide by the laws and regulations of every country in which it operates. In situations where the law does not give guidance, Ikano applies its own standards based on its corporate values and culture. In cases of conflict between mandatory law and the principles of our Code of conduct, the law shall prevail (i.e. if the law is stricter than the Code, the law shall be applied).

Freedom of association is a basic human right. This means that you are free to join – or not join – any institutional and recognised co-worker association of your choice,

without fear of reprisal, interference, intimidation or harassment.

Incidents of discrimination and corrective actions taken

One of our success factors has been to work together and take a different view on problems to find solutions. Our diversity is a strong asset and we treat each other with respect.

Anyone working for Ikano is entitled to his or her basic human rights and should not be forced to suffer physically or mentally from his or her work in any way. We have no room for harassment or bullying. Different people find different things unacceptable, and as a diverse group of people, we need to be aware of that fact and respect it.

The Code of Conduct and our promise to act on fair terms underpin our values and are at the heart of our business culture. Each co-worker shares a responsibility to uphold our values and defend our promise. Everyone is encouraged to report any suspected violation promptly. And everyone is able to do this without fear of reprisals. Ikano Bank does not tolerate discrimination or retaliation against any co-worker who has raised a concern in good faith.

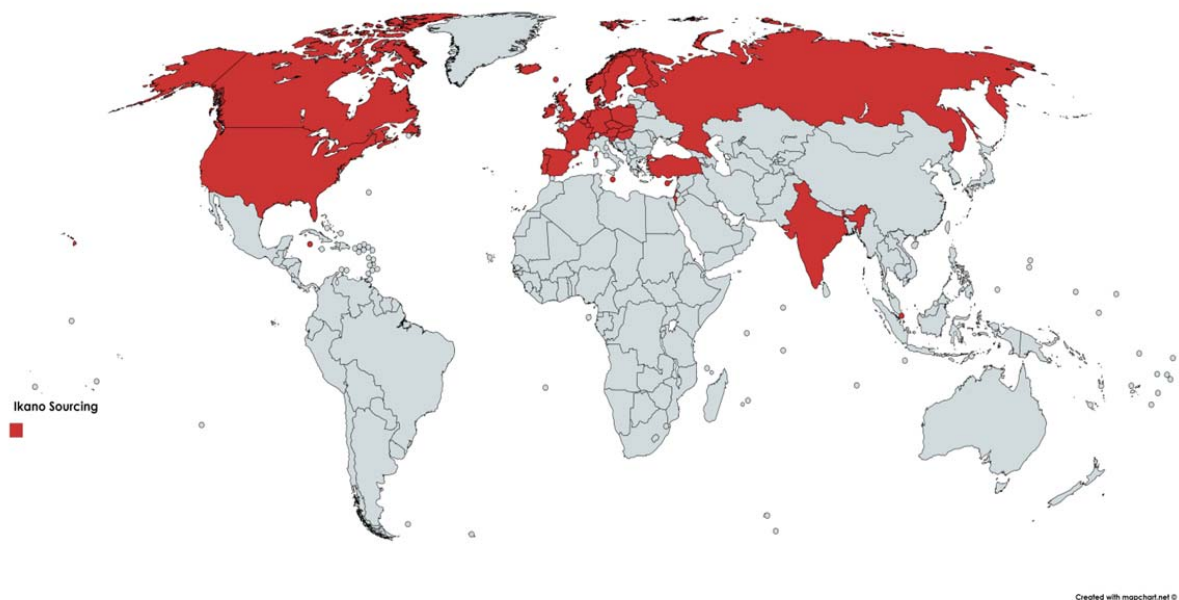
During 2018 there have been no incidents of discrimination reported. Our goal to create an atmosphere of genuine openness, understanding, and acceptance will continue our promise to act on fair terms.

Responsible procurement

Responsible procurement is an important lever for delivering sustainable development. Our Sourcing department has developed tools and processes to ensure that we procure and source responsibly. We have also developed a Partner policy for suppliers and partners that set minimum requirements that business partners shall meet in doing business with Ikano Bank. The policy covers a broad range of areas important to Ikano Bank, such as general compliance with applicable laws, respect of labour and human rights, observance of health and safety in the workplace,

compliance with environmental laws and focus on improving environmental protection and last but not least the expectation of retaining high business morale in all partnerships. All sourcing activities over 250.000 euros have been through our strict scrutiny to ensure all standards have been complied.

