

Klarna.

ESG Report 2022

Klarna Holding AB (publ).
Org. No. 556676-2356



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2022 ESG highlights

About Klarna



c500k
global retail partners



150m+
active consumers



New products:
Virtual Shopping, Klarna Kosma, and Spotlight (including new search tool, shoppable video, Creator Platform, and donations feature)

Social



USD 100m
put back into consumer pockets by removing unnecessary fees



35%
reduction in the number of Swedish consumers sent to debt collection since September 2021

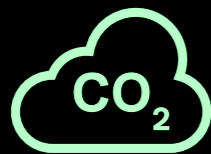


SEK 10.9bn
procurement volume including purchased goods and service from 3,625 suppliers

Environment



USD 16.5m
pledged to Give One by end of 2022 with 50+ organizations supported since launch in April 2021



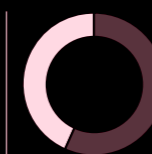
USD 2.6m+
contributed to the Climate Transformation Fund contributing to the removal of 11,588 tons of CO₂e from the atmosphere



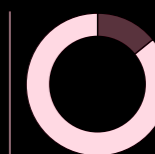
SEK 500k
donations in the first two months of the new in-App donations feature in 7 markets



5,441
employees worldwide with 100 nationalities and an average age of 32.5 years



43.2%
women overall with 37% of women in management positions



86%
of employees took the annual employee engagement survey



100%
renewable electricity in all our offices – 2 years ahead of schedule



Collections
Conscious Collections expanded to 18 markets and Shop Circular Collections launched in 12 markets



Upgraded
CO₂e Emissions Tracker now provides product level data for nearly 60m fashion items. 324k consumers track their carbon footprint on average every month

Governance



28.6%
women on the Board of Directors



66.7%
women on Audit, Compliance & Risk Committee of the Board of Directors



33.3%
women on the Remuneration Committee of the Board of Directors

The year in headlines

January

JANUARY 26

Klarna brings transparency, sustainable credit to instore payments everywhere with launch of a physical card.



February

FEBRUARY 2

Klarna partners with Good On You to launch Sustainable Collections



FEBRUARY 18

A third of Brits feel too uncomfortable to talk about money with their friends and family

FEBRUARY 22

Klarna fuels global expansion with the launch of rewards program and Pay Now in nine new markets

FEBRUARY 22

Klarna expands to Canada with flexible "Pay in 4" service and shopping app, while announcing major investment in local economy

March

MARCH 7

Klarna commits to consumer-friendly product changes with the aim of setting new standards in the financial industry



MARCH 31

Klarna launches 'Klarna Kosma' sub-brand and business unit to harness rapid growth of Open Banking platform

MARCH 31

Klarna launches nationwide SME Roadshow to bring SME leaders together

April

APRIL 4

Klarna completes acquisition of PriceRunner (April 4)

APRIL 6

Stocard joins Klarna and gets "Smooth" with an all-new brand identity

APRIL 19

Klarna matches consumer donations towards planet health causes this Earth Week



APRIL 28

SOFORT, Klarna's direct bank transfer payments service, enables UK gambling block for direct bank-to-bank payments

May

MAY 4

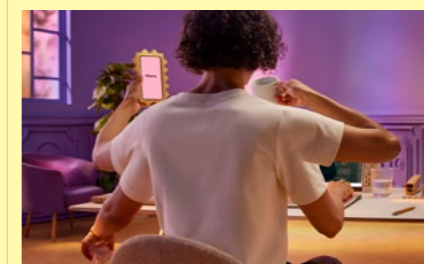
Klarna launches financial education initiative for young consumers

MAY 4

Klarna's fairer alternative to traditional credit will help UK consumers build a positive credit history from June

MAY 11

Klarna unveils global Flexible Work Policy, meeting demand for hybrid work



MAY 12

Klarna launches Virtual Shopping bringing the in-store experience to online shoppers

MAY 19

Klarna launches Dream Deal Days to celebrate reaching 150 million consumers

June

JUNE 1

Klarna Card launches in the US alongside new money management tools, empowering consumers to take control of their finances

JUNE 22

Klarna App is enhanced with digital wallet for easy access to loyalty cards

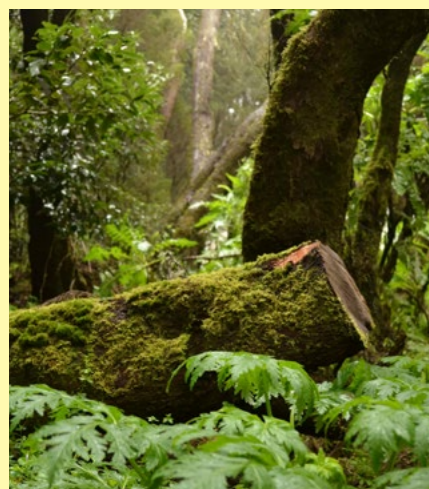


The year in headlines continued

July

JULY 6

Klarna invests USD 1.7 million from its internal carbon tax in sustainability projects for maximum long-term climate impact



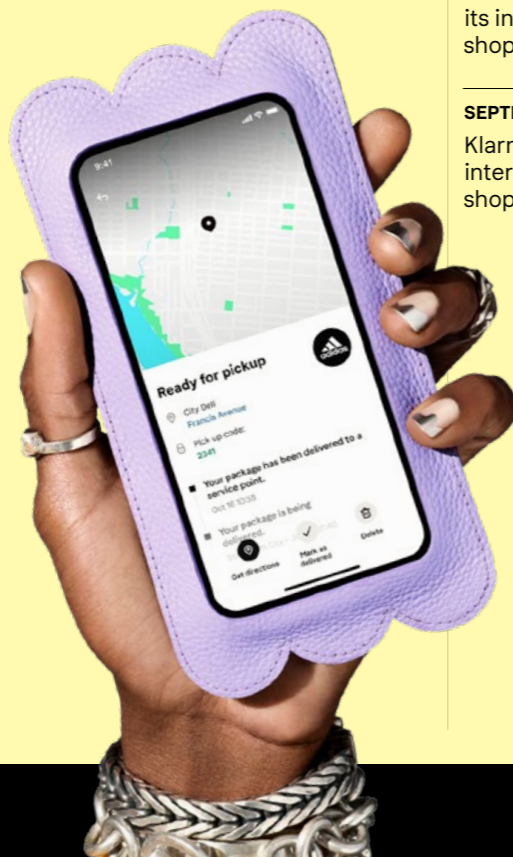
JULY 11

Klarna closes major financing round during worst stock downturn in 50 years

August

AUGUST 15

Klarna extends all-in-one shopping app with automatic purchase history and delivery tracking for all online orders



September

SEPTEMBER 5

Klarna manifests their position as a universal growth engine for merchants - instituting Klarna Growth Awards

SEPTEMBER 20

Klarna says "Γεια σας" to Greece with its interest-free "Pay in 3" service and shopping app

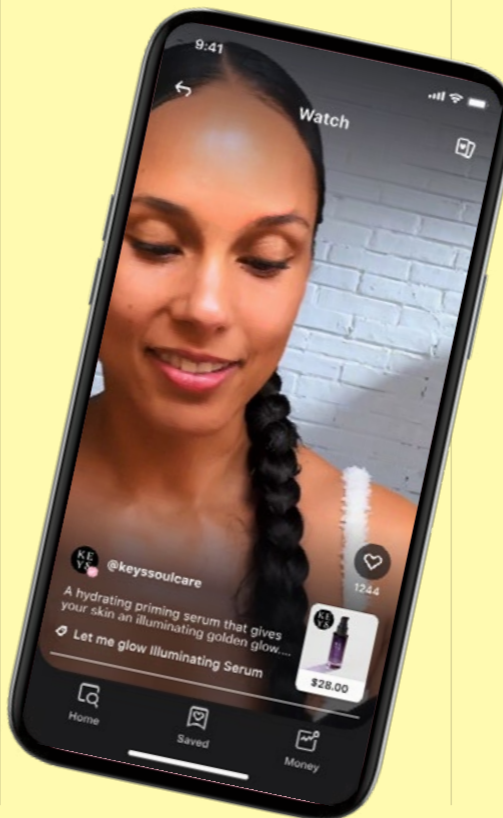
SEPTEMBER 27

Klarna says "Ahoj" to Czechia with its interest-free "Pay in 3" service and shopping app

October

OCTOBER 19

Introducing Klarna Spotlight: a collection of product innovations for a new era of shopping



November

NOVEMBER 18

Klarna Growth Awards: four Swedish winners - here are the companies awarded tailored growth packages

December

DECEMBER 6

Angel City Football Club and Klarna announce giveback partnership with downtown women's center



About this report

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§, implementing the EU Directive 2014/95, Klarna Holding AB (publ) is reporting its environmental, social, and governance strategies, progress, activities, and performance for the entire Group in this Environment, Social and Governance (ESG) report separated from the annual report. The information and data contained in this report relate to activities carried out from January 1, 2022, to December 31, 2022.

Klarna's sixth ESG report to date was submitted to the auditors for review at the same time as the annual report. When signing the annual accounts on February 24, 2023, the Board of Directors also approved the ESG report.

Klarna acquired PriceRunner in 2022, which changes have been considered in this report.

Unless otherwise noted, data is as of December 31, 2022. Due to several IT system changes, particularly related to our employee data, a three-year data comparison is not always feasible. In addition, some data from previous years throughout the report are restated due to improved data collection, quality, and validation procedures.

This year, we have aligned our climate reporting with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It reflects our strategy, approach, and key metrics related to climate change.

Please consider not printing this report to preserve the environment.

For feedback and suggestions, please contact us at: esg@klarna.com



About Klarna

Introduction

Klarna was founded in Sweden in 2005 and became a fully licensed bank in 2017. We have evolved into a leading global retail bank, payment, and shopping service spearheading the generational shift away from credit cards and becoming a world-class shopping destination. By making the world a smoother place to shop and providing real value to both sides of the marketplace, we are accelerating commerce.

Our fairer, more sustainable, and innovative solutions address consumer concerns and eliminate friction and doubt in the shopping experience. As our product offering has grown in popularity, so has the number of people using Klarna's platform - today, over 150 million people are connected to Klarna. We put them in control of their finances and help consumers save time and money by managing their transactions and worry less about their finances. At the same time, we help our circa 500,000 retail partners grow their businesses and drive sales making us a strong partner to their success.

Together our products and services build the 'Klarna everywhere' concept, enabling consumers to choose how, where, and when to shop, pay, and bank - all through Klarna. We are the payment network of the future.

Business model – value proposition to consumers

The Klarna app, now available in 22 markets, powers the whole shopping experience, helping consumers to manage their transactions and offering a smooth shopping experience. It provides consumers with an overview of their finances and spending insights, an unbiased search tool comparing thousands of retailer websites, shoppable videos and virtual shopping, wishlist capability, a digital loyalty card wallet, exclusive deals and price drop notifications, friendly reminder push notifications, 24/7 customer service through chat, the option to snooze payments, delivery tracking, return reporting, and CO₂e tracking.

