Reporting and Self-Assessment for ICA Banken AB (publ)
Full year 2023
Principles for Responsible Banking

Reporting and Self-Assessment Template

The following table sets out the reporting and self-assessment requirements for Signatories of the Principles for Responsible Banking. Signatory banks need to report on their implementation of the Principles the first time within latest 18 months after signing and annually thereafter (in line with their annual reporting cycle).

How to use this template:

This template does NOT require your bank to produce an additional report. Rather, this template is designed for your bank to provide references/links to where in your existing reporting/public domains the required information can be found. The aim is to keep additional reporting burden to a minimum while ensuring transparency and accountability as set out in Principle 6.

Within this reporting template, there are six areas for self-assessment that are key to showing that your bank is fulfilling its commitments as a signatory of the Principles for Responsible Banking. They are highlighted.

1. Impact Analysis
2. Target Setting
3. Plans for Target Implementation and Monitoring
4. Progress on Implementing Targets
5. Governance Structure for Implementation of the Principles
6. Progress on Implementing the Principles for Responsible Banking

Only for these six highlighted items, it is required that:

a) An assurer provides limited assurance of your self-assessment. You can do this by including it in your existing assured reporting. Where third-party assurance is not feasible, an independent review may be conducted.

b) You provide your bank’s conclusion/statement if it has fulfilled the respective requirements.

Accommodating different starting points:

Banks have different starting points and operate in different contexts. Your bank may not be able to provide all information required in this template the first time you report. That is fine. Your bank has up to four years from signing to bring its reporting fully in line with the requirements. Feedback, support and peer learning are available to all signatory banks to help them progress with both implementation and reporting.
Reporting and Self-Assessment Requirements | High-level summary of bank’s response (limited assurance required for responses to highlighted items) | Reference(s)/Link(s) to bank’s full response/ relevant information
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**Principle 1: Alignment**

We will align our business strategy to be consistent with and contribute to individuals’ needs and society’s goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

1.1 *Describe* (high-level) your bank’s business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.

ICA Banken is a Swedish bank with a vision of making every day a little easier for the customers. The Bank operates within two business segments, private customers and corporate customers.

**Private customers:**
Offers a complete range of financial services in the areas of payment, saving, lending and insurance. The services are characterized by competitive prices and fees, clear terms and high service. The customer base is mainly consisting of low-risk customers that uses every day bank services and the credit portfolio focuses on unsecured lending to retail customers. Geographically limited to Sweden.

**Corporate customers:**
Offers corporate financial solutions and payment services for ICA retailers. The corporate sector also develops efficient payment solutions and services for private customers, prepaid cards and ATMs. The customer base within the corporate sector generally consists of very low risk. Geographically limited to Sweden.

ICA Banken also has a subsidiary, ICA Försäkring AB, that offers non-life insurance to private customers as well as to ICA retailers and Apotek Hjärtat (pharmacy company).

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1.2 *Describe* how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society’s goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Within the Bank’s process with LTP (long term plan) and AT (annual target) sustainability has been an integrated part for some years but after signing PRB it has gotten even more attention with more emphasis on sustainability within each product.

The board is deciding on the sustainability strategy that will determine how the Bank’s products can contribute to society’s goals.

The Bank has an internal policy that determines what the Bank’s sustainability work consists of and how it is implemented, as well as responsibilities.

Sustainability is integrated as an own risk category within the Bank’s risk framework.
Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis:

Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements:

a) **Scope**: The bank’s core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis.

b) **Scale of Exposure**: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies.

c) **Context & Relevance**: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.

d) **Scale and intensity/salience of impact**: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank’s activities and provision of products and services.

(your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d))

Show that building on this analysis, the bank has

- Identified and disclosed its areas of most significant (potential) positive and negative impact
- Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts

In the scope of the analysis the Bank has considered the composition of the product portfolio with consideration to scale, demography and geography.

