



**ESG
report
2019**

Klarna.

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About Klarna

About Klarna

Klarna Holding AB's wholly owned subsidiary Klarna Bank AB (publ) is a registered bank and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen). Klarna was founded in Sweden in 2005, today we are active in 17 markets and have over 2,700 employees.

Klarna makes shopping smooth. The uniqueness of Klarna's consumer offering, providing a healthier, simpler and smarter alternative to credit cards, is driving consumer adoption and loyalty across markets. This is further boosted by the addition of multiple services to smoothen the shopping experience - online and offline - and a strong brand.

Klarna is the leading global provider of innovative payments and shopping solutions for consumers and merchants online and in store. Klarna was founded in Sweden in 2005, and since 2017 a fully licensed bank. Klarna is active in 17 core markets and currently holds a post money valuation of USD 5.5bn, which ranks Klarna as the largest private fintech in Europe and one of the largest private fintechs globally.

At Klarna, we continuously develop new products and features to create a superior shopping experience. At the core of everything we do is the aim to give our consumers choice and control in managing their finances in a sustainable way. Together our products and services build the 'Klarna everywhere' concept, which ensures that consumers can choose how and when to pay for purchases with Klarna, based on their own needs and preferences.

Klarna is the partner of choice for merchants globally with more than 200,000 live with us, and we are the most preferred payments provider among the top 100 highest grossing merchants in the US. H&M, Adidas, IKEA, Zara, Expedia Group, Samsung, ASOS, Peloton, Abercrombie & Fitch, Nike and AliExpress have all enabled Klarna's innovative shopping experience, allowing millions of consumers to benefit from increased control and joy.

Klarna is driving millions of referrals and traffic each month from owned channels to our merchants, as consumers are actively seeking out retailers where they can shop with us. Klarna generates revenues from both merchants and consumers that use our services, as well as through affiliate services.

In accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559) chapter 7, 2§, in conjunction with the Annual Accounts Act (1995:1554) chapter 7, 31 b§ and chapter 6, 11§, Klarna Holding AB has decided to report the Environmental, Social and Governance report (ESG) separated from the annual report. The ESG report references the financial year 2019 and has been submitted to the auditors at the same time as the annual report.

Klarna Business model

Value proposition to consumers

Klarna's core mission is to give consumers an engaging shopping experience that helps them discover and purchase goods and services in a meaningful and smart way. Klarna offers consumers a range of flexible payment options including card payments and direct banking, as well as Klarna's proprietary payment options, which include Pay in 14 days or Pay in 30 days, purchase financing (Financing), as well as immediate settlement option (Pay now). Klarna's Installments product, available in the UK and the US, offers consumers a short-term (60 days or six weeks) installment plan with no interest. The frictionless checkout experience saves consumers' purchase preferences and they can also always feel safe with Klarna's Buyer's Protection.

The Klarna app powers the whole shopping experience and is a tool for consumers to take control over their personal finances, including services such as overview of all purchases, creating wishlists, price drop notifications, friendly reminders on purchases, 24/7 customer service through chat, the option to snooze payments, financial overview, financial insights, delivery tracking and return reporting. The Klarna card has so far been launched in Germany and Sweden. The in-app shopping feature makes it possible for app users to use Klarna also at merchants not connected to Klarna, and is live in the US and Sweden. Klarna is also increasingly available in physical stores across markets. Collectively, these services are referred to as the 'Klarna everywhere' concept, which ensures that consumers can choose how and when to pay for purchases with Klarna based on their own needs and preferences.

Value proposition to merchants

For merchants, Klarna is a growth partner and the value proposition includes driving new consumers from the Klarna consumer network to their websites to further increase sales. Klarna also ensures that merchants can reduce working capital requirements by providing simple, safe, and cost-effective payment solutions and consumer credit products across all e-commerce platforms as well as in physical stores. Klarna's merchant offering includes technology, credit risk handling, customer services and administration. With Klarna, merchants get an easy integration and onboarding to a fast and friction-free checkout solution where they get paid up front, meaning they can focus on what they do best. The Klarna Checkout is a conversion driving checkout solution optimized for desktop and mobile through which merchants can offer multiple payment options as well as a shipping service in one solution. Klarna assumes all the risk for both the consumer and the merchant.

Growing B2B offering

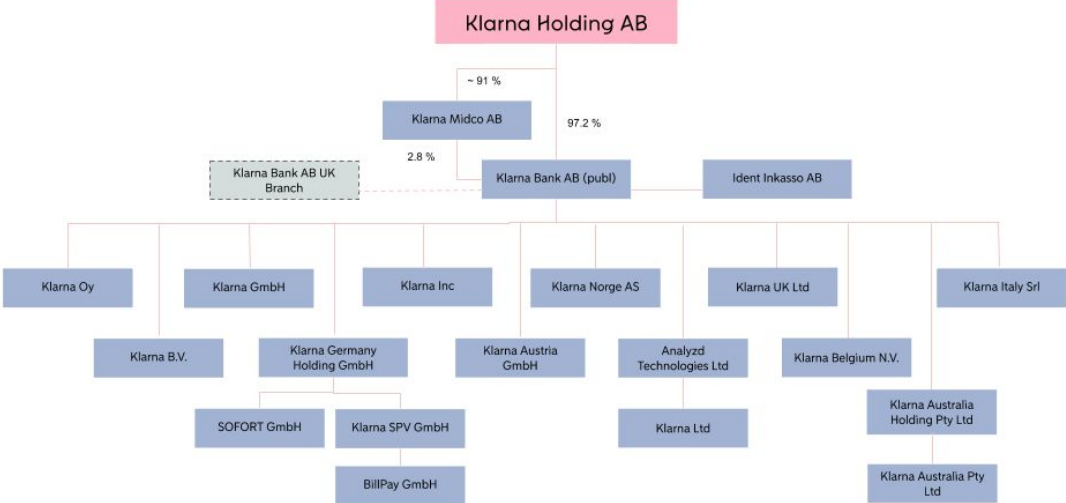
Klarna has also widened the product offering to businesses by making it's internal, fully proven and mature infrastructure externally available. Klarna's Open Banking Platform is the largest and most advanced Open Banking connector platform in Europe with access to 4,300 European banks through one API. Through this platform Klarna gives other companies the freedom to focus on building end user products without the complexity of thousands of direct bank integrations. The Customer Authentication Platform enables multinational businesses, including merchants and

other banks, to provide a simple, secure and personalized customer authentication experience irrespective of the market, through a one-time integration.

