

## Our commitment to secure fundamental human rights and decent working conditions

Ikano Bank AB (publ) ('Ikano Bank') places great emphasis on human rights and decent working conditions in the way we conduct our business. Primarily in connection with our role as an employer, as a supplier of financial services, purchaser of goods and services, and as an important contributor in society.

We adhere to the internationally recognised human rights that are embedded in the International Bill of Human Rights<sup>1</sup> and in the ILO Declaration on Fundamental Principles and Rights at Work (Core Labor Standards), among others. The Norwegian Working Environment Act, the Equality and Anti-Discrimination Act and the Transparency Act are examples of Norwegian legislation imposing duties on the business sector to ensure that these rights are upheld. Pursuant to the provisions set forth in the Transparency Act, due diligence measures must be performed and documented.

This document provides an overall description of how we have embedded human rights and decent working conditions in our management systems, the key risks identified and how we work to mitigate these. This document was prepared based on the work done in the entire Bank ensuring we meet the requirements set for our Norwegian branch.

### About Ikano Bank and our Sustainability and ESG ambitions

Ikano Bank, started by the founder of IKEA, is supervised by the Swedish Financial Supervisory Authority (Finansinspektionen). We conduct business in Sweden, Denmark, Norway, Finland, United Kingdom, Germany, Austria, and Poland. Our services are mainly delivered online. Our head office is located in Malmö, Sweden and the company is registered in Älmhult, Sweden where the business was once founded.

Ikano Bank is a part of Ikano Group, who owns 51 % of Ikano Bank. The remaining 49 % is owned by Ingka Group, the largest IKEA retailer who operates IKEA sales channels under franchise agreements with Inter IKEA Systems B.V..

Ikano Bank is committed to the highest standards of ethical conduct, and we expect the same commitment from our customers, brokers, suppliers and partners. To us, sustainability is at the very core of our business, not an add-on. Our long-term mission is to be a trusted and sustainable bank, making us the natural choice for the many people and businesses. Our retail heritage lays the foundation for our purposeful, customer centric and values driven culture. The long-term mission is anchored in our values; working together, common sense and simplicity, and daring to be different, and guided by our promise; On fair terms. This forms the basis for how we grow our people and business, ensuring efficient ways of working, clear governance, leadership skills, competency, and continuous development.

Ikano Bank joined the UN Global Compact in 2019 and takes active steps to fulfil the UN Sustainable Development Goals (SDGs) that are material to our business. Our targets under the SDG 8 "Decent Work and Economic Growth" means that we adhere to high standards of delivering our services on fair terms and work with our partners to ensure human and labour rights are protected. We adhere to internationally recognised laws and standards including the Universal Declaration of Human Rights, the Norwegian Transparency Act and the UK Modern Slavery Act as well as relevant regulations deriving from the EU Green Deal and the EU Taxonomy for sustainable finance connected to the OECD framework.

An internal assessment based on the UN Global Compact's 10 principles (human rights, labour rights, environment and anti-corruption) was performed during the autumn of 2022 as a measure to identify potential gaps within our own operations as well as within our policies and processes. An action plan is set into place to strengthen our policies and processes during 2023.

Further information on how we work with sustainability is available in our Sustainability Report 2022 and in our Environmental, Social and Governance (ESG) policy found on our website

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<sup>1</sup> These refer to the UN Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights of 1966, the UN International Covenant on Civil and Political Rights of 1966.

## Our Governance

Sustainable development is an important and integral part of the pursuit of value creation for customers, employees and society. Sustainability is an integral part of the overall business strategy within the Bank. This is also reflected in our governance structure.

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

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.

The Chief Transformation Officer (CTrO) has the coordination responsibility by mandate from the CEO to drive the sustainability agenda across the Bank. CTrO coordinates the overall agenda, ensuring correlation between strategic initiatives for sustainability and reporting on the progress to the CEO and Bank's management team. The CTrO is also responsible for the overall prioritisation of initiatives to ensure alignment with the business strategy.

The functions in the Bank led by respective Chief officer are responsible for implementing sustainability in respective policies and other steering documents to secure sustainable products and services in our customer offerings.