The in-app shopping feature makes it possible to use Klarna with all online retail partners who have not yet integrated with our powerful platform. Klarna's browser extension enables consumers to shop with Klarna's flexible payment options on their desktop at every online store, even if the retailer is not yet a Klarna partner, and saves consumers time and money through automatic couponing and cashback features on the products they want.

Klarna is also increasingly available in physical stores across markets and through the Klarna card.



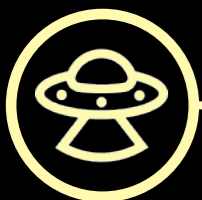
150m+

people are connected to Klarna

22 markets

The Klarna app is now available in 22 markets, powering our shopping experience

The consumer journey ¹ ...



Inspiration & discovery

Browser extension

offering shoppers flexible payment options on their desktop at every online store, even if the retailer is not yet a Klarna partner, and enabling coupons and cashback offers to be automatically added to purchases.

Search and Compare

powered by *Pricerunner technology* an unbiased search tool in the Klarna App that compares thousands of retailer websites in real-time to help consumers find what they love for the best price.

Shoppable Video

offering shoppers an endless stream of curated video content in the Klarna App and the option to purchase any item directly via the video.

Virtual Shopping

connecting online shoppers directly with experts in physical stores through live video and messaging, to receive product advice and inspiration.

Exclusive Deals

offering shoppers curated exclusive deals and personalized shopping collections in the Klarna App that are updated daily.



At check-out

Flexible, one-click payments

providing maximal flexibility and transparency, whichever way consumers choose to pay online or in-store: pay now, pay later or pay over time.

Klarna Card

bringing Klarna's flexible, interest-free payment methods into a physical VISA card, empowering consumers to pay how they like everywhere they go.

Loyalty Cards

enabling consumers to store their physical loyalty cards as digital versions in one place.

Automatic Coupons

automatically applying the best coupons for consumers at checkout ensuring they get the best possible deal.



Post-purchase

Delivery tracking & Returns

providing consumers with the status of their active deliveries, no matter if the purchase was made with Klarna or not.

CO₂e Emissions Tracker and Donations

giving consumers insights into the environmental impact of their purchases, displaying the emissions set free for every step of the product's lifecycle, and enabling consumers to donate to vetted planet health organizations.

Klarna Rewards Club

members earn "points" for every payment they make on time with Klarna, no matter whether they pay now, pay later or pay over time, which can be redeemed in the Klarna App for rewards at world-class brands.



Managing personal finances

Klarna Bank Account

offering consumers a free bank account with which they can handle their finances intuitively with instant account top-ups, real-time transfers to their friends, fixed term deposits with highly competitive interest rates, no fees for spending abroad, and two free ATM withdrawals every month.

Pools

helping consumers to organize their savings goals with up to 3 free sub-accounts in the Klarna Bank Account, for which they can set a target amount and a time horizon to start saving and stay saving.

Budgeting

helping consumers to set a monthly allowance to control how much they spend with Klarna.

Categorization

helping consumers understand exactly where their money goes and to make more conscious spending decisions by automatically organizing purchases made with Klarna into product categories.

Monthly spending breakdown

helping consumers track their spending levels month over month and compare them to their average spending via an intuitive and interactive bar chart.

¹ Availability of features varies by country.

Value proposition to retailers and partners

Klarna is a preferred growth partner for circa 500,000 retailers of all sizes worldwide. We engage new and existing consumers across the shopping journey and connect them directly to retailers to drive growth as a viable and competitive alternative to global marketplaces.

We also create new and innovative ways for retailers to connect to consumers through content creation partnerships, dynamic and search advertising and virtual shopping. We ensure that our retailer partners can reduce working capital requirements by providing simple, safe payment solutions and consumer credit products across all e-commerce platforms and in physical stores. Klarna’s offering includes advertising, marketing, technology, credit risk handling, customer services, administration, and deep consumer insights.

With Klarna, retail partners receive easy integration with global access and onboarding to a fast and friction-free checkout solution where they are paid upfront, meaning they can focus on what they do best. Klarna assumes credit risks for both the consumer and the retailer.

Klarna is a preferred growth partner for

c500k

global retailers.

Marketing solutions for retailers



Express Checkout

helping retailers to boost conversion and provide shoppers with a faster checkout by adding the Express button to their cart page. With pre-filled data for all Klarna shoppers, retailers can offer greater convenience and reduce cart abandonment, even if consumers visit their site for the first time.



Klarna Creator Platform

helping retailers to find creators best suited to their brand and enabling seamless collaboration through instant messaging, gifting, and commission setting.



Ads and sponsored content

helping retailers by highlighting deals, individual products, and even collections of 20 or more products to segmented audiences in the Klarna App. We help with the design of creatives and provide detailed analysis and insights on campaign performance.



Customer Relationship Management (CRM) Campaigns

highlighting branded content to our shoppers through various channels in Klarna’s ecosystem to drive incremental traffic to our brand partners

Maintaining our high level of trust

Our success to date is the result of the high degree of trust we have built with consumers, retailers, and partners in all markets. This trust is critical in the financial sector and when handling personal data. Maintaining that trust requires us to 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 handling sensitive personal data to a robust corporate governance framework and ensuring all employees are treated with respect in a secure and welcoming working environment.

This report focuses on the pillars of environmental sustainability, social impact, and good governance, which are all directly relevant to the integrity of Klarna’s business operations each day.

Klarna Kosma.

Klarna Kosma enables simple and secure access to

15k financial institutions in **27** countries

around the world through a single API.

Today, Klarna Kosma processes close to

1bn

information requests to bank accounts each year.

Klarna's open banking platform for retailers and partners

Klarna's world-leading Open Banking platform 'Klarna Kosma' provides simple access to more banks than any other Open Banking provider, building on all of Klarna's ecommerce expertise to offer a suite of open banking products and solutions.

Klarna Kosma rapidly reduces the time for new fintech services to reach global scale while providing the essential building blocks for innovation in financial services - from payments and account insights to identification. It equips financial institutions, fintechs, and retailers with the essential connectivity to build the next generation of fintech apps and services by providing simple and secure access to 15,000 financial institutions in 27 countries around the world through a single API.

Today, Kosma processes close to a billion information requests to bank accounts each year.



A global presence

Klarna has 46 offices in 26 countries with its headquarters in central Stockholm, Sweden. To ensure flexibility and speed, our overall office strategy is shifting to an increased proportion of flexible office space.

All new offices with less than 200 workstations are serviced by coworking partners, and for larger centers (e.g., Stockholm, Berlin), the approach complements a traditional core lease with adjacent coworking solutions.



Sustainability



Sustainability at Klarna

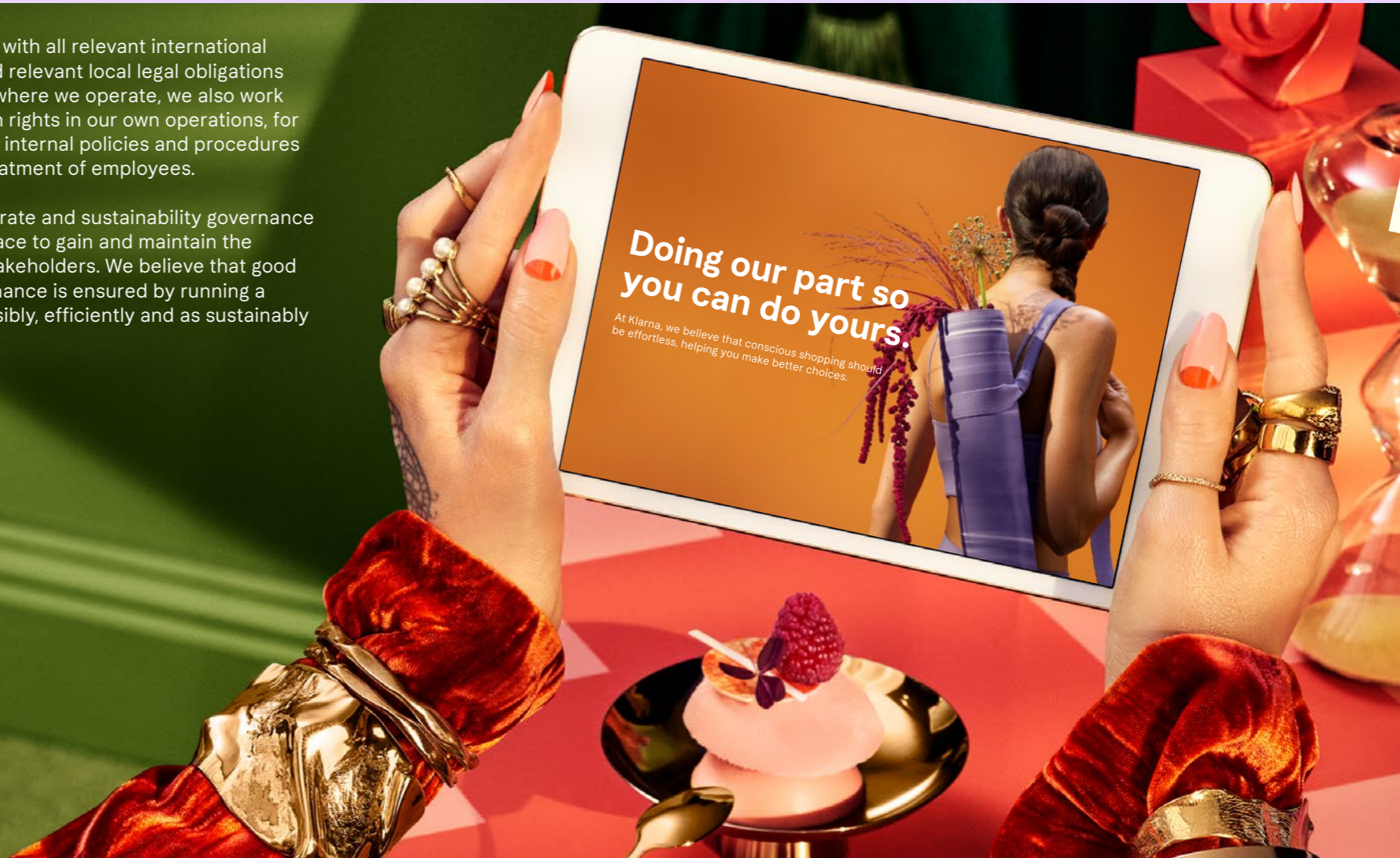
As Klarna grows, so does our responsibility to our stakeholders, society and the planet. We know that we have an impact on global ESG issues, such as climate change, social justice or combating financial crime, and that these issues also impact how we do business.

We are tackling climate change by reducing our own greenhouse gas emissions and addressing biodiversity loss through our Give One partnerships. While we do not have complete control over climate issues in our value chain, we have initiated supporting measures such as actively trying to help our consumers reduce their carbon footprint through sustainable collections and our in-app carbon emissions tracker, and engaging our suppliers on how they can reduce their footprint, to name a few.