Maintaining our high level of trust

At Klarna, we aim to make shopping smooth and give consumers more control of their personal finances. Our success to date is a result of the high degree of trust we have built with consumers, merchants and partners in all markets. This trust is critical in the financial sector and when handling personal data. Maintaining that trust requires we operate with the highest ethical standards and strive to do what’s right every day. Such standards are necessary across all parts of the business - from the handling of sensitive personal data to a robust corporate governance framework and ensuring all employees are treated with respect in a secure working environment. In this report, we focus on the pillars of good governance, anti-corruption, sustainability and social impact which are all directly relevant to the integrity of Klarna business operations each day.

Legal structure



All shareholdings are 100 % if not indicated otherwise.
 ~9 % in Klarna Midco AB are held by various shareholders.



Governance

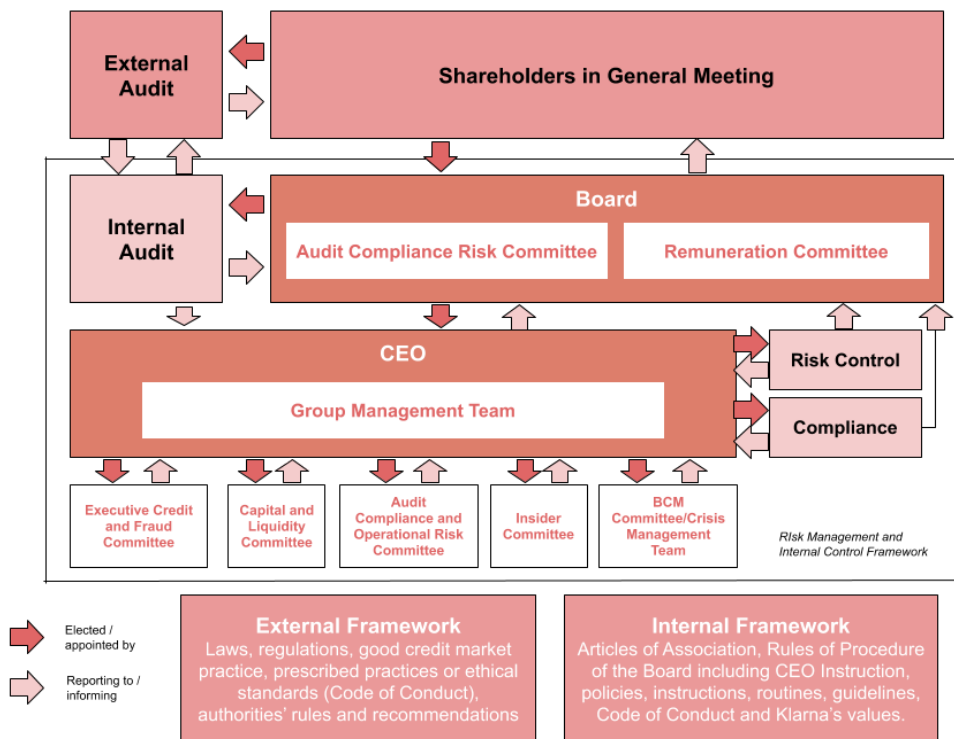
Governance

Good corporate governance means ensuring that companies are run sustainably, responsibly and as efficiently as possible. Maintaining the confidence and trust of all our stakeholders are vitally important for Klarna.

Corporate Governance Structure

The corporate governance structure distributes rights and responsibilities between the shareholders, the Board and the CEO according to applicable laws, rules and processes. Well defined reporting lines and distribution of distinct responsibilities are essential. High ethical and professional standards and a sound risk culture is vital. The image below provides a summary of how governance and control are organized at Klarna. If you would like to learn more about this you find more detailed information on our website

www.klarna.com/international/corporate-governance/



Regulatory status

Klarna Bank AB (publ) (corporate registration no. 556737-0431) is a Swedish public joint-stock banking (publikt bankaktiebolag) company under the supervision of the Swedish Financial Supervisory Authority (SFSA). You can find more information on our license to provide financial services in the SFSA's register.

Klarna Bank AB (publ) provides its financial services in other EEA countries through passporting its license cross-border according to EU directive 2013/36/EU. You can find more information on Klarna's local website regarding our registration with the respective supervisory authority.

Klarna Bank AB's (publ) foreign subsidiaries provide sales support to Klarna Bank AB (publ) on the local markets. Klarna Bank AB (publ) is the counterparty in all agreements with merchants and consumers.

In the SFSA annual categorization of supervision, which is done according to the European Banking Authority (EBA) Guidelines on common procedures and methodologies for the supervisory review and evaluation process, Klarna was for 2019 assessed to belong to category 3. Category 1 entails the highest level of supervision and category 4 the lowest with the purpose to show how the SFSA applies proportionality in its supervision of credit institutions.

Framework for corporate governance

The licensed activity of Klarna, means that, in addition to general laws, rules and industry practices, also complies with the detailed regulations specific to banks and credit market companies, for instance the Swedish Banking and Financing Business Act and rules and recommendations issued by the Swedish Financial Supervisory Authority with regard to, among other things, solvency and capital adequacy, including solvency ratios and liquidity rules as well as rules on internal governance and control, as well as guidelines issued by the European Banking Authority. This is usually called the external framework.

The internal framework includes, among other things, the Articles of Association, which have been adopted by the General Meeting. Policies and instructions that have been drawn up to define the division of responsibility within the Klarna Group are important tools for the Board and the CEO in their governing and controlling roles. Of special importance are the Rules of Procedure for the Board also addressing how to handle conflicts of interest for Board members, the Instructions for the CEO, the Risk Policy, the Credit Policy, the Conflicts of Interest Policy, the Code of Business Conduct, the Anti-Money Laundering and Counter Terrorist Financing Policy and the Remuneration Policy.

The Board

The Board is the highest decision-making body in Klarna's structure for management and control. The Board is responsible for the company's organization and for the management of the company's operations.