The Sustainability committee is a preparatory body that reports to the Board and submits recommendations to the Board for approval. The purpose of the committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to sustainability/Environmental, Social and Governance (ESG) matters.

The Bank management team 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 recognised as a trusted and sustainable bank.

### The Branch

The branch is responsible to operate based on regulatory requirements with close collaboration with the functions. The Head of Legal is the overall responsible for matters related to the Transparency Act.

## Our products and services offered in Norway

Ikano Bank's customers in Norway include companies in the public as well as the private sector, and private consumers.

Ikano Bank provides the following main categories of products and services:

- Leasing through brokers who are distributors of office equipment, furniture etc.,
- Company cards via Coop and Ikea (B2B)
- Credit cards: Ikea card, Ikano visa, and Shell master card (B2C)
- Consumer loans (Ikano), maximum credit 400 000 NOK
- Invoice product (outstanding amount can be transferred to a card product)

Ikano Bank also performs sourcing from suppliers directly, including for office rent, catering services, cleaning, IT equipment etc. on the Norwegian market.

## Our due diligence processes

Performing due diligence is a key part of Ikano Bank's efforts to respect fundamental human rights. The due diligence process is implemented to identify, prevent, reduce and document our handling of any negative impact on fundamental human rights and decent working conditions. At Ikano Bank we have started our journey to implement a due diligence process in line with the expectations under the Norwegian Transparency Act and the OECD framework. This includes the six-step approach as described in the OECD Due Diligence Guideline for Responsible Business Conduct.<sup>2</sup>

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<sup>2</sup> We have also found relevant guidance in the OECD document "Due Diligence for Responsible Corporate Lending and Securities Underwriting - Key considerations for banks implementing the OECD Guidelines for Multinational Enterprises", 2019.

Figure 1.1. Due diligence process & supporting measures

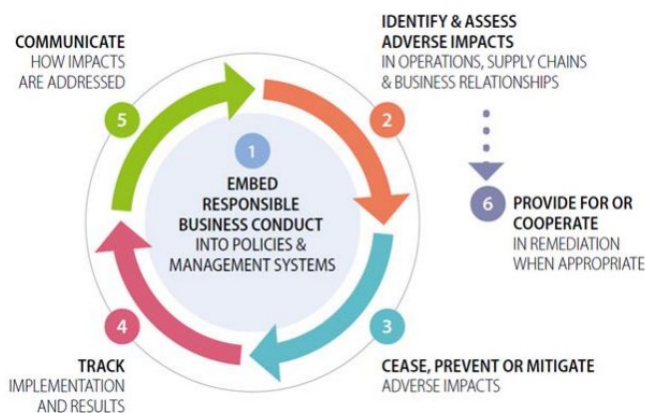


Figure 1: the six-step approach as described in the OECD due diligence guidance documents.

To better understand where Ikano Bank may negatively impact on human rights, a high-level risk assessment was performed in 2023. Ikano Bank has established a process to identify and assess human rights risks by facilitating workshops and meetings within the organisation, with stakeholders representing our business areas. The high-level risk assessment with support from specific support functions reviewing our suppliers, partners and brokers from a country of origin, industry and spend perspective, including their framework for managing and mitigating adverse risks related to human rights and decent working conditions. Our risk assessment will be reviewed on an annual basis, or as need be to ensure that Ikano Bank remains responsive to changing circumstances and emerging risks.

The risk assessment focuses on external factors, i.e., the probability of Ikano Bank causing, contributing and being linked to adverse impacts in our own operations, through our customers or business partners and suppliers. As such, both internal and external sources have been informed about our assessment.

### Salient risks

We have considered the catering- and cleaning suppliers of our office as high risk of potential negative impact on fundamental human rights and decent working conditions within our own operations at Ikano Bank in Norway. The remaining suppliers of our own operations we consider as a low risk of negative impact on fundamental human rights and decent working conditions.

Our customers relevant for this assessment are private sector companies. Many of them are also subject to the Transparency Act. We use a risk-based approach in assessing our customers' compliance with the Transparency Act. Going forward we will embed relevant risk mitigation measures where required in our know-your-customer process, which is performed based on assessments of the customers' inherent risk of money laundering, terrorist financing, corruption and other potential negative impacts stemming from their business operations. The customers' country of origin, industry and products used at Ikano Bank are key drivers of inherent risk. Using public sources and information tools, we investigate whether the customer has been involved in controversial incidents, including actual or potential violations of human rights or decent working conditions.