We have a direct impact on society by, for example, offering fair, transparent and sustainable payments for consumers, preventing financial crime such as fraud, bribery and corruption or money laundering by actively managing risks through internal policies at Klarna, ensuring an inclusive and empowering environment for Klarna employees, and actively engaging in the communities where we have a presence.

While we comply with all relevant international human rights and relevant local legal obligations in the countries where we operate, we also work to protect human rights in our own operations, for example through internal policies and procedures regarding the treatment of employees.

Klarna has corporate and sustainability governance procedures in place to gain and maintain the trust of all our stakeholders. We believe that good corporate governance is ensured by running a business responsibly, efficiently and as sustainably as possible.



Materiality assessment

With the support of independent experts, we conducted our first materiality assessment at the end of 2021. We applied a double materiality methodology and considered the impact of Klarna’s business on global ESG issues and the impact of such issues on Klarna, e.g., climate change and labor rights. As part of the assessment, we conducted qualitative interviews with 15 internal and external stakeholders, a consumer survey in four markets with over 3,000 respondents, a global employee survey, and internal workshops to analyze and prioritize the results.

As a result of the materiality assessment, three priority issues and four additional issues with greater business relevance and impact on the planet and society were identified:

Priority topics:



Climate change

Mitigating climate change impact by reducing GHG emissions connected with online shopping.



Financial wellness²

Educating consumers about responsible spending, managing personal finances, providing transparency of expenses and payables, and fostering access to new payment solutions and financial products.



Data security & privacy

Ensuring that personal data is stored and used securely, compliant, and responsibly. Fostering cyber security to ensure uninterrupted processes, service quality, and countering cyber-attacks.

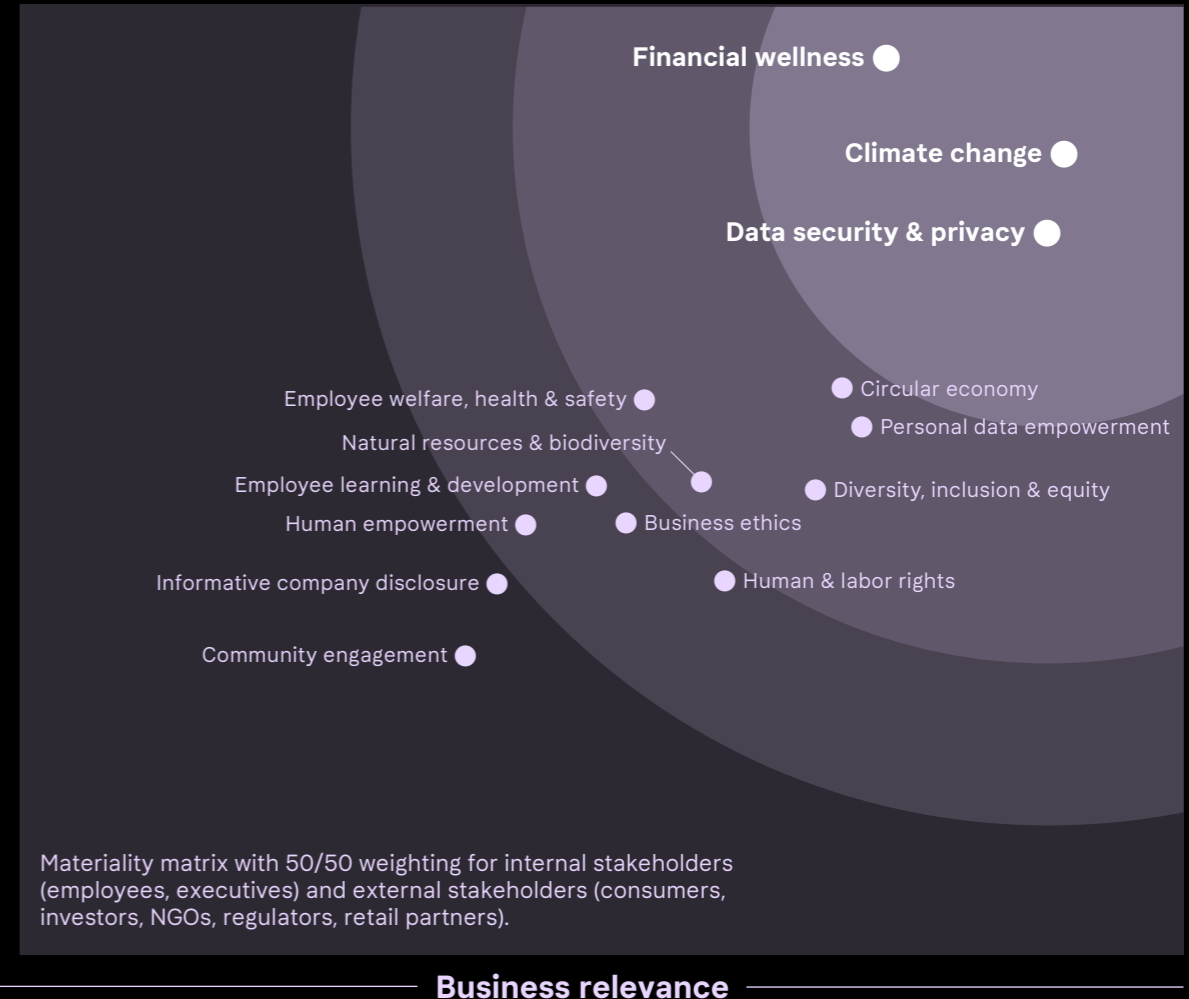
Other impact areas:

- **Circular economy**
- **Personal data empowerment**
- **Diversity, Inclusion, and Equity**
- **Employee welfare, health & safety**
- **Natural resources & biodiversity**

The deep understanding we gained from the assessment results reflected our existing ESG focus areas of Climate Action, Financial Wellness, and Diversity and Inclusion in 2021 and our business focus on

data security and privacy. It also identified new areas where we should develop strategic actions, such as the circular economy, which we have now embedded in our sustainability approach.

Impact on planet & society



Materiality matrix with 50/50 weighting for internal stakeholders (employees, executives) and external stakeholders (consumers, investors, NGOs, regulators, retail partners).

² Financial Wellness was covered in the materiality assessment by the two topics Financial Stability & Literacy, and Financial Inclusion & Accessibility.

ESG risk assessment

In recent years, the expectations of consumers, retailers, regulators, and investors regarding the impact that ESG factors can have on organizations have increased significantly. To meet these expectations, we have heightened our focus on assessing the impact of ESG risks across the business. Klarna considers ESG risks as a business risk that can impact our ability to achieve our strategic goals and as a driver of other risks across the business: climate change risks could potentially impact merchant counterparty risks or consumer credit risks.

To identify, assess, and then manage how ESG impacts us, we conducted an ESG risk assessment in 2022. This built on the materiality assessment conducted in 2021 and included a forward-looking assessment of regulations and best practice guidance, e.g., the Corporate Sustainability Reporting Directive (CSRD), effective from fiscal year 2024, and the Taskforce on Climate-related Financial Disclosures (TCFD).

We conduct an ESG risk assessment annually to regularly identify and assess ESG impacts using the most up-to-date information from internal and external stakeholders.

From the materiality assessment, the 2022 ESG risk assessment focused on five ESG issues:

1. Climate change (transition and physical)
2. Modern slavery and human rights
3. Diversity and inclusion
4. Data privacy and security
5. Financial wellness

As part of the assessment, we held workshops involving more than 30 stakeholders from over 20 teams and identified more than 60 risks with varying degrees of severity. From this list, 13 priority risks and mitigation actions were identified. Using our company-wide risk assessment and internal control approach to assess ESG risks, we ensured consistency and alignment with how Klarna identifies and considers risks.

The approach included the following steps:

- **Risk identification**
categorizing the risk according to Klarna's risk taxonomy, and describing the risk as well as relevant ESG issue
- **Risk assessment**
identifying the impact and likelihood of the risk
- **Controls and Mitigation**
identifying the current activities that are being taken to manage the risk

- **Actions and Recommendations**
developing recommended actions to further mitigate the risk

The following risk areas were identified by ESG theme:

- **Climate change**
The risk that transitional or physical factors impact our business model, regulatory compliance, operations, or credit risk exposures to consumers or partners resulting in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through proactive product design, consumer engagement, and regulatory intelligence scanning.
- **Modern slavery and human rights**
The risk that Klarna or its supply chain does not appropriately manage modern slavery risks that result in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through supply chain due diligence processes and people processes.
- **Diversity and Inclusion**
The risk that Klarna or its supply chain does not implement sufficient diversity and inclusion approaches that result in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through people processes.

- **Data privacy and security**
The risk that Klarna's information is not managed and secured in an appropriate way resulting in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed via modern technology and security systems supported by specialist engineering experts.

- **Financial wellness:**
The risk of Klarna's action, or lack of action, leads to poor outcomes for customers and legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through specialist product and consumer servicing design.

The results of the 2022 risk assessment were summarized in a report that identifies the prioritized risks and associated mitigation actions, the timeline for their implementation, and the key risk owners. The list of risks and actions has been integrated into Klarna's internal risk monitoring system to ensure effective tracking of progress.

Sustainability approach

Klarna has evolved into a leading global retail bank, payments, and shopping service allowing us to use our growing influence positively to contribute to a more sustainable future. We play our part in addressing pressing global issues within our own operations, for example mitigating climate change and loss of

biodiversity, fighting financial crime and strengthening cybersecurity and data protection, and promoting financial wellness, and diversity and inclusion, in line with the results of the materiality assessment. But our impact goes beyond our own operations - there is so much more we can do. We aim to play

an essential role in providing our consumers with high quality unbiased information so they can make informed and responsible purchasing decisions, for example through our in-app carbon footprint tracker or driving sustainable credit practices by removing revolving credit and unnecessary fees, extending and

standardizing payment times and helping consumers pay on time with more friendly reminders. We also work collaboratively with our retail partners on ensuring responsible business practices and creating consumer choice by offering conscious shopping opportunities.

Beyond our continuous efforts to make our operations more sustainable, we have defined six priority areas where Klarna can really make a difference. These are:



Financial wellness

Klarna wants to help consumers save time and money, empowering them to make informed decisions and take control of their finances. From spending overviews to in-app budgeting tools, Klarna products offer flexibility with a choice of ways to pay, including delaying payment or spreading the cost with no fees or interest over a short period of time - but never revolving credit.



Diversity and inclusion

Klarna believes that diversity and inclusion are key factors in the company's continued success. Differences are respected and highly valued at Klarna, and the company strives to provide everyone with an equal-opportunity workplace that promotes diversity, equity and inclusion.



Climate change mitigation

Klarna has opted to follow the World Wildlife Fund (WWF) and Boston Consulting Group (BCG) blueprint for corporate action on climate and nature. It guides how companies measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects. Klarna set ambitious targets to reduce greenhouse gas emissions and achieve net zero, as well as switch to 100% renewable energy in all office locations.