The Board members are elected by the shareholders at the annual general meeting (AGM) for a one-year term of office extending through the next AGM. The external framework does not require Klarna Bank AB (publ) to have a nomination committee. The Board has not adopted a recruitment policy, and in practice Board members are proposed and appointed by the shareholders holding a majority of the votes as well as the capital of the company. The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as special instructions for the Board's committees. The Board has overall responsibility for the activities carried out within Klarna and has the following duties, among others:

- deciding on the nature, direction and strategy of the business as well as the framework and objectives of the activities,
- regularly following up and evaluating the operations in relation to the objectives and guidelines established by the Board,
- ensuring that the business is organized in such a way that the accounting, treasury management and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the business are identified, defined, measured, monitored and controlled in accordance with external and internal framework, including the Articles of Association,
- deciding on major acquisitions and divestments as well as other major investments,
- selecting, monitoring and planning the succession of the Board members,
- appointment or dismissal of the CEO and the Chief Risk Officer,
- deciding which external party will perform the Internal Audit, and
- deciding on remuneration to the CEO, members of the Group Management Team as well as to the heads of the control functions Risk Control and Compliance.

Board members

The Board consists of the following members elected by the annual general meeting 2019.

- Jon Kamaluddin, chairman of the Board
- Sebastian Siemiatkowski, CEO and Board member
- Sarah McPhee
- Sir Michael Moritz
- Niklas Savander*
- Mikael Walther
- Andrew Young

*Niklas Savander resigned from the Board 2019-09-06

The reputation, experience and assignments of the Board

The Board members have many years of professional experience from various capacities but for Klarna all are relevant areas. The Board comprises of solid knowledge and experience e.g. within banking and finance, e-commerce, IT- and technology business, payment cards, capital procurement, risk control, accounting, international sales activities, small and medium sized business, venture capital, entrepreneurship and leadership. The Board composition also meets the need for knowledge and insight regarding the conditions and prerequisites for business in the various geographic markets where Klarna operates. A detailed presentation of the Board members' background and other assignments are found [here](#).

Suitability assessment

In order to ensure that the Board, the Board members and the CEO meet the requirements for sufficient knowledge, insight, experience and suitability, Klarna has established a policy for suitability assessment and diversity. The suitability is assessed according to criteria for the person's experience and reputation. The ability of each of the Board members to dedicate the commitment, diligence and time required is also evaluated. When a new Board member or a new CEO assumes their duties, they are also externally assessed by the SFSA.

Diversity

The Suitability, Training and Diversity Policy also serves to promote diversity of the Board. According to the policy all Board assignments in Klarna are based on merit with the prime consideration being to maintain and enhance the Board's overall effectiveness. Within this, a broad set of qualities and competences is sought for and it is recognized that diversity, including age, gender, geographical provenance and educational and professional background, is a factor to take into consideration. The ambition is to ensure diversity and that the Board members complement each other to cover expertise that is vital for Klarna. It is Klarna's assessment that these objectives and targets have been achieved.

Number of assignments

Since August 2, 2014 there are regulatory limitations on the number of directorships a Board member of a bank may hold. As Klarna is not a significant institution a general assessment of reasonableness of the numbers of positions held by the Board members and the CEO shall be made, taking into consideration the circumstances in the individual cases as well as the nature, scale and complexity of Klarna's business activities. Klarna has concluded that all Board members assignments are compliant with the new rules. A detailed presentation of the members' background and other assignments can be found [here](#).

Risk management

The purpose of risk management is to safeguard Klarna's long term success, manage volatility in financial performance, and sustainably increase value for the owners by ensuring efficient capital management.

The external framework requires good internal control, identification and management of risks and requirements for internal control functions (Risk Control, Compliance and Internal Audit). The Board has ultimate responsibility for Klarna's risk organization and for ensuring satisfactory internal control. If you would like to learn more about Klarna's risk management, risk reporting and control functions you find more detailed information on our website

www.klarna.com/international/corporate-governance/risk-management/

Remuneration

Klarna has clear remuneration policies, instructions and processes, securing sound remuneration structures throughout the organization. If you would like to learn more about Klarna's remuneration structure you find more detailed information on our website

www.klarna.com/international/corporate-governance/remuneration/ or in Klarna's annual statements of remuneration for the Klarna Group which are also disclosed on our website www.klarna.com/international/corporate-governance/investor-relations/ according to the Swedish Financial Supervisory Authority's regulatory framework.

Environment

Environment

Managing Klarna's environmental impact is important to the company. Outside of compliance with applicable local environmental laws and regulations in the countries in which Klarna operates, Klarna aims to promote environmental awareness and knowledge in employees and partners.

This report outlines sustainability efforts in the context of day to day operations. Klarna does not have a developed corporate banking or corporate financing product offering, where sustainability and supply chain management concerns are most pertinent.

In our Ethical and Environmental Policy we state the following general principles which we work to adhere to:

- We shall have a long term business focus and act in a way that promotes this.
- We shall inform and engage our employees, customers and partners/suppliers in our environmental views and environmental activities.
- We shall of course comply with laws and regulations but also go further by acting in a transparent way, respecting good credit practice, protecting personal data, preventing conflicts of interest, avoiding the denigration of competitors etc.

Increased ambitions during 2019

Even though Klarna has limited physical products, our operations and growth contributes to global climate change. Our technology powers online commerce for hundreds of thousands of merchants and millions of consumers across the globe. We, like other companies cannot and will not avoid our responsibility. During 2019, we significantly increased the ambitions and actions within this area and this is why we started to track our climate impact from all cornerstones of the business. Klarna has rigorously analysed the business, ways of working, consumption and travel to ensure that the utmost is done to limit the environmental impact across all areas.

Travel

Klarna is a global company, which requires employees to travel on a regular basis. It is not uncommon that an employee reports to a manager based in another country, and as it is important to maintain a close dialogue this is at times best facilitated by physical meetings. During 2019, Klarna increased the ambitions of lowering the carbon emissions for travel with increasing amount of internal communication, nudging and policy revamping to further emphasize the environmental impact.

Employees encouraged to green transportation

Employees at Klarna are encouraged to green transportation. For our yearly conference, held in Berlin 2019, Klarna rented a whole train and bio-fueled buses in order to encourage our employees to choose a more climate friendly way to travel. This is just one of the initiatives we implemented during 2019, due to our increased focus on the climate impact. Furthermore, the Sports and Wellness committee arranged a bike relay for a group of people from Stockholm to Berlin. A third of Klarna’s employees travelled with either train, bus or bike to the conference from Sweden, UK, Netherlands and domestically in Germany.