The most relevant challenges in Sweden among our customers are:

- Financial health (debt, income, savings etc.).
- Consumption and how it affects the climate.
- Money laundering, which is a problem for the whole society, and fraud which makes up a big proportion of criminal's income.

Together with the challenges stated above the Bank has identified its areas of most significant positive and negative impact.

This has been done through collaboration with every product owner as well as responsible for AML in the Bank.

**Positive:**

- Digital bank
- Banking services that make everyday life easier
- Enabling payment solutions
- Enabling financing
- Enabling saving

**Negative:**

- Over indebtedness
- Non sustainable consumption
- Fraud
- Money laundering

The two most prioritized areas from the above impact areas are 1; Non sustainable consumption from the Bank’s consumer lending and 2; enabling financing for sustainable investments.
2.2 Target Setting

Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified “areas of most significant impact”, resulting from the bank’s activities and provision of products and services.

Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.

Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society’s goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.

| Consumer loans have shown to have the largest significant impact which is why ICA Banken has decided to have goals for this product. |
| The targets that the Bank has decided to work towards will hopefully help reduce the impact on the climate by reducing the CO2 emissions into the atmosphere and by so contributing to what has been agreed in the Paris agreement. |
| The Bank has defined two targets that will serve the purpose of increasing the amount of lending to energy efficient solutions. The two targets are: |
| 1. Measure and follow up how much of the Bank’s consumer lending that goes to energy efficient solutions for houses and apartments. |
| 2. Create a strong offer for loans with specific purposes within energy efficiency. |
| The two targets are measurable in two different ways. The first target is measured through how much of the Bank’s consumer lending that goes to energy efficient solutions. The second target will be measured through how much of lending goes to each specific purpose to understand how the loan contributes to energy efficiency. The second target will be measured later since the outcome from the first target will have to fall out first. |

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Target Setting.
### 2.3 Plans for Target Implementation and Monitoring

**Show** that your bank has defined actions and milestones to meet the set targets.

**Show** that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.

ICA Banken will implement the PRB goals as OKR’s (objective key results) which are the measures that the Bank uses to follow up not only sustainability but the overall strategy.

The targets will also be constructed as KRI’s (key risk indicators). This is because the Bank considers the progress of reaching these goals to be vital for the Bank to be sustainable.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring.

### 2.4 Progress on Implementing Targets

**For each target separately:**

**Show** that your bank has implemented the actions it had previously defined to meet the set target.

**Or explain** why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target.

**Report** on your bank’s progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)

The first of the two targets is now being implemented. The Bank will at the end of March 2024 start to measure how much of new lending within consumer lending that the customers say goes to energy efficient solutions.

The second target, which implies offering specific loans for energy solutions, will be launched later during 2024.

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets.
**Principle 3: Clients and Customers**

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

| **3.1 Provide an overview** of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof. | The Bank has a policy that is solely focusing on the Bank’s sustainability work with areas of responsibility, timelines and reporting. This policy is based on the Principles for Responsible Banking.

Besides this, the Bank has an extensive fauna of policies that describe both the qualitative (ethical) and quantitative rules when it comes to lending and customer relations. The Bank is putting a lot of emphasis on sound lending and making sure the customers can pay back their credits. |
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| **3.2 Describe** how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved. | ICA Banken’s overall mission is to help individuals and households to make sustainable financial choices in their everyday lives – with the purpose to positively impact humans, the environment and society at large.

The Bank addresses sustainability from three perspectives:

1. Our customers’ everyday life and private finances
2. Our business and how we operate
3. Our role in society

**Our customers**

We want to inspire our customers to pursue a more sustainable lifestyle by making sound, safe and long-term financial decisions. Through partnerships we aim to make sustainable choices easier, even outside traditional banking services. We also want to decrease our customers’ financial stress and other stress factors related to difficult events in life, like divorce, sickness or loss of a family member.