Among our products and services, we consider our leasing agreements which entails office equipment, machines etc. - at higher risk in terms of Ikano Bank being directly linked to negative human rights impacts. To a large extent, our leasing agreements are entered into via our leasing brokers who are in contact with the customers directly. It is the customer of our brokers who select which product to source and from which brand/company. Our broker then enters into the agreement with the product supplier, not Ikano Bank. The contract is owned by the broker while Ikano Bank provides the financing. In some circumstances the broker's agreement with the customer and supplier is later transferred to Ikano Bank. Consequently, Ikano Bank has limited control when it comes to selecting suppliers in a range of our leasing products. However, our brokers are obligated by our Partnership Policy (which entails our fundamental business values), to comply with the moral and ethical standard which Ikano Bank requires from its partners – this applies to both brokers and suppliers.

Based on the general perceived risk level associated with our leasing products such as furniture and textile, machines and input materials, we consider that the risk of negative impact of human and labour rights at our business partners and suppliers is increased. This includes specifically working hours, wages, and benefits, discrimination and harassment, occupational health and safety, raw materials, and supply chain issues, labour and union rights, and children's rights. We are working to further granulate our overview of salient risks going forward and to determine specific mitigating actions.

### **Our response**

Ikano Bank will focus on implementation of meaningful actions where the risk is the highest. With meaningful actions we mean activities that we believe will reduce the negative impact, and that are measurable.

We will maintain a close dialogue with our leasing brokers, making sure they understand what we demand and expect from customers for whom we provide financing. All Ikano Bank public and private customers must comply with applicable laws and regulations in their home country/country of origin, in addition to applicable laws and regulations in countries where they conduct business operations. We also expect our corporate customers to act in accordance with relevant international conventions and guidelines set out by international organisations, such as the UN and the OECD. Compliance with legislation and guidelines for accountability will be followed up in our risk assessment tool, including our customers' follow-up of their suppliers' and business partners' accountability and respect for human rights and decent working conditions. If serious violations are uncovered, this may in the future affect the final risk classification and decision level for financing.

Going forward, Ikano Bank's commitment to safeguard human rights and perform risk-based due diligence when working with brokers, suppliers and partners will be strengthened in our current policies and will be further integrated into our internal guidelines. In addition, what we expect of our suppliers and partners is expressed in our Partnership Policy, which is part of the contract. All companies that supply goods and services to Ikano Bank are assessed for risk, including sustainability risk and human rights risk, in our third-party risk management system. Our best chance of exerting an influence is by working with our direct suppliers and partners. We will manage this in several ways, mainly through dialogue on specific topics, thematic inspections (e.g. "see-to-it duty") or broader on-site sustainability audits where required. The decision on which measures to implement is based on an assessment of risk and severity, our connection with the risk, and the type of delivery/how close to our business operations the supplier is, which is often also a factor in our ability to exert an influence.

Ikano Bank's ambition is that our due diligence processes will contribute to improvement in our own operations as well as a positive impact on our business partners and customers. This work is a continuous process. We will continue to work on how to identify and mitigate supply chain risks at our suppliers by among others; reviewing our current policies and processes related to onboarding, managing and mitigating or handing adverse impact in our supply chains, partnerships and customer relationships; set further requirements in agreements for high-risk materials and conducting in-depth reviews/investigations in high-risk sectors; and continue to develop our internal competence level in the field of human rights and business. The aim is that these measures will drive progress towards realising our commitment to reduce potential adverse impacts on people.

Ikano Bank recognise that achieving the desired outcomes requires ongoing work to monitor and evaluate the effectiveness of our mitigation measures and in close collaboration with our branches. We will also engage with stakeholders where this is beneficial to promote human rights and decent working conditions in all aspects of our operations and partnerships.

### Our policies:

- Ikano Code of conduct
- Partnership policy
- ESG (Environment, Social and Governance) policy