At the majority of Klarna’s offices, there is dedicated bicycle parking where employees can safely store their bicycles without risk of theft or damage. There are also changing rooms with showers that enable and encourage employees to bike to work even if it is a longer distance. This both decreases Klarna’s general environmental footprint and increases the health and wellbeing of employees.

For shorter business travels employees can borrow either Klarna’s own bicycles or travel cards to use public transportation. Taxis are not allowed if more eco-friendly alternative means of transportation are available, and employees are encouraged to walk to nearby meeting sites. Klarna also encourages employees to book eco-cars when renting a car if the option is available.

Trains

Klarna encourages employees to book trains instead of flying whenever it is possible and travelling by train shall always be considered the first choice for domestic travel. Klarna’s operations and offices are spread out globally which make domestic travel a rather small part of the total business travel. Nevertheless, it is mainly for domestic travel that the possibility to travel by train is available. The increased activities to promote train travel during 2019 resulted in Klarna employees travelling by train twice as often compared to the previous year.

Below is a summary of all train travelling during 2019

Total number of travels	2,201
Distance (km)	1.2M
Emissions (t CO2e)	63

Flights

Klarna recommends use of technical equipment at the office instead of travelling for internal and follow-up meetings. To make this an obvious choice Klarna provides employees with several alternatives to select from like Skype, Google Hangouts, video conference system, cell phones, and more. From both a business and an environmental perspective it is necessary and beneficial that Klarna adapts to this way of working. It is even applicable to the board, every sixth meeting is held via conference call with participants from Sweden, the UK and the US contributing. Although the

use of technical solutions that minimise the environmental footprint is always encouraged, sometimes physical meetings are still preferred from both an efficiency and social perspective.

Below is a summary of all flights taken during 2019

Total number of travels	16,392
Emissions (t CO2e)	6,715

Cars

Klarna has pool cars at disposal for business travels at several offices, and Klarna employees can also use private cars for business travel and get reimbursed for the mileage, although pool- and eco cars are recommended. Employees may also travel in taxi, but only as a last resort since public transport is to be prioritised when available.

Below is a summary for all travelling with cars during 2019

Emissions cars (t CO2e)	78
Emissions taxi (t CO2e)	85

Klarna HQ & regional office sites

Heat	89 % is renewable and 11 % is environmentally compensated
Air condition (cold)	100 % renewable
Electricity	50 % wind power 50 % hydropower

Klarna HQ in Stockholm is the company's biggest office site and as such it has the biggest impact on Klarna Group's environmental footprint. The energy consumption at Klarna HQ is high but reasonable for the business that is conducted there, but is continually evaluated to find additional improvements which would make energy consumption more efficient.

Below is a summary of all offices energy consumption

Country	Location	Area (m2)	kWh
Austria	Vien	212	28,762
Belgium	Bryssel	68	43,281
Finland	Helsingfors	237	12,540
Germany	Linden	2,094	12,671
Germany	Munich	3,242	97,916
Germany	Berlin - Mitte	1,500	102,302
Germany	Berlin - Mindspace	1,700	115,942
Netherlands	Amsterdam	382	243,135
Norway	Oslo	338	30,757
Sweden	Stockholm Sveavägen 46, Sveavägen 38	11,122	749,097
Sweden	Stockholm Sveavägen 46 (serverrum)	42	22,886
Sweden	Stockholm Ringvägen 100	5,412	179,030
Sweden	Uppsala	300	9,924
UK	London	620	82,828
UK	Manchester	240	32,062
US	Columbus	950	262,854
US	New York	436	19,224
US	Los Angeles	240	10,582
Total			2,055,793

Renewable resources

Klarna's HQ office is powered with 100% renewable electricity by its energy supplier, who have received the Swedish label "Bra miljöval" (Good environmental choice) and is audited every year by external auditors.

The supplier deposits an amount to an environmental fund for every kilowatt hour sold. The fund is solely used to reduce the impact of hydroelectric power on the local environment.

Energy at Klarna HQ office building in Stockholm

When relocating Klarna HQ one important factor in the choice of the current office was the central location. This ensures that employees can travel easily to and from work by bicycle and/or public transportation. It also ensures easy and climate smart access for employees and visitors who travel from other countries as several eco-friendly means of transportation are available straight to the office, such as high-speed trains and public transportation.

This is an important factor that Klarna considers when evaluating potential new office sites, such as when moving our Linden office to Giessen during the year to come.

Energy at Klarna offices worldwide

There are a number of eco-friendly initiatives at local office sites, such as Helsinki and Amsterdam that use climate smart lighting solutions to save energy with the use of motion sensors, and the Munich office that gets its energy from renewable resources just as the Klarna HQ office in Stockholm. In addition to that it has a centralized control in the building that adjusts the temperature to minimize energy consumption.

Other Klarna Group office buildings that have received certifications are the Oslo office, that have received an Energy Certificate from NVE (Norwegian Water Resources and Energy Directorate), and the Amsterdam office which is certified by EPBD (Energy Performance of Buildings Directive).

BREEAM

The Klarna HQ office is located in a climate smart building that has been BREEAM certified with the grade Excellent*, which recognizes that the eco-friendly solutions in the office building contributes to a better environment.

- In addition to its BREEAM certification, the building won the Swedish Green Building Award 2012.
- Below lists a few factors that contributed to receiving the high grade of certification and winning the award.
- Energy consumption has been reduced with 70% to 35 kWh/m² - reducing the carbon emissions with 1,000 ton/year
- Central location with easy access to public transport and the possibility to ride a bike to work (supported by cycle garages and complete dressing rooms with showers)
- Improved indoor climate contributing to both good health and wellbeing in the work environment
- Rooftop green garden that contributes to the city's diversity of plants and insects

BRE Environmental Assessment Method (BREEAM) is an environmental certification system from the UK. It has existed since 1990 and is one of the oldest environmental certification systems that have been used to certify over 500,000 buildings. The system is the most widespread of the international systems in Europe.

*(The BREEAM certification scale ascends as follows; Acceptable, Pass, Good, Very Good, Excellent or Outstanding.)