Vote with your wallet

Klarna can have a major impact on sustainability by empowering consumers with better and more information when they are making a purchase with us. We understand that not everyone has the same time, commitment or depth of understanding of the complex issues involved to make more sustainable decisions. But we do believe consumers can become empowered to make better-informed decisions with the right information presented simply and at the right moment. We enable consumers to make more informed purchasing decisions.



Effortless donations

With our consumers choosing to pay through Klarna every day, we have the potential to become one of the biggest aggregators of consumer donations worldwide. We believe that donations should go directly to the cause, choosing grassroots organizations to maximize the impact of each donation. We use our technology to provide a clear feedback loop to the consumer so that they see exactly where their donation goes and know that it is really making a difference.



Encourage circular shopping

The circular economy represents the largest wave of consumer and business transformation. Klarna is uniquely positioned to help consumers maximize the use of products and to shop for pre-owned items. We display pre-owned products and circular services throughout the shopping journey and make it convenient for consumers to maximize the lifespan of their items. We provide consumers with options and insights around reuse opportunities of products they have previously purchased through Klarna.

ESG governance

ESG is embedded throughout the organization. To name just a few: our Organization and Leadership teams address people issues such as flexible working, employee engagement, and diversity and inclusion; the Risk Control team ensures we have a robust ESG risk approach in place; and our Sustainability teams lead, among other things, our efforts to reduce our carbon footprint and advise other relevant teams on how to integrate environmentally sustainable practices into their daily activities.

All ESG-related teams report to their respective members of the CXO team. For instance, the Sustainability teams and environmental programs are led by Klarna’s Sustainability Lead, who reports to the Chief Marketing Officer (CMO). The CMO holds overarching accountability for these programs within the CXO team. At least once per quarter, the CXOs and Sustainability Lead assess and manage climate-related risks and opportunities alongside those relating to our other products, services, and operations.

Governing documents

We conduct our activities credibly and ethically and always strive to comply with applicable laws and business practices. It is not enough to simply follow the rules, and we actively seek to ensure that our actions are not harmful to others.

If illegal behavior or activity comes to light, we work closely with law enforcement authorities in all markets to ensure they receive all the information they need, to the extent permitted by bank secrecy laws.

Klarna has the following ESG-related regulatory frameworks:

Climate Commitment
Klarna’s Climate Commitment outlines our climate action strategy, our efforts to reduce Klarna’s carbon footprint, and how we promote climate action beyond our own footprint to contribute to a more environmentally sustainable future. You can find it [here](#).

Anti-Money Laundering & Counter Terrorist Financing Policy

Klarna’s Anti-Money Laundering & Counter Terrorist Financing Policy establishes standards and procedures to prevent Klarna’s products from being used for money laundering and terrorist financing, and to comply with all applicable regulatory requirements, as well as establish general responsibilities with regards to mitigating the risks associated with money laundering and terrorist financing.

Data Protection Policy

Klarna’s Data Privacy Policy establishes principles that, taken together, constitute Klarna’s approach to data privacy and serve as a foundation for all other data protection instructions, and routines, throughout the organization.

Global Work Environment Policy

Klarna’s Global Work Environment Policy sets out a workplace where all employees contribute to creating and maintaining a healthy and safe work environment. It provides routines and descriptions for all work environment-related activities and provides employees with knowledge and awareness of the applicable legislation, risks at the workplace, and how to contribute to a healthy environment.

Information Security Policy

Klarna’s Information Security Policy defines the overall goals, roles, and responsibilities as it pertains to information security across the three lines of defense. It establishes an information security management system under which Klarna can manage its information security risks in a structured way that is suitable for our size and complexity.

Supplier Code of Conduct

Klarna’s **Supplier Code of Conduct** sets forth the principles that we expect our suppliers and their subcontractors to abide by in their business relationship with Klarna and promotes lawful, professional, and fair practices that integrate respect for human rights, business ethics, and the environment.

Vulnerable Consumer Policy

Klarna’s Vulnerable Consumer Policy ensures that we have internal rules and guidelines in place so that consumers are treated in a fair and consistent manner, as we are committed to providing the highest level of diligence and ethical treatment with regard to any consumer or potential consumer who may be identified as being vulnerable or being at risk for vulnerability.

Code of Business Conduct

Klarna’s Code of Business Conduct sets out the values that shape our behavior and guide us in how we conduct our business. It serves as a guide to our relationships with each other, our customers, partners, and other stakeholders

Compliance Policy

Klarna’s Compliance Policy sets out the key principles for how Klarna ensures compliance with external regulations and describes roles, responsibilities, and reporting, as well as Klarna’s compliance culture and program to ensure that compliance risks are managed in accordance with the expectations of internal and external stakeholders.

Conflict of Interest Policy

Klarna’s Conflict of Interest Policy ensures that Klarna has appropriate and effective procedures for actively and continuously identifying,

assessing, managing, and preventing actual and potential conflicts of interest that may arise in the business. It also aims to prevent conflicts of interest at an institutional level from adversely affecting the interests of Klarnas’ customers.

Ethical Instructions for Partners

Klarna’s products and services may only be used for legitimate purposes. In addition, we want to prevent our products and services from being used in unethical ways. Klarna has established clear ethical guidelines consisting of some general principles, to prevent our products and services from being used in unethical ways, which are:

■ **Unethical Business Methods and Practices**

Klarna shall not cooperate with retailers that 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 retailers providing products or services that Klarna considers unethical under these guidelines in its sole discretion. Some products may be categorized as dual-use, meaning they may have legitimate and illegitimate uses.

The ethical guidelines apply contractually when onboarding new retailers, and we have a specific escalation process for ethical issues or inquiries in place. To ensure that all retailers comply with their set agreement, they are actively monitored by a dedicated team.

Ethics Policy

Klarna’s Ethics Policy describes our ambitions regarding ethics and how we should build trust in relationships and communications with various stakeholders. It refers to a number of Klarna’s policies and instructions dealing with

ethical behavior, which form the basis of Klarna’s reputation as a safe business partner with good ethical standards.

Policy on Internal Governance and Control

Klarna’s Policy on Internal Governance and Control establishes the principles for how Klarna shall implement and maintain Internal Governance and Control and sets the principles for risk management, compliance, and outsourcing.

Whistleblowing Policy

Klarna’s Whistleblowing Policy documents how Klarna provides a suitable reporting system for employees, consultants, and outsourced partners that take part in the business operations conducted within Klarna and who wish to report suspected violations of external and internal rules which apply to Klarna’s business activities.

Compliance training

Our employees play a crucial role in Klarna being a good citizen by creating trust with stakeholders and complying with laws and regulations. All employees must complete mandatory Compliance training

(e-learning), which requires annual recertification. Among other things, the training covers Klarna’s Code of Business Conduct, whistleblowing, conflicts of interest and anti-corruption and bribery, anti-money laundering, and countering terrorist financing. Additional tailored training for employees is provided based on the role and responsibilities.

Code of conduct	2022	2021	2020
Completion rate of mandatory online compliance training ³ (% of total workforce)	91%	90%	94.5%

³ The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

Stakeholder engagement

Stakeholder confidence in Klarna is a crucial part of our business and critical to our success. This trust and confidence are earned by acting responsibly by offering protection and support to consumers and retail partners and meeting or exceeding society's expectations. That means:

- We want to save consumers time and money and free them from worry by building products that give them control of their finances conveniently, transparently, and intuitively.
- We want to empower consumers to make informed decisions when shopping by enabling them, for example, to make transparent price comparisons and show them the environmental impact of their purchases.

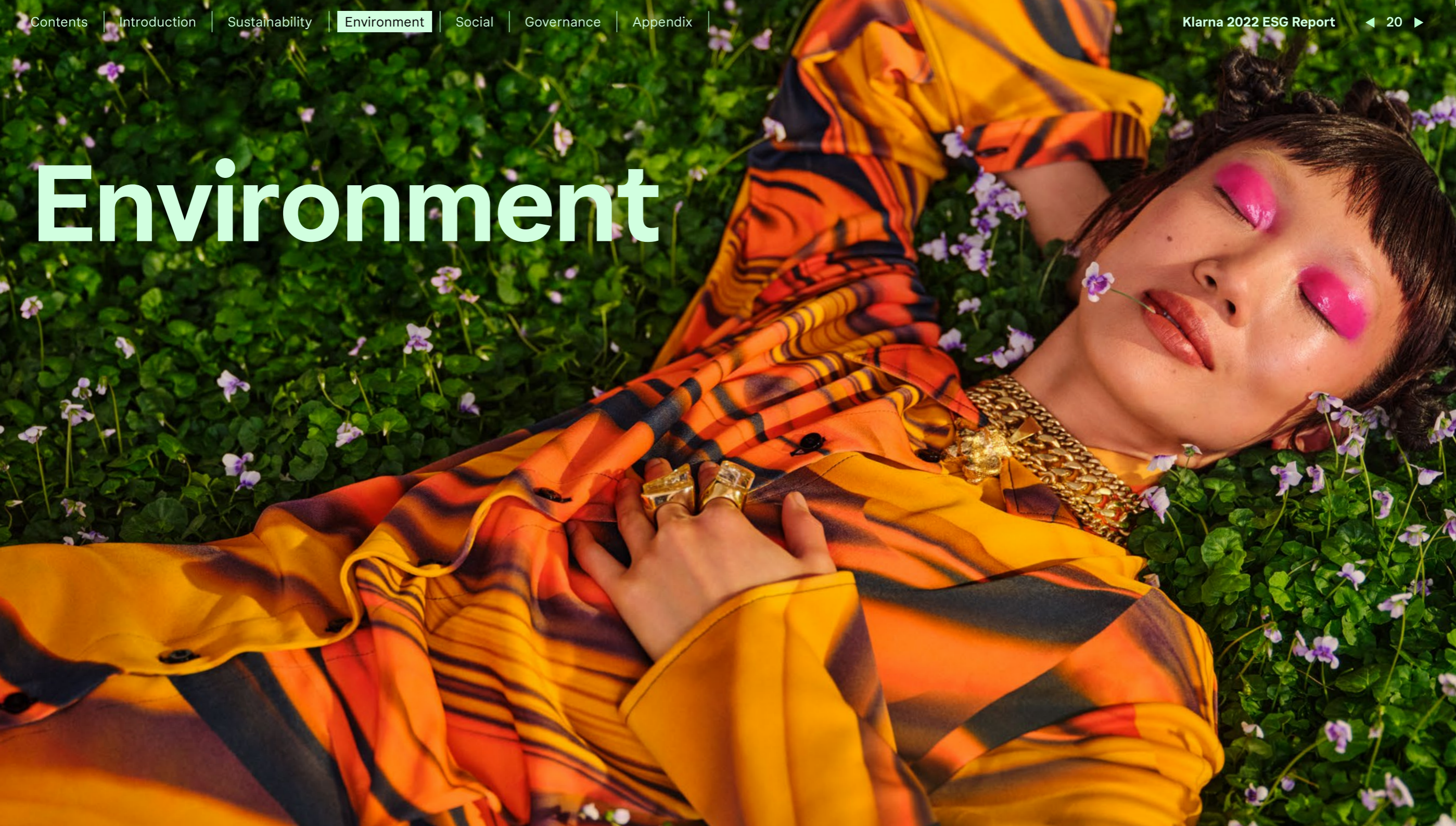
- We want to provide unrivaled support to our retail partners of all sizes, for example, by providing them with exceptional customer and performance data and supporting their international growth through powerful global partnerships.
- We want to make it fast and easy for retailers to work with Klarna through readymade integration with platforms and reducing their credit risk to zero, resulting in a better shopping experience and happier customers.