**Our business**

We work from many different angles to decrease the carbon footprint from our business, e.g. increasing the share of financing targeting green investments, catering for a sustainable mutual funds offering, decreasing negative climate impact from assurance claims, transitioning to bank cards made from 100 % recycled plastic. When it comes to the social aspect of sustainability, our focus is to foster an internal culture characterized by inclusion and psychological safety.

**Our role in society**

We want to contribute to a sustainable future for humans and society at large. Money laundering and fraud imply a severe threat both to society and individuals, thus financial crime prevention is an important focus area within the bank. Outside our core we aim to use our position in society to put light on mental health and inclusion, e.g. through partnerships. |
### Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

| 4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved. | As a member of the Swedish Bankers association ICA Banken has committed to follow the climate roadmap which serves as the Banking industry’s framework for climate action.  
As a part of being a responsible bank, the bank collaborates with non-profit organizations and companies within the mental health and energy market.  
Swedish Quality Index, SKI has been a helpful partner bringing insights to the Bank’s impact analysis.  
Consultation and collaborations with ICA Gruppen (the Group) are frequent regarding questions of sustainability.  
Internally, all product owners and Bank management, as well as responsible persons within both private business and corporate business has been part of the impact analysis and the target setting. As well as members of the Bank’s sustainability forum, which will also be following up on the targets. |

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*The banking industry’s framework for climate action* | *Ta ansvar – hållbarhet och samhällsansvar* | *Social responsibility* | *Bank - Epsi Rating* (epsi-rating.com) | *Swedish Quality Index*
**Principle 5: Governance & Culture**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

### 5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.

- The ultimate responsibility for the implementation lies with the CEO. And the strategic responsibility is delegated to the Bank’s sustainability committee.
- The Bank has a policy that serves as a guideline for the whole bank when it comes to following the Principles for Responsible Banking.
- The Bank has a sustainability forum with participants from the business, risk control, compliance, product and communication. In this forum progress and issues within each product will be brought up and OKR’s will be followed up to see how the initiatives are progressing.
- The Bank has a risk category called sustainability risk which addresses both the risk for the Bank as well as the risk for society and customers. The PRB targets will be constructed as KRI’s (key risk indicators).

### 5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.

- The Bank has implemented E-learning on sustainability to all employees.
- Within each product team there is one person responsible for following up on the sustainability work. This responsibility is described in the policy for the Bank’s sustainability work.
- OKR’s within sustainability will help foster a culture of responsible banking.

### 5.3 Governance Structure for Implementation of the Principles

*Show* that your bank has a governance structure in place for the implementation of the PRB, including:

- a) target-setting and actions to achieve targets set
- b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.

- The Bank has a formally decided business process including review and follow ups and the PRB work is a part of the same process.

**Please provide your bank’s conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.**
Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

6.1 Progress on Implementing the Principles

Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4).

Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice.

Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.

All the principles have led to the Bank now having a governance structure in place with the purpose of guiding the organization to make decisions with consideration to sustainability. As well as making sustainability a relevant part of the strategy including measures and goals.

The targets align with climate actions and targets from the Swedish government as well as the Paris agreement that aims to limit the climate warming to 1.5 degrees (Agenda 2030).

Please provide your bank’s conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking

| Regeringens klimathandlingsplan – hela vägen till nettonoll - Regeringen.se |
| The Paris Agreement | UNFCCC |

Annex: Definitions

a. Impact: An impact is commonly understood as being a change in outcome for a stakeholder. In the context of these Principles this means (aligned with GRI definition) the effect a bank has on people/the society, the economy and the environment and with that on sustainable development. Impacts may be positive or negative, direct or indirect, actual or potential, intended or unintended, short-term or long-term.

b. Significant Impact: Impact that in terms of scale and/or intensity/salience results in a particularly strong/relevant change in outcome for a stakeholder. In the context of these Principles, the concept of significant impact is used to ensure banks focus where their actions/business (can) matter most for people, economy and environment and to provide a reasonable and practical threshold for what issues need to be considered/included, similar to the concept of “materiality”.

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| The Paris Agreement | UNFCCC |