Assessment Indicators:

- Project management
- Energy consumption
- Indoor climate
- Water management
- Waste disposal
- Use of land
- The impact on the ambient environment
- Building materials
- Pollution
- The building’s location in relation to public transport
- Innovative technical solutions contributes to a higher grade

Roof park with plantations

Adding to the BREEAM house is a roof top green garden which is built to add to the flora and fauna of the urban city center. The garden is 3,000 sqm and contains samples from the Swedish nature landscape such as flower meadows and small grown forests, alongside pebble and stone areas.

Printouts

Klarna aims to ensure that printers are only used when necessary. Several IT tools ensure that the need for printouts are kept to a minimum, and to make sure no unnecessary printouts are made unintentionally as all personnel need to physically confirm prints with their ID-badge so nothing is printed automatically. All staff use portable laptops and each meeting room is equipped with a screen that all participants can use and view to reduce the need to share information with printouts.

Klarna minimizes the environmental impact of these printouts with the use of eco-labeled paper and environmental-friendly recycling routines implemented throughout the organisation.

Below is a summary of the total number of printouts across all Klarna offices

Year	Total number of printouts
2019	455,700
2018	1,070,159
2017	513,973
2016	577,596

IT equipment

As a technologically driven company, a key to our success is providing our people with an optimal set of IT-equipment. Having the right tools is a necessity to keep developing and maintaining the innovative technical solutions and services that we offer our customers and partners, but we do what is possible to maintain a sustainable consumption of physical electronics goods. When we have the possibility to recycle IT-equipment we make sure to do so, rather than buying new equipment, in order to decrease the environmental footprint.

Recycling

Klarna aims to recycle as much as possible, from furniture to papers, and makes it easy for employees to recycle everyday. Recycling bins are available in the kitchens at all offices for plastic, glass, paper, bottles and cans, and money collected from recycled bottles and cans are donated to charity. Klarna also has recycling stations for papers, cardboard and batteries.

Klarna always reflects on how the environmental impact can be reduced, for instance by evaluating the possibility to reuse furniture at other office sites or re-utilise them before considering to recycle or donate.

Recycling at Klarna offices worldwide

Klarna have recycling areas in the kitchen of all local office sites, with the exception of Amsterdam, and there are several local initiatives to reduce the environmental imprint such as using recycled papers for printers, using recycled or reused packages for deliveries and reducing the amount of bottles by using water dispensers.

Suppliers

Klarna selects suppliers with care and makes sure that all contractors take environmental and ethical responsibility. Deliveries are optimised by engaging fewer suppliers to cover multiple needs which reduces the number of shipments.

Suppliers that care

One example of Klarna's efficient selection of suppliers is the extended agreement with a coffee supplier that has been trusted with water and fruit deliveries in addition to its original assignment during the past year. The supplier takes ethical responsibility and makes sure that everyone working with them in the supply chain, and for them, uphold good working conditions, from farmer to deliverer.

The supplier also makes sure that the coffee farmers use a "Climate Smart Agriculture" and polyculture cultivation. This means that the farmers work to ensure that the farm has a minimal imprint on the local environment.

All fruit is ecological and leftover fruit from our HQ office gets donated to a shelter for people in need.

Environmental friendly cleaning services

The cleaning company at Klarna HQ has a Nordic Ecolabel 'Svanenmärkning'. The supplier offers its customers environmentally-friendly cleaning with a policy to use products with low consumption of chemicals and a high proportion of environmentally-friendly chemicals. The environmental impact from greenhouse gases is also minimized by means of stringent requirements as to transport and use of refuse bags. All this is combined with high cleaning quality and well trained staff.

Combating Financial and Cyber crime

Financial Crime

The financial sector has a core role to play in society's prevention of – and fight against – financial crime. Strong financial crime management practices are one of the most powerful devices against financial crime. They can prevent, disclose and help to identify corrupt practices and the people behind such activities.

The main forms of financial crime which Klarna has identified as having a significant impact on society – and which we can work to prevent – are:

- Fraud
- Money laundering
- Terrorist financing
- Sanctions risk management
- Bribery and corruption

How we prevent financial crime

We take the prevention of financial crime extremely seriously.

We actively manage the risks of financial crime and have policies, instructions and routines in place. The Decision Services division at Klarna has the overall responsibility for preventing fraud. The Compliance Experience team has the overall responsibility to prevent money laundering, terrorist financing and sanctions and are placed in the first line of defense. The Compliance team has the overall responsibility for Klarna's Anti-Corruption Program to ensure that Klarna and its employees avoid any allegation of bribery or corruption.

We raise awareness among our staff through training. We have e-learning modules on Code of business conduct, Conflicts of interest & Anti-corruption, Anti-money laundering and countering Terrorist financing that are directed at all employees. Participation is mandatory and monitored to ensure it is completed by all employees. This is also part of the Klarna Check In training which for the compliance part is mandatory for all.

Cyber crime and security

Klarna as an almost entirely online company is working actively to prevent cybercrime and mitigate the potential risks it poses to us as well as our customers. Mitigating the risks of cybercrime for our customers is a fundamental part of Klarna's services. Safety and trust is the foundation for our services as we take on the risk for both consumers and merchants even to a greater extent than regulatory required, hence leveraging all aspects we can ensure - both parties trust in Klarna's services, as well as consumers trust towards merchants in the purchase process, are essential for a safe and reliable shopping experience.

Security is an essential requirement in the internal processes of Klarna and an attribute ingrained in its products and services. To support this, Klarna has invested in internal resources and capabilities for both proactive and reactive measures. Protecting the confidentiality of customer's information is at the heart of this as is ensuring the availability and integrity of our services.

Klarna is constantly striving to mitigate all fraudulent activity and works actively to prevent fraud attempts. As e-commerce evolves so does the modus operandi of fraudsters, who are becoming increasingly sophisticated in the methods used to target companies and financial institutions of all sizes. Klarna has built up 15 years of experience in this area and has a strong dedicated team working around the clock monitoring systems. This means that in order to prevent fraud, and protect both consumers and merchants from exposure to online crime, Klarna needs to be continually evaluating the effectiveness of existing tools, innovating for new solutions, vigilant in 24/7 monitoring and being agile in battling fraud attempts both proactively and reactively.

Klarna is part of an E-Commerce Working Group which cooperates with Interpol with the purpose to enhance the cooperation between law enforcement and the private sector in the combat against Card Not Present Fraud.

In order to achieve a consistent security Klarna has an Information Security Management System, a framework of rules, and processes based on ISO 27001. Klarna is PCI DSS compliant, ISAE 3402 and ISAE 3000 audited, and compliant with a multitude of regulatory requirements. Compliance with this framework is monitored through Klarna's risk management framework including the independent internal audit function.