Stakeholder groups

Maintaining and nurturing stakeholder relationships is key to driving Klarna forward as a sustainable societal actor. Continuous and transparent dialogue with our stakeholders increases our understanding of their priorities and expectations. Our relationship with them helps us concentrate our efforts and resources towards creating the most impact on sustainability.

Stakeholder group	Ways to engage interest groups
Consumers	Customer satisfaction surveys Self-service portal and app Customer support Dispute management Klarna's Consumer Council
Retail partners	Customer satisfaction surveys Self-service portal Retailer support
Employees	Workers Council (Germany) Work Environment Committee (Sweden) Unionen (Sweden) Finansförbundet (Sweden) Employee engagement surveys Open Slack culture Performance and development dialogue Leadership program Klarna's Marketing Academy Annual kick-off and monthly All-hands staff meetings Internal events Whistleblowing
Shareholders/investors	Personal meetings Answering investors' ESG questionnaires Participating in investors' ESG roundtables
Suppliers	Dialogue during the purchasing process
Supervisory authority	Supervisory review and evaluation process Regulatory reporting Ongoing discussions Answering inquiries
NGOs	Community engagement activities

Environment



Impact partnerships

We drive meaningful change by partnering with corporate climate leaders to go further and faster on climate action.

In 2022, we...



Committed to **The Climate Pledge** to build momentum around the shift to a decarbonized economy.



Supported the **Race to Zero** to cement our dedication to reaching net-zero.



Expanded our membership in **Leaders for Climate Action** to drive climate action by promoting and scaling proven CO₂ reduction solutions in tech and launching campaigns with like-minded companies to raise awareness about climate change.



Submitted our first **CDP** Climate Change questionnaire to gain valuable insights into where we can improve our efforts to reduce carbon emissions. Klarna received a **C score** in December 2022, on a scale from A (best possible score) to D-. This indicates that Klarna shows an awareness of how our business intersects with environmental issues. Learn more about the CDP scoring methodology [here](#).



Climate action strategy

Klarna follows the WWF and BCG Blueprint for Corporate Action on Climate and Nature, which serves as a guide for companies to measure and map their emissions, set targets for reducing them, price the remaining emissions and contribute financially to effective climate projects.

Our commitment consists of four main components –

Targets & progress

Target

1 By 2025, all our offices will run on 100% renewable energy.

2 By 2030, we will reduce 50% of our carbon-intensity-based emissions in line with the Paris Agreement ⁴.

3 By 2040, we aim to operate at net-zero.

4 We hold ourselves accountable for our emissions by setting a high carbon tax.

Progress 2022

All our offices use 100% renewable electricity:

- 20 of our offices use electricity from renewable sources.
- 26 of our offices have purchased energy attribute certificates.

76.6 t CO₂e per Revenue Intensity - Total GHG emission for Scope 1, 2 & 3 in t CO₂e relative to 1M USD Revenue

Percentage will be disclosed once carbon removal purchases have been done in 2023.

USD 2.25m funds resulting from carbon tax in FY22.

Progress 2021

Majority of our leased offices switched to renewable electricity, with 12 of 15 leased offices running on renewable electricity.

82.4t CO₂e per Revenue Intensity - Total GHG emission for Scope 1, 2 & 3 in t CO₂e relative to 1M USD Revenue.

7.57% of carbon removal to total emissions in a reporting year.

USD 1.67m funds resulting from carbon tax in FY21. ⁶

Progress 2020

8 of our 16 leased offices used renewable electricity.

80.9 t CO₂e per Revenue Intensity - Total GHG emission for Scope 1, 2 & 3 in t CO₂e relative to 1M USD Revenue.

6.04% ⁵ of carbon removal to total emissions in a reporting year.

USD 1.05m funds resulting from carbon tax in FY20

To reduce our emissions by 50% by 2030, we:

- Encourage our suppliers to measure and reduce their emissions
- Aim to establish a zero-carbon cloud infrastructure
- Reduce business travel and commutes

To reach net-zero by 2040:

- Comprehensive reduction of our own emissions
- Removing the remaining emissions through permanent carbon sequestration

To achieve our ambitious goals and encourage our consumers to contribute to a more environmentally sustainable lifestyle, our climate strategy is based on four of Klarna's six sustainability pillars (the other two pillars being **Financial Wellness** and **Diversity and Inclusion**):

- **Climate change mitigation**
- **Vote with your wallet**
- **Encourage circular shopping**
- **Effortless donations**

⁴ Baseline year: 2019.
⁵ Includes carbon removal tons from reforestation.
⁶ Due to a calculation error and data omission in our 2021 carbon footprint, our carbon tax has been updated alongside the update of our 2021 total emissions. The result has been an increase of our 2021 carbon tax of USD 100,262 which will be dispersed in 2023.



Climate change mitigation

Energy and GHG emission trends

In order to take targeted reduction measures in the coming years, we must effectively track our carbon footprint. We work with our partner **Watershed** to calculate the net emissions of each

business activity and follow the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

Emissions are calculated in kg CO₂e and reported in metric tons CO₂e. We use the data to calculate the carbon footprint (i.e., a corporate inventory of GHG emissions and removals) by multiplying

Klarna activity data by a corresponding emission factor for the respective activity.

Carbon emissions	2022	2021 ⁷	2020
GHG emissions intensity (tCO ₂ e per USD 1m revenue)	76.5	82.4	80.9
Change in GHG emissions	-3.75% ⁸	+49%	+87%

Scope 1

Direct emissions from operations that are owned or controlled by Klarna, e.g., the on-site energy consumed through the heating of our offices.

Carbon emissions	2022	2021 ⁷	2020
Direct GHG emissions (tCO ₂ e)	281	279	341

Scope 2

Indirect emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by Klarna, e.g., the electricity used in our offices.

Carbon emissions	2022	2021 ⁷	2020
Indirect GHG emissions (tCO ₂ e)	66	6	1,420

Scope 3

All indirect emissions (not included in scope 2) that occur in Klarna's value chain, including both upstream and downstream emissions (e.g., employees' business travel, energy used to operate cloud or marketing services).

Carbon emissions	2022	2021 ⁷	2020
Other GHG emissions (tCO ₂ e)	146,928	152,710	100,752

⁷ Restated due to a calculation error and incomplete data omission that came to light during the preparation of the 2022 ESG report.

⁸ Excludes carbon removal tons.

Restating our 2021 carbon footprint

In preparing our 2022 carbon footprint calculation, an error in the 2021 Scope 3 calculation was identified which led to an increase of 13% in our Scope 3 emissions (specifically, scope 3.1 - purchased goods and services, 3.2 - capital expenses, and 3.6 - business travel). At the same time, our scope 2 emissions decreased by 99% through the certification of clean power in our offices and our retrospective purchase of EAC clean power credits. To account for both of these changes, we have updated our 2021 carbon footprint and will commit an additional USD 100,262 to our carbon tax in 2023.

Our 2022 carbon footprint

Compared with the updated 2021 emissions data, Klarna’s overall carbon footprint decreased by 3.75% in 2022. Key drivers of this decrease are steady improvements in reducing emissions from purchased goods and services as well as capital goods, which are mostly due to allocating less budget to high emitting products and services and also from improving the accuracy of certain emissions factors (factoring in new information such as renewable energy used by our cloud provider) used to calculate our footprint.

However, Klarna saw an increase in business travel and a return to office work in 2022. This has in turn increased emissions due to an increase in office space, employee commuting, and office

waste. We are planning to address the reduction of these emissions in the coming years.

Klarna continued to purchase renewable energy for all our offices in 2022 leading to very few Scope 2 emissions. Overall, we were able to reduce our emissions intensity by 7.08% year on year to 76.5 t CO₂e per USD 1m revenue in 2022, which tracks towards our goal of reducing our emissions intensity to 28 tCO₂e per USD 1m revenue by 2030.

Decarbonization initiatives

Supplier engagement

The majority of our emissions fall under scope 3 and we, therefore, have only indirect control of them. To manage reductions in our supply chain, we have teamed up with our carbon accounting partner, Watershed. Watershed’s new supply chain module will track our supplier’s emissions, moving from industry estimations to more granular supplier-based emissions factors to enable more accurate measurement. Watershed Supply Chain will also facilitate the setting of supplier reduction targets and tracking of progress to drive emission reductions in the value chain to reduce our overall footprint.

The partnership will initially be limited to ten suppliers. As part of the process, we have identified material suppliers and facilitated ongoing data collection for supplier disclosures. We will encourage suppliers to set climate targets, source clean power, and monitor supplier compliance and progress against required actions.

Internal education

For Earth Day in April 2022, we organized an internal climate competition in collaboration with Deedster. More than 120 Klarna employees participated and spent two weeks learning about the climate, testing their knowledge of Klarna’s climate program and doing good deeds for the environment. In the end, the Klarnauts completed 2,677 deeds and saved 5,592 kg CO₂ emissions. The goal of the competition was to unite Klarna employees to care about their environment and to educate them about Klarna’s climate protection efforts. The top three teams received a total of USD 2,000 to donate to an environmental organization of their choice via Milkywire.

Klarnauts saved

5,592 kg CO₂

performing good deeds in our internal climate competition.

Cloud emissions

Another area where we can make significant progress in our reduction journey is the cloud, which currently accounts for 10% of our total emissions (Scope 1-3). In 2022, Klarna engineers reduced IT spending by 20% by streamlining processes and reducing cloud space. Since our greenhouse gas emissions are calculated on a spent basis, a reduction in costs also means a reduction in emissions. Wherever possible, we also try to identify inefficiencies and optimize processes to reduce electricity consumption. To this end, we have started working with our partner AWS, who has provided us with a carbon footprint tool that gives an overview of our carbon emissions.

The tool shows our estimated AWS emissions and the number of tons we have saved through AWS’ renewable energy purchases. Based on this, we will continue to leverage this collaboration to reduce cloud-related emissions by optimizing our usage.

Use of renewable electricity

Klarna aims to use 100% renewable electricity in all our offices worldwide by 2025. Two years ahead of schedule, we have achieved that goal meaning that where possible, the actual electricity used in our offices is coming from renewable sources, and where this is not possible, Klarna purchases Energy Attribute Certificates (i.e., GHG certified purchases of renewable electricity within the same electricity grid) equivalent to 100% of the energy used by the office.

Currently, 20 of our offices use electricity from renewable sources and 26 of our offices have purchased Energy Attribute Certificates.

2 years ahead of schedule, Klarna uses

100% renewable electricity

in all offices - worldwide.