The partners need to declare their support to the policy. The policy has no explicit sanctions although lack of compliance can give rise to a serious consideration whether it is appropriate to continue the partnership in question.



Ikano sourcing comes from 33 different countries around the world.

Integrity and confidentiality - Information and IT security

In order to ensure the integrity and confidentiality of customer and co-worker data, Ikano Bank has policies and guidelines in place for information security as well as Personal Data Protection. The internal policies and guidelines are in line with the best practice framework ISO 27001.

The Bank is subject to regulatory requirements in this area under the Swedish Banking and Financing Business Act as well as regulations and guidelines from the Swedish Financial Supervisory Authority, SFSA. National acts on personal data protection have been replaced by the upcoming General Data Protection Regulation, GDPR. The Bank has worked thoroughly during 2018 with the implementation of GDPR. This work has included necessary updates and amendments of systems and processes.

It is the responsibility of all co-workers to ensure that the policies and guidelines are adhered to and mandatory training in

information security and personal data protection is provided to all co-workers.

The work with information and IT security is continuously addressed with preventive and detective measures and we apply a process where regular operational risk assessments are conducted. Regular risk reporting to the management of the Bank includes incidents related to integrity and information Security such as customer complaints as well as related Key Risk Indicators.

The landscape for information security is constantly changing hence Ikano Bank needs to 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 and to take appropriate measures.

Anti-Corruption



Whistleblower

At Ikano Bank we aim to promote and develop a culture of openness and a process is implemented to ensure that 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 normal channels, Ikano Bank has a whistleblower system in place, where it is possible for co-workers to report any concern anonymously. The guideline how to use the whistleblower system is available for all co-workers of Ikano Bank.

Counteracting Financial Crime

Money laundering and financing of terrorism
Ikano Bank is, as part of the financial system, exposed to the risk of being misused for money laundering and/or terrorism financing and the risk of not complying with the requirements in the AML-area (AML – Anti Money Laundering).

The Board of Directors of Ikano Bank has issued an AML-policy that defines the overall framework for the AML-measures in Ikano Bank. The CEO of Ikano Bank has issued further guidelines that describe the measures in more detail. A central Money Laundering Officer is appointed and is part of Ikano Bank's compliance-function. In addition to this, there are local Money Laundering Reporting Officers in each of the countries where Ikano Bank operates, to ensure that Ikano Bank complies with the local requirements in the area.

Ikano Bank uses a risk based approach and a risk assessment is done on a regular basis to identify the risks that Ikano Bank is exposed to in this area. With basis in the

risk assessment, Ikano Bank has implemented measures to mitigate the identified risks. These measures consist of, among others, processes for Customer Due Diligence, transaction monitoring, education of co-workers and internal controls.

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, not just across known threats but also has the ability to recognise emerging threats in new markets and wherever possible seeks to minimise exposure to risk.

Bribery and anti-corruption

It is the policy of Ikano 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 law in all the countries where we operate. Ikano Bank has a zero tolerance approach to 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.

Customer

Key to Ikano Bank's business idea is the creation of solutions based on fair terms and simplicity that bring value to our customers. Customers are at the heart of our business model. Without customers, there would be no Ikano Bank.

Ikano Bank has the interests of customers in mind in everything that we do, from the design of products and services to how we interact with our customers, and that we meet their fair and reasonable expectations.

Market conduct

Ikano Bank is obligated to 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 sanction, 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 will seek 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

We work against corruption. Being a bank we have strict regulations around risk & compliance and provide training in relevant areas. Our aim is to provide co-worker training in an efficient manner and use best practices for developing and implementing trainings. An example is the Anti-Money Laundering (AML) e-training that has been developed by Ikano Bank.

The purpose of the AML training is to give to all our employees 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.

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 2018 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 18 March 2019

Jan Palmqvist

Authorised Accountant