The company's internal work frame includes a number of security controls in the Systems Development Life Cycle (SDLC), such as working according to guidelines from Open Web Application Security Project (OWASP - a non-profit organization that sets standards for safe development). Klarna also supports and participates in special interest organizations to promote and encourage the security of the Internet and society as a whole.

Data protection

At Klarna, we strongly believe that great experiences shouldn't come at the expense of our consumers' privacy. Klarna takes data protection and privacy very seriously and we're committed to making sure that our consumers' data works in their interest, saves them time and simplifies their shopping experience. As a financial company, we know we are entrusted with personal data on a daily basis, and when it comes to how we use and collect it, clarity, honesty and transparency are key.

We always strive to comply with data protection regulations that apply to our business, whether it concerns the personal data of consumers using Klarna's services, Klarna's employees, or representatives of merchants, suppliers and other business partners.

Data protection is an embedded part of the product- and system development process at Klarna, and a large number of Klarna teams are involved in maintaining and developing Klarna's practices on a daily basis. Moreover, Klarna's employees are regularly educated to identify and understand what data is considered to be personal data, and the foundations of how it may be collected and used, to always be in line with Klarna's data protection practices and with applicable legislation.

During 2019, we have closely followed the legal developments under the GDPR, and other data protection legislation applicable to our business - existing and proposed - and we see the legislation as an opportunity to build both preference and trust in offering consumers transparency, flexibility and choice when it comes to how their data is used. We continuously strive to improve and further develop the processes and tools available to support consumers' right to their personal data, such as:

- A safe and transparent process for receiving a transcript of records, i.e. for an individual to access personal data that Klarna holds.
- A safe and transparent process for exercising the right to be forgotten, i.e. for an individual to have personal data deleted.
- Providing GDPR-specific training to Klarna customer service agents, to ensure that Klarna's customer representatives are aware of individuals' rights.

Klarna has a Data Protection Officer and a team of data protection specialists working solely with data protection and privacy. We also have a special team of customer service specialists for data protection matters.

Social

Social

The society's confidence in Klarna is a crucial part of our business as well as critical to our success. This trust and confidence is earned by acting responsibly and by meeting society's expectations.

To us this means:

- We want to provide safety, both to consumers who are shopping online and pay after they have received their goods - and to merchants who can be sure to always get paid in time.
- We want to make shopping as frictionless and smooth as possible, for example, by making the checkout process as easy and intuitive as possible.
- We want to build innovative solutions that benefit consumers in order to make everyday life a little bit more smooth.

Human Rights

Human rights are basic rights for individuals. They form the foundations for freedom, justice and peace. They apply equally and universally in all countries, irrespective of the legal framework.

As a global company, we have a clear responsibility to support governments and civil society groups in ensuring human rights are upheld and respected in all countries we operate in. Klarna believes that although governments have the primary duty to protect and ensure fulfilment of human rights, business entities have a responsibility to respect human rights and can play a positive role in the communities where they operate.

Klarna complies with all relevant international legal obligations and all relevant local legal obligations in the countries in which it operates. Klarna works to protect human rights in its own operations through its internal policies and procedures regarding the treatment of employees.

Klarna respects employee human rights as established in the International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work, including non-discrimination, prohibition of child and forced labour, as well as safe and healthy working conditions. Klarna offers equal opportunities and equal rights to all, irrespective of gender, national or ethnic origin, religion or belief, age, transgender identity or expression, sexual orientation or disability.

Klarna is not a political organisation and does not engage in political activity or support political parties in any country it operates in.

Klarna as a taxpayer

In Klarna's Finance Policy which is adapted by the Board of Directors, it is stated that one of Klarna's overall objectives of financial management is to achieve an acceptable balance between tax expense efficiency and tax risk while taking Klarna's rapidly changing business operation into

consideration. According to the Finance and accounting instructions, Klarna should ensure that local tax legislation is complied with.

Stakeholder groups

Maintaining stakeholder relationships is key for driving Klarna forward, also as a sustainable actor in society. Continuous and transparent dialogue with our stakeholders increases our understanding of stakeholders’ priorities and expectations. The relationship with our stakeholders aids us in concentrating efforts and resources to sustainability aspects that create the largest sustainable impact.

Stakeholder group	Ways to engage interest groups
Consumers	<ul style="list-style-type: none"> ● Customer satisfaction surveys ● Self-service portal and app ● Support ● Dispute management
Merchants	<ul style="list-style-type: none"> ● Customer satisfaction surveys ● Self-service portal ● Merchant Support ● Merchant Advisory Board
Co-workers	<ul style="list-style-type: none"> ● Employee engagement surveys ● Performance and Development Dialogue ● Leadership programme ● Mentorship programme ● Klarna Marketing Academy ● Annual kick-off and monthly All hands staff meetings ● Whistleblowing
Shareholders/investors	<ul style="list-style-type: none"> ● Personal meetings ● Answering survey requests
Suppliers	<ul style="list-style-type: none"> ● Site visits ● Dialogue during the purchasing process
Supervisory authority	<ul style="list-style-type: none"> ● Ongoing discussions ● Answering inquiries

Klarna – Our People

Committed employees

The company's clear goal to elevate the shopping experience and enable better personal finance management is dependent on, and interconnected with, an ambitious mindset needed from the staff that takes on this challenge. In order to deliver solutions that serve this purpose it is imperative to engage committed and driven employees that challenge expectations believing in their skills and knowledge.

Having employees with the right skills and expertise is essential for Klarna, therefore working strategically to attract and retain the employees needed for the long-term development and success of Klarna and its business. Klarna as a group currently has more than 2,700 employees, with roughly a third working within engineering and product development, and we are actively recruiting talent from around the globe.

Agile operating model

We have implemented an operating model that optimizes agility, quality and speed. We have evolved from a more traditional organisational structure to instead working in teams of 8 of mixed competences who own and work on specific problem space. The team takes full accountability for creating and delivering valuable propositions for the team's main customer, either internal or external, aligned with the vision of Klarna.