Electricity consumption	2022	2021	2020
Total electricity consumption⁹ (MWh)	9,110	6,344	4,861
Share of renewable energy of total electricity consumption (%)	100%	80%	n/a

⁹ Since not all utility data was available at the time of publication of this report, we have made estimates based on square footage wherever that is applicable. We are also restating the data for 2021 and 2020 based on improved data quality.



Klarna's carbon tax

In 2020, Klarna achieved carbon neutrality for all of its business operations. We have since realized that this is not enough. Klarna's focus is on climate impact, not neutrality claims. Instead of buying a set amount of carbon credits, we want to ensure we are making as much impact per dollar as possible. This approach is intended to be an alternative to offsetting. To achieve net-zero, we need to reduce CO₂ emissions in the value chain and focus on supporting new and innovative projects that actively remove carbon emissions.

Existing approaches focus on counting emission reductions or buying carbon credits to offset one's own emissions to claim carbon neutrality. One can buy offsets from a registry such as the Gold Standard, but we believe that many of the most innovative and impactful projects that seek to remove CO₂ from the atmosphere exist outside of such standards, which is in line with the WWF and BCG Blueprint for Corporate Action on Climate and Nature.

At Klarna, the decarbonization process and CO₂ removal go hand-in-hand to ensure that our decarbonization measures achieve a reduction

Klarna paid a carbon tax of

USD 100

Per metric ton for emissions under Klarna's control (Scope 1, 2 and travel emissions).

in line with the Paris Agreement. One supporting measure is Klarna's internal carbon tax, where we tax ourselves for our carbon emissions and spend the resulting funds on high-impact climate projects. Our pricing for those emissions under the company's control (Scope 1, 2, and travel emissions) is USD 100 per metric ton and for indirect emissions (rest of Scope 3) USD 10 per metric ton, funded by our 1% pledge. This approach incentivizes an internal shift to low-carbon products and services and helps us drive climate-relevant actions that remove carbon from the atmosphere today and pave the way for future climate-friendly solutions.

We apply this carbon price annually, based on the calculation of greenhouse gas (GHG) emissions as of the last reporting date. We believe the true cost of GHG emissions is high, both based on the social cost of carbon and the long-term cost of removing and permanently storing CO₂, and our carbon pricing efforts seek to take this into account. The carbon tax invested in climate solutions serves both as a tool to reduce emissions and as a way to take responsibility for our negative impact.

In fiscal year 2022, our carbon tax totaled USD 2.25m, up from USD 1.67m in 2021. The total sum of our carbon tax to date is USD 5.07m. This approach is now being implemented across the company to ensure

Klarna paid a carbon tax of

USD 10

Per metric ton for indirect emissions (rest of scope 3).

that we incorporate the tax into decision-making processes and that it impacts business steering and decisions at every level of the company.

Klarna's contribution to the Climate Transformation Fund

The funds generated by the internal carbon tax are donated to projects selected from the **Climate Transformation Fund**, which is run by our strategic partner Milkywire, through which consumers can also donate directly to projects. Together with Milkywire, we are looking to "seed" new startups and companies with plans to develop new technologies in the climate sector.

With our approach, we want our money to create a high impact for supported projects and help bring about the growth of new solutions. These projects include permanent carbon removal, reforestation and forest protection, and decarbonization among others. The portfolio focuses on selecting effective and transformative projects in all of these areas, reflecting the need for contributing to the solutions needed to reach global net-zero.

As of 2022, Klarna has contributed over

USD 2.6M

to the Climate Transformation Fund supporting 16 projects.

As of 2022, Klarna has contributed over USD 2.6m to the Climate Transformation Fund supporting 16 projects, including six focusing on carbon removal. Going forward, we will continue to support and select additional projects to work towards our 2040 net-zero target. With this approach, we seek to achieve as much impact per dollar as possible, rather than buying a set amount of carbon credits. It also opens up the opportunity to support solutions that aim for policy change and innovate existing technology.

For many projects, especially nature-based solutions like reforestation, the impact is rarely limited to reducing carbon emissions. We also focus on projects that prevent other negative environmental and social impacts related to human rights.

In this way, we aim to support those most affected by the impacts of the climate crisis. We believe this approach can inspire others to also set ambitious targets, put a price on their emissions, and contribute to the vital climate solutions the planet needs.

From our 2022 contribution, we will receive 11,588 credits for carbon removal, meaning we paid to remove 11,588 tons of CO₂e from the atmosphere.

We paid to remove

11,588

tons of CO₂e from the atmosphere.

Decarbonization and advocacy



New Energy Nexus (NEX) supports clean energy entrepreneurs in Asia and Africa. Our project specifically focuses on establishing policy and regulatory frameworks that support the growth of clean energy technology startups in Indonesia.

USD 88k



HRW exposes fossil fuel harms, including to health. In 2023 they will follow up on work in Bosnia and South Africa and launch new research in a fossil fuel-producing country like Russia. They will also continue global advocacy aimed at ending international public financing for coal and other fossil fuels.

USD 83k



The funded project in Nepal by **Atmosfair** and the **ithaka institute** will explore a number of different carbon farming practices focused on finding methods that increase productivity, store carbon and provide clear benefits and direct incentives for small-scale farmers.

USD 132k



Beyond Zero is an independent think-tank working on net-zero pathways for Australia, highlighting pathways that show how the green transition is beneficial for the economy.

USD 33k



CLEAN AIR TASK FORCE

Clean Air Task Force has created an African energy and climate innovation program to lay the foundation for a clean energy future. They are focused on local needs, enabling growth and economic development, not just microgrids for household consumption.

USD 86k

Total: USD 425k

Carbon removal



Silicate harnesses the power of mineral weathering to permanently remove carbon dioxide from the atmosphere using enhanced weathering of concrete (waste product) that is spread on fields to sequester carbon, eventually becoming limestone.

USD 250k



InterEarth

InterEarth grows a multi-species selection of highly adapted coppicing woody plants in Australia. Following periodic trimming, the harvested biomass is buried and encapsulated in dedicated subterranean chambers for long-term storage to permanently store the carbon captured within the biomass.

USD 355k



Husk transforms rice husk waste into highly effective biochar in Cambodia, helping boost soil fertility, increase revenues for smallholders and draw down carbon into the soil, where it remains for hundreds of years.

USD 250k



Heirloom

Heirloom develops promising, novel direct air capture technology to extract CO₂ directly from the ambient air using common minerals. Their goal is to be able to do this at a cost of less than 100 USD per ton.

USD 100k

Total: USD 955k

Restoring and protecting nature



Plant with Purpose simultaneously addresses environmental degradation and poverty alleviation by sharing knowledge with rural communities on nature restoration and regenerative agricultural practices.

USD 98k



JUSTDIGGIT

JustdiggIt and their partner LEAD Foundation are teaching farmers to use simple and natural methods to grow the tree stumps they already have into large mature ones.

USD 98k



Warsi in Indonesia helps local communities to get forestry licenses for their land so they have the legal right to it and can prevent the rainforest from being cut down to make room for palm oil plantations or livestock.

USD 93k

Total: USD 289k

Find out more about the projects we supported last year [here](#).



Vote with your wallet

More than ever, consumers are aware of how their purchasing behavior impacts the environment and vote with their wallets by choosing brands and products that align with their values.

According to a recent report produced by First Insight and the Baker Retailing Center at the Wharton School of the University of Pennsylvania, nearly 90% of Gen X consumers said they would be willing to spend at least 10% more for sustainable products today, up from just over 34% two years ago¹⁰.

Out of more than 10,687 Klarna consumers who participated in a survey in our app, 62.58% are interested in one of our three main initiatives (Conscious Collections, CO₂e Emissions Tracker and Give One), and 65.88% told us that it is important for Klarna to continue all three sustainability initiatives. More than half of consumers in 16 out of 17 markets participating in Klarna's latest **Pulse Survey** in Q4 want information that helps them track their CO₂e footprint when shopping.

Klarna carries out more than 2 million transactions per day. By providing our more than 150 million consumers with better information as they shop

on our platform, we can make a huge impact on environmental and ethical sustainability. We know that not everyone has the same time, commitment, or depth of understanding of the complex issues involved to make sustainable choices. Still, we believe in empowering our consumers to make better-informed decisions by providing them with the right and easy-to-understand information at the right time - all without judgment.

Regardless of where our consumers are on their journey to sustainable living, we provide them with more transparency about conscious brands - brands making efforts to decrease their impact on the planet, people, and animals - and actionable insights so they can make informed purchasing decisions. We have started working towards this goal by curating content in the Klarna app to acknowledge and promote the sustainability efforts of brands and their products.

At the product level, we provide consumers with CO₂e-insights after purchase, while at the brand level, we provide consumers with pre-purchase information on the performance of retail partners on various sustainability aspects based on third-party data from our partners **Good on You** and **Clarity AI**.

Targets & progress

Target

Empowering our consumers to make better-informed decisions by providing them with the right and easy-to-understand information at the right time.

Progress 2022

- Upgraded CO₂e Emissions Tracker to provide **shoppers** worldwide with CO₂e emissions data at a product level for around **60 million fashion items**.
- Launched Conscious Collections highlighting **105 fashion brands in 18 markets**, enabling consumers to find conscious brands in the fashion category.
- Highlighted environmentally conscious brands, showcasing the outstanding environmental efforts of electronics brands.
- Launched sustainability campaigns that showcase the sustainability efforts of our retail partners to consumers.

Progress 2021

- Launched CO₂e Emissions Tracker in all markets, offering consumers CO₂e insights for shopping purchases.
- Highlighted more sustainable products, emphasizing reuse and upcycling through in-app lists to consumers.
- We highlighted the sustainable efforts of our retailers and encouraged consumers to shop consciously through our Vibes program. As a result, our consumers received twice as many Vibes for conscious shopping in April.

¹⁰ <https://www.forbes.com/sites/gregpetro/2022/03/11/consumers-demand-sustainable-products-and-shopping-formats/>

CO₂e Emissions Tracker

Consumers are taking brands to task and demanding tools that help them shop sustainably. In response to that growing demand for a better understanding of how their purchasing power impacts the planet, we introduced **Klarna's CO₂e Emissions Tracker** in 2021, based on **Doconomy's** Åland Index, making CO₂e data accessible globally. The tracker provides insights into the estimated CO₂e emissions of all purchases made by our 150 million consumers via the Klarna app. By displaying the estimated kg-CO₂e rating of each transaction, we aim to raise consumers' awareness of the environmental impact of their purchases and encourage them to do something about these emissions by either learning how to shop more sustainably or donating directly to the Klarna Climate Transformation Fund via the Klarna app.

Since the tracker's launch in April 2021

5.5m

consumers have used it. On average

324k

consumers track their carbon footprint every month.