The teams are defined by their business purpose, which enables agility and fast growth as well as experimenting in and expanding to new areas. The guiding principle is to enable decision-making at a team level, while ensuring alignment across the teams. This optimises for speed, flow and quality; enabling the team to solve a problem in the best possible way, as autonomously as possible. For this to work smoothly our culture embraces change and continuous improvement. The path can change fast, and it can change often, new teams will be added, and teams will cease to exist but the determination to continuously improve remains.

To ensure aligned vision throughout the company, teams follow Klarna's norms and best practices. Team autonomy is at the core of how we operate but being a bank comes with certain responsibilities. Teams at Klarna are given freedom within a framework and certain guidelines. An example is team choice of technology, teams can choose the best fit, but within an approved set of options. Klarna invests in tooling to guarantee compliance for each technology as our customers' data must not be put at risk due to lack of expertise, maturity, or tooling for a specific technology.

Inclusion and Engagement

Nurturing the connection between the management team and all company employees is a matter of priority with several initiatives serving to eliminate any perceived gap that risk to emerge with quick growth and fast paced work environment. Frequent and open dialogue in Management chats, Business updates and group All Hands strengthens the bond and dialogue between management and employees while keeping the information flow as direct as possible. In addition, all team and domain leads are encouraged to provide weekly updates on challenges and progress in their work

streams. This way, all employees can receive relevant updates from other work streams to stay updated on other processes.

The quarterly employee engagement survey results provide a basis to get a better understanding of current perceptions and identify areas of improvement and success in regards to employee engagement, development, vision awareness and management expectations.

Diversity enriches our business

At Klarna we support and aim to provide all employees with an equal opportunity workplace that supports diversity and where differences are both respected and appreciated. We do not tolerate discrimination or harassment of any kind, whether this is based on an individual’s ethnic or national origin, gender, skin color, faith, religion, citizenship, age, disability, civil status, sexual orientation or anything else. Klarna has clear company wide internal policies regarding what constitutes inappropriate behaviour that will be not tolerated and guidance on how it should be handled. Klarna has also implemented a number of different reporting mechanisms and whistleblowing tools to enable staff to report behaviour or incidents with confidentiality safeguards.

As an employer, Klarna ensures that all employees are treated equally, with respect and dignity, and that everyone is given the same opportunities for professional and personal development. To ensure the right people are at Klarna the talent acquisition recruitment processes are designed to remove unconscious bias from the equation, while manager and team leader training provide the knowledge and practices needed to maintain the environment we strive for. There is strong cultural diversity at Klarna, with employees of more than 90 nationalities employed worldwide, with more than 75 belonging to staff that come together everyday in the Stockholm HQ office.

The company's Gender Diversity Initiative has ensured a continued effort to include gender awareness and provide transparency on gender goals across the company.

Below table shows recent development of gender diversity in company wide management positions and stated target for 2020.

	2016	2017	2018	2019	Goal for 2020
Female managers	32%	37%	32%	37%	45%
Female CXO/VP/Director	20%	24%	27%	31%	33%

Health and Safety

Klarna is responsible for working to achieve a safe, healthy and productive workplace. Healthy work environments result in healthy employees and increased well-being, laying the groundwork for successful business results. The safety of employees at the workplace is prioritized.

Klarna wants to ensure a healthy lifestyle for all employees and therefore offer different health benefits, such as wellness allowance, flexible working hours, parental benefits, as well as health and rehabilitation insurance. The company also provides support in the immediate work environment to prevent illness and support rehabilitation.

Sports & Wellness Committee

Klarna has a Sport & Wellness Committee that continuously works to engage employees and promote inclusion by encouraging sports and outdoor activities. The committee regularly arranges sports activities such as basketball, football and running, as well as hosting yoga classes at various Klarna office sites in early mornings and during lunch hours. In addition, the committee regularly arranges full day excursions such as ski trips and scuba classes.

Learning and Development

Klarna is in an industry undergoing rapid change, driven primarily by new customer behaviour and new revolutionizing technology. In a company contributing to drive that development with innovative solutions space is created for employees to develop their individual professional skills. Klarna's culture is based on sole commitment and the willingness to develop and take responsibility for achieving both the company's and own personal goals.

Employees get the opportunity to grow in different ways, for example through learning in everyday life, through participation in change projects, formal learning through education and network participation. Klarna has a wide range of learning programmes that are visible through a digital platform that provides an overview of the entire range, both the training courses that are specific to Klarna and those provided by external suppliers. Klarna offers courses such as language, sales, leadership, presentation skills, communication and more. Several methods and tools are being offered to facilitate learning.

Introduction and initiatives for new employees

Klarna Check-In (KCI) is the introduction programme for new hires. It consists of two days of intense and varied classroom training to quickly increase the participants' Klarna-wide knowledge. All new hires, regardless of location, competence, or seniority, attend KCI. The day covers Klarna's background, mission, operating model, workplace and security rules, IT setup, office environment, regulatory sessions, business, products, principles and culture.

The Klarna buddy programme is a key part to welcome new employees. It consists of a 60 day peer buddy programme with the primary purpose of supporting new employees and integrating them into the Klarna culture. The 60 days buddy programme combines informative sessions with shadowing as well as regular opportunities for Q&A and feedback. By pairing new employees with more experienced colleagues in similar roles, our new employees benefit from the knowledge exchange at both a professional and social level.

During 2019, a total of 930 employees have completed the introduction course.

Leadership

Constant development, often leading to changes in the business environment, means greater demands on managers and hence continues to be an important area for Klarna to focus on. It is important that managers inspire, act as role models and establish conditions that enable employees and teams to develop the business in the best way possible.

Klarna leaders act within eight guiding leadership principles:

- Customer obsession
- Deliver results
- Courage
- Hire and develop exceptional talent
- Challenge the status quo
- Start small and learn fast
- Detailed thinkers
- Let the team shine

These leadership principles have been implemented to provide guidance to all people working at Klarna. And the purpose is to encourage accountability and continuous development at both a personal and a professional level.

For existing managers, programmes provide opportunities to develop their leadership qualities both as individuals and members of a team. There are tools available to strengthen collaboration within and between groups, to assist managers in understanding their staff, themselves and the organization, in order to enable and support them to perform at a high standard. This includes but is not limited to DISC analysis, New Manager Orientation, Motivational leadership training, as well as the Klarna mentoring program.