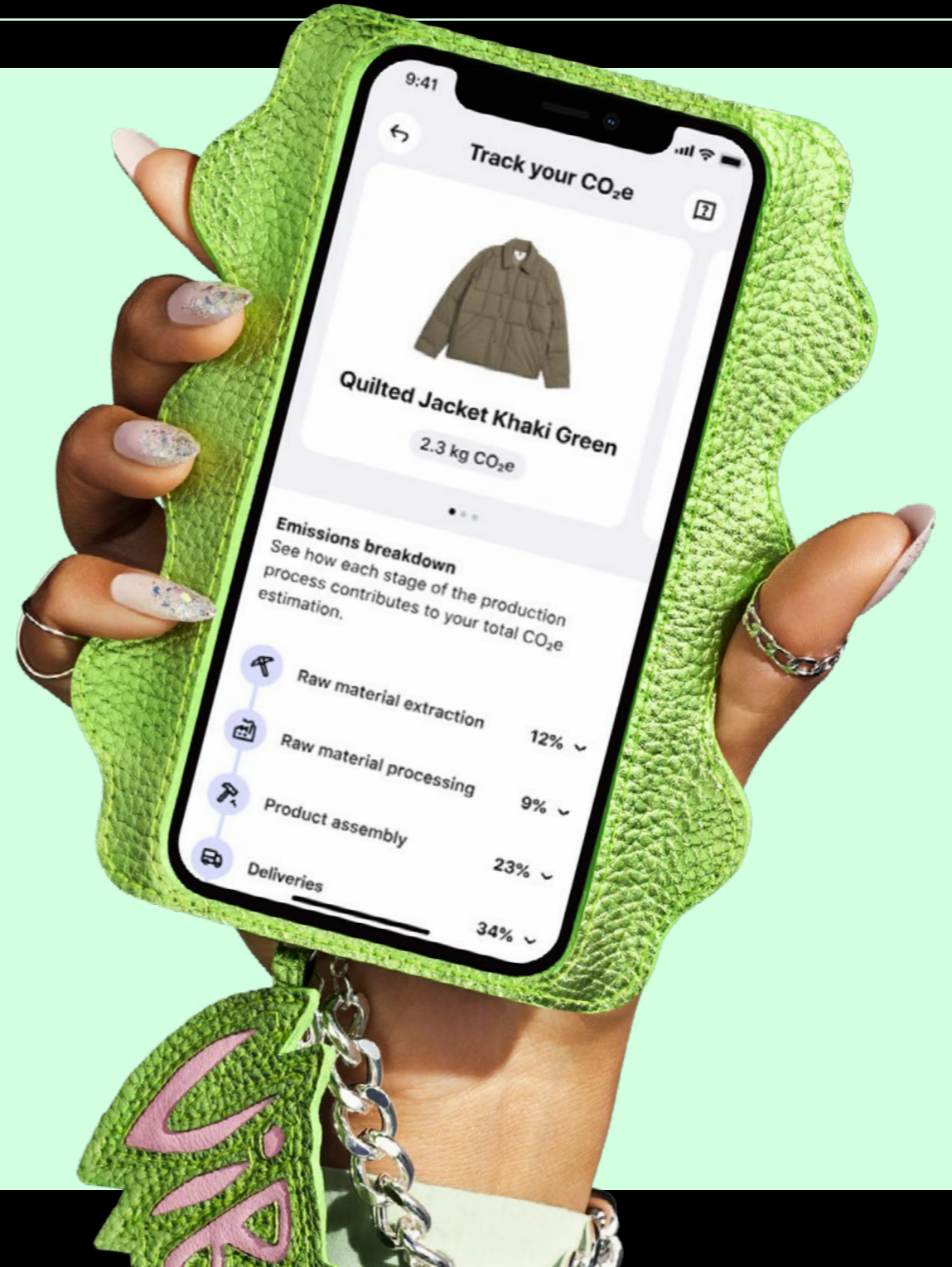
In 2022, we took the CO₂e Emissions Tracker to the next level to give consumers even deeper insights into the environmental impact of their purchases. We partnered with **Vaayu** to provide our consumers with product-level CO₂e emissions data for 60 million fashion items. By assessing the CO₂e emissions of each step of the fashion product life cycle, Klarna can provide a much

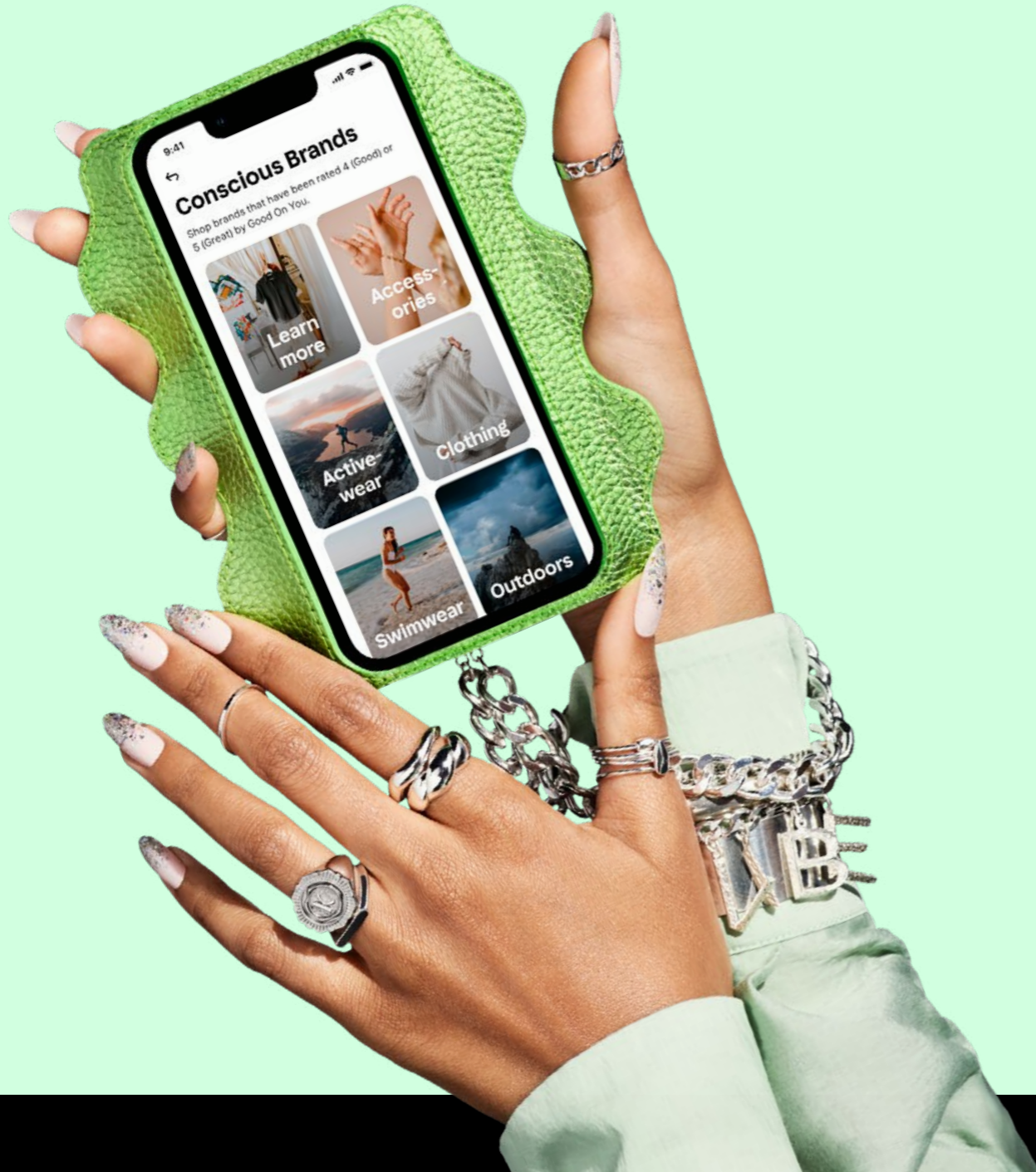
more accurate estimate of the total CO₂e impact of each purchase made with Klarna. This improved method estimates the carbon footprint at the individual product level and can take into account data points such as a product's category, material composition, or weight. That is a significant improvement over the original version of the tracker, which estimated the CO₂e emissions at a purchase level based on average emissions per money spent with a certain merchant category.

To provide consumers with more transparency when shopping, they can now see an improved breakdown of estimated CO₂e emissions released at different stages of a fashion product's life cycle, based on industry averages. In addition, we have included a sustainability tips section in the tracker to educate consumers on best practices. Consumers will also learn how to extend the life of their products after the purchase and have the opportunity to donate to the Climate Transformation Fund. In the future, we will introduce the calculation methodology from Vaayu for more product categories.

Since launch in April 2021:

- More than half of the consumers in 16 out of 17 Klarna markets that participated in Klarna's latest Pulse Survey want information that helps them track their CO₂e footprint when shopping.
- More than 60% of visitors to the CO₂e Emissions Tracker dashboard since April 2021 rate their experience 4 or 5 (out of 5) stars.
- More than 1,500 consumers have donated to the Climate Transformation Fund through the CO₂e Emissions Tracker.
- The CO₂e Emissions Tracker has generated over 9 million views.





Highlighting conscious brands

Consumers are increasingly looking for brands that share their values¹¹. Beyond quality, price, and delivery, they want to feel good about the brand they buy from. Our goal is to empower consumers to act on their emissions and promote more sustainable brands and products so that consumers can shop more consciously and sustainably. Our approach is to be facilitative, not prohibitive. We remain a neutral platform that helps consumers shop based on their values.

Showcasing sustainability attributes at the brand level is complex. There is no accepted definition of what makes a company more sustainable and there is no cross-industry alignment. With this in mind, and in response to consumer demand, we have decided to identify a retail partner’s sustainability efforts through third-party sustainability ratings. We carefully select our partners to provide consumers with accurate and trustworthy information about brands’ environmental efforts and achievements.

Conscious fashion brands with Good on You

In February 2022, we officially launched our partnership with **Good on You**, the world’s leading sustainability rating platform for fashion brands. Good On You ratings enable consumers to understand the impact of fashion brands on people, the planet, and animals, and examine more than

500 data points on more than 60 material topics to determine a brand’s rating from 1 “We Avoid” to 5 “Great”. Good On You scores brands based on the brand’s own external reporting, independent certifications, and other standards-based systems (e.g., Fair Trade), and third-party reports and indices (e.g., the Fashion Transparency Index).

To highlight conscious retail partners in the fashion category, we launched **Conscious Brands Collections** to help consumers find more sustainable brands. They include over 100 fashion brands that have been rated 4 (Good) or 5 (Great) by Good on You. We feature the collections in our app in 18 markets and on Klarna.com in the US and UK.

In Q3 2022 alone, we reached

2,648,558

unique impressions of collections in the Klarna App.

The launch of the Conscious Collections was a first step in our journey to empower consumers to find more sustainable brands, and we aim to scale similar solutions showcasing more retail partners across different industries.

In March 2022, we launched five more Conscious Collections curated by five sustainable fashion influencers from Sweden, Germany, and the U.S. based on brands rated 4 or 5 by Good on You highlighting their favorite pieces.