Klarna mentoring program

Klarna's mentoring program aims to improve, strengthen and enhance leadership skills in order to increase productivity and capabilities by linking new leaders to more experienced senior leaders. The mentors act as a sounding board to the mentees, remaining in the background ready to listen and provide guidance to increase the mentee's confidence in their role and help ensure the right actions and decisions are made. At the same time, mentors are encouraged to never hesitate challenging their mentee with their and Klarna's best interest in mind. The mentors that are engaged in Klarna's mentoring program are carefully chosen to ensure that they have senior experience and are well versed in Klarna's leadership principles.

The program is set to engage all established mentorship relations for six months with regular sessions, and participants are encouraged to continuously exchange tips and information while evaluating progress based on the learnings throughout the year.

Ethics Policy and Code of Business Conduct

Klarna always runs its activities in a credible and ethically acceptable way, and always strives to comply with applicable laws and trade practices.

Klarna has the ambition to be a good citizen of its society and hence we always strive to act in a way that is consistent with society's expectations on Klarna. To simply follow the rules is not good enough - we need to avoid situations where our actions are or can be seen as hurtful to others.

Klarna wants to provide services and remain in business for the long term, and this overall focus should guide us in our daily decision making - helping us to think about what the long-term consequences of our actions may be.

Merchant Ethics

Klarna strives to only cooperate with merchants whose activities are in line with Klarna's vision of safety and simplicity. For Klarna, this means that ethical aspects of the merchant's business are taken into account. As a major player Klarna aims to realize this vision and to have a positive influence on the market. Klarna's products and services may only be used for lawful purposes. In addition, we want to prevent our products and services from being used in an unethical way.

Klarna has set clear ethical guidelines consisting of some general principles, which are exemplified in an appendix. The examples listed as "Prohibited" are disallowed while examples listed as "Restricted" may be allowed under certain conditions and upon pre-approval from Klarna. The general principles are:

- **Unethical Business Methods and Practices** - which mean that Klarna shall not cooperate with merchants, which sell products or carry out services with means and methods that are misleading, deceptive, abusive or unfair to customers, or otherwise unethical or illegal.
- **Unethical Products and Services** - Klarna will not cooperate with merchants providing products or services which Klarna considers, in its sole discretion, as unethical under these guidelines. Some products can be categorized as products of dual use, meaning that they may have a legitimate use, but also an illegitimate use.
- **Third party restrictions** - In provision of some services, Klarna cooperates with various partners (e.g. third party payment providers). Several of these partners apply their own prohibitions and restrictions. This means that additional prohibitions and restrictions apply for merchants who wish to use such services.

The ethical guidelines apply contractually when onboarding new merchants, and Klarna has a designated ethics committee that serves as a review board on precarious occasions. In order to make sure that all merchants comply with their set agreement they are actively monitored by a dedicated team that takes on responsibility for ensuring that the ethical guidelines of Klarna are followed once onboarding is completed.

Supporting entrepreneurship

Klarna takes pride in being part of the startup ecosystems of Stockholm and the Nordics. Being an entrepreneurial company it is important for us to help others grow by widely sharing our knowledge and experience.

Knowledge hub

Klarna has a site aimed towards entrepreneurs and small businesses with relevant insights into ecommerce and tips to grow their businesses. The Knowledge hub produces a series of content, both in writing and videos, that educates on new trends and practices within ecommerce as well as provide insights, hacks and interviews with relevant industry experts. An example is the newly launched concept Klarna Deep Dive – a digital masterclass focused on how retailers can grow, be more profitable and get more loyal customers.

Smooth stores

Klarna has launched an initiative to discover and help develop top retail talent across the UK through their 'Smooth Stores' initiative. The purpose of the initiative is to help up-and-coming retailers in the UK put themselves on the map, and potentially win the attached competition to receive a tailored combination of guidance, finance, and access to Klarna's in-demand Pay later payment product. The winners of the competition will be mentored by Klarna senior executives who are industry leaders in their fields, to offer advice and guidance on how to grow the winning brand.

External Initiatives

We support many great initiatives both financially and with our knowledge, some examples are SthlmTech, WomenHack, WomenInTech and the Hello World! concept. We also host many internal and external Hackathons at different locations around the globe.

Women In Tech Stockholm

Klarna supports and collaborates with Women In Tech, an organisation that strives to inspire and enlighten women already in the tech industry, to stay within the field, by providing the network and experience of successful people from the wonderful world of technology and media.

WIT@Klarna

WIT@Klarna is an initiative which started in 2019 with the ambition to empower women within the technical competence at Klarna. The initiative strives to raise awareness around diversity issues, discuss the daily challenges and improve the working environment. During 2019 the group engaged in a number of different events, such as WomenHack, PyLadies, Malvina KTH, SmartCoding, and Women in Tech Summit, as well as arranging internal events, such as the 'Lunch and learn'-concept to share knowledge and experience and find inspiration and insights from both external and internal speakers.

Hello World!

Klarna co-host events with and supports the development of Hello World!, an organisation that encourages engagement and shares knowledge about science, tech and innovation amongst young

people, and strives to make technology and education easily accessible for all young people regardless of their background and conditions.

Be.you

Employees from Klarna have together launched a non-profit organisation that is supported by Klarna. Be.you works on several fronts and across Klarna's global offices to promote diversity and inclusion. The group arranges talks with renowned and relevant speakers as well as other internal and external initiatives such as the participation in this year's Pride festival, attended by Be.you in both Columbus and Stockholm.

Mindful money


Following a survey of over 2,000 consumers in collaboration with Censuswide, Klarna launched 'Mindful Money' a platform designed to support and educate consumers and help them to make smart financial decisions. We work alongside personal finance journalists, money bloggers and content creators to produce jargon free content on topics that we've identified as important to our consumers. The content is published under three 'pillars' of money management - Saving, Spending and Living.

Matching employee charity donations

Klarna has a history of encouraging employee charity initiatives. We have for example matched the collected donations of all our employees at times when the world was troubled, and thereby doubling the financial effect of these initiatives.

Financial Coalition against Commercial Sexual Exploitation of Children

Klarna is since 2016 engaged in the Swedish Financial Coalition Against Commercial Sexual Exploitation of Children, an organization whose purpose is to prevent and obstruct payments for documented sexual abuse of children through the Swedish financial system. If you want to know more about the coalition please visit their website www.finanskoalitionen.se

The background features large, bold, black letters 'K' and 'L' on a light gray background. The 'K' is on the left and the 'L' is on the right, both partially cut off by the edges of the page.

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