¹¹ Q3 2022 Klarna’s Shopping Pulse

Conscious electronics brands with Clarity AI

According to the Q3 2022 **Klarna Shopping Pulse**, 62% of US shoppers say that sustainability when shopping for electronics is important to them (e.g., that the product is made of more sustainable materials or the brand is taking active steps towards climate change). So, in December 2022, we added a function to the existing CO₂e Emissions Tracker that displays information at brand level.

After consumers make a purchase in the electronics category, they can **explore electronics brands** rated by **Clarity AI** and learn more about the brand’s environmental efforts. Clarity AI is an

independent sustainability technology platform that uses machine learning and big data to deliver environmental insights. They provide badges to recognize specific achievements and targets of brands within environmental sustainability. This information provides consumers with a simple and reliable way to identify brands that are proactively addressing climate change and helps them shop more consciously. The brand badges indicate when a company, based on publicly reported data, has lower greenhouse gas emissions than comparable companies, sources more than 90% of its energy from renewable sources, has a climate change policy and roadmap to positively impact climate change, and when a company is transparent in reporting climate-related information.



Partner campaigns

ABOUT YOU x Klarna F**k Mars

In June, we teamed up with ABOUT YOU, one of Europe’s largest fashion retailers, to contribute to a more conscious shopping culture with an

original, whimsical, and humorous marketing campaign. The aim of the 360° campaign was to spread awareness of sustainable fashion in the German market in a light and humorous, but also provocative way, by showing consumers the absurdity of colonizing other planets. It was emphasized that the focus should not be on colonizing other planets, but on preserving our own through sustainable action.



Encourage circular shopping

The circular economy is a system designed from the outset to restore. It ensures that materials and products never become waste but maintain their integrity and retain their highest value for as long as possible. At Klarna, we are uniquely positioned to help consumers maximize the use of products, and we can help them purchase pre-owned items. Our goal is to enable consumers to resell, donate or recycle pre-owned items, and empower them to minimize waste and extend the life of products through circular services.

There are four phases of the circular economy:

- Design and manufacture, in which we rethink design and use materials to prevent waste
- Use
- Reuse
- Closing the loop, in which we explore how to dispose of a product (e.g., recycling, decomposition).

We have identified two phases in the circular economy process flow where Klarna can help the industry transition to a circular economy: the use and reuse phases.

Using a T-shirt as an example, the use phase examines how we can take care of the product through measures such as maintenance, repair, and redesign. This is where we see the greatest potential to influence consumer behavior. In the reuse phase, consumers have already lost their love for their favorite T-shirt, so we need to look for ways to resell, donate, or otherwise extend the life of the product.

At this stage, we not only have the opportunity to engage the consumer, but also our retail partners.

Targets & progress

Target

To incentivize our consumers to participate in the circular economy, we will add pre-owned products throughout the shopping journey and make it convenient for them to maximize the lifespan of their items by providing options and insights on how to reuse products they have previously purchased through Klarna.

Progress 2022

- We launched the “Shop Circular” collection in **12 markets**, which showcase our retailers’ circular services to consumers.
- We launched several circular economy campaigns for our consumers, highlighting secondhand products and educating consumers on how to care for their products.
- We launched a sustainability tips section in our CO₂e Emission Tracker giving consumers tips on how to extend the life of the **fashion and electronics** products purchased via Klarna.

Progress 2021

- We introduced shopping lists for secondhand purchases of luxury items for our consumers.
- We partnered with a number of retailers that sell pre-owned goods, such as Sellpy and Vestiaire Collective. In 2021, consumers placed more than **540,000 orders** with these two retailers through Klarna.

Shop circular collection

In September 2022, we launched the “Shop Circular” collection in **12 markets**. The collection features products and services from our retail partners that encourage consumers to buy secondhand, use care and repair services as well as take-back schemes to extend the lifespan of their products. Similar to Conscious Collections, we will expand this collection to additional markets and also explore further pre-purchase touchpoints to show this information beyond shopping lists in our app home feed.

Circularity partner campaigns

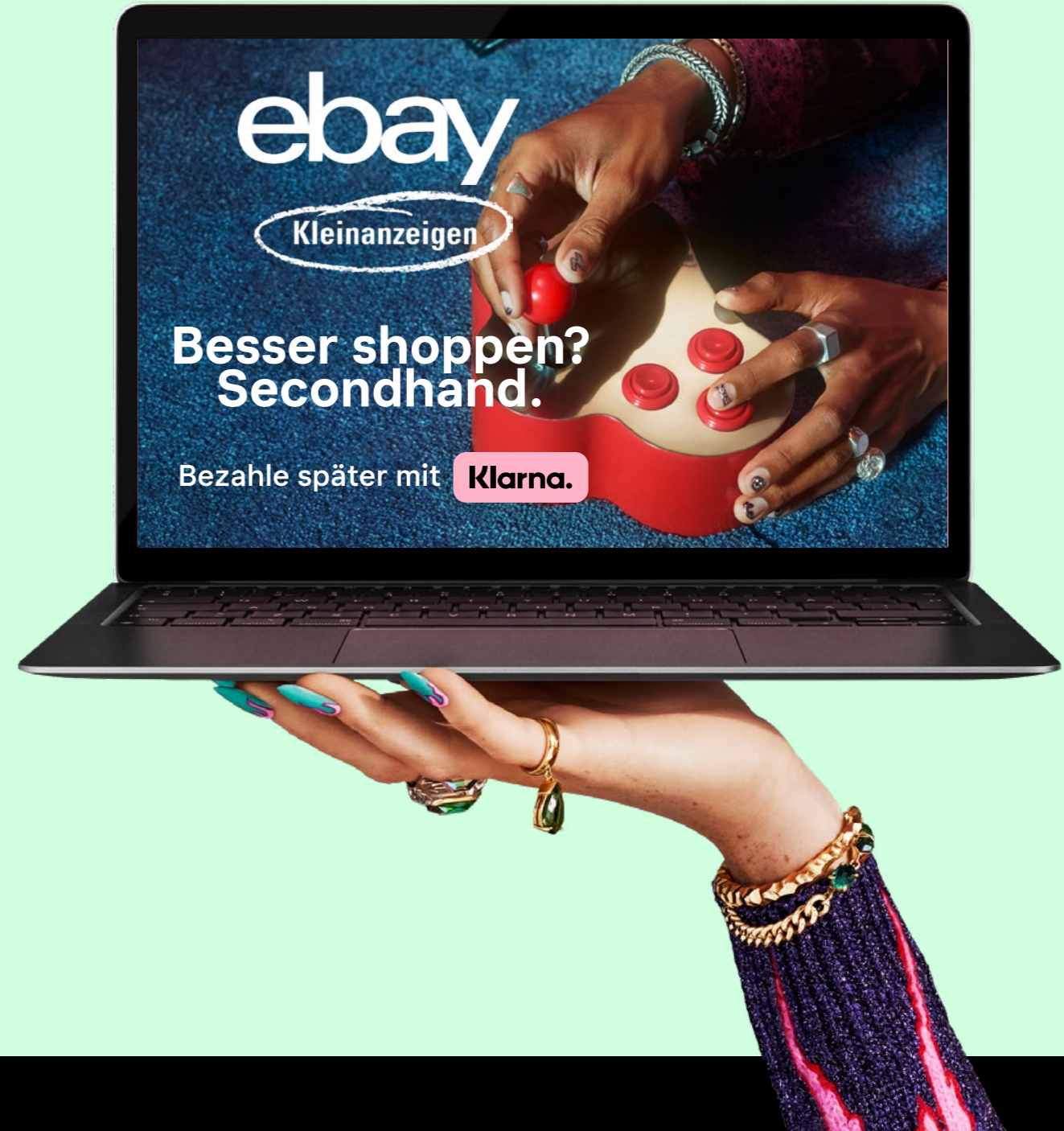
Klarna x Sellpy secondhand campaign

In February 2022 we partnered with Sellpy in Sweden and Klarna’s fashion director Emilia de Poret to launch the Shop Smarter campaign to inspire consumers to think more sustainably and consciously when they are shopping. The content created is intended to help educate consumers about selecting, buying, caring, and selling more consciously.

Watch the video [here](#).

Multibrand circularity campaigns

We also work with retail partners on an ongoing basis to promote circular shopping, such as through multi-brand campaigns. We have featured retail partners offering pre-owned products in various categories such as fashion and consumer electronics, for example in our collaboration with eBay Kleinanzeigen Germany. The campaign with the slogan “Buy better. Shop second-hand.” aimed to raise awareness and encourage consumers to buy secondhand products with Klarna.



Effortless donations

As our consumers choose to pay through Klarna every day, we have the potential to become the world’s largest aggregator of consumer donations. By 2025, we aim to reach SEK 2 billion worth of consumer donations through our channels. We have created several touchpoints in our ecosystem where Klarna consumers can donate to environmental projects they care

about and also receive more information about what the donations contribute to. **Milkywire**, a tech platform for impact and our strategic partner, supports us in selecting and approving organizations and takes care of the sourcing and vetting of organizations, donations management, and reporting on the impact of Klarna’s and our consumers’ donations.

Targets & progress

Target

By 2025, we aim to reach SEK 2 billion worth of consumer donations through our channels.

Progress 2022

SEK 1.8m total consumer donations
Made by 10,000 consumers

Progress 2021

SEK 1.5m Total consumer donations
Made by 17,000 consumers

New donations feature

To connect more consumers to donation causes and provide them with transparency, we introduced a new **donation feature in the Klarna App**. It allows consumers to easily and transparently donate to vetted, high-impact organizations that are working to protect the health of the planet. Consumers can also use the feature to track the total volume of donations made and learn more about the non-profits they support, making their collective impact tangible.

The donation feature was launched on World Oceans Day, June 8th, and the Klarna community donated over SEK 500,000 to the oceans over the course of two months, which Klarna matched by payment from the 1% pledge to a total of SEK 1 million. The feature is available in Sweden, Norway, Germany, Austria, United Kingdom, United States and the Netherlands.

Klarna Checkout donations

With the launch of Klarna’s **Give One** initiative in April 2021, we have introduced several donation touchpoints across the Klarna ecosystem. One of the most important donation touchpoints for consumers is the donation banner we display on the purchase confirmation screen in Klarna Checkout. Here, donation banners are available to introduce consumers to various initiatives they can support by donating to Give One. The feature is available in Sweden, Norway, Finland, Denmark, Germany, Austria, and the Netherlands.

To date, over 28,000 Klarna consumers have donated more than SEK 3.4 million through our donation banners to planet health. The donations have been distributed between our five main causes: Protecting wildlife, restoring forests and landscapes, fighting climate change, saving oceans and seas, and supporting environmental defenders. Since October 2022, consumers can also directly donate to the Climate Transformation Fund, which supports selected organizations in the areas of human rights, climate advocacy, carbon removal, and reforestation organizations.

Philanthropic campaigns

Earth Week campaign

During Earth Week, Klarna announced a number of initiatives that support the health of our planet and committed to matching all consumer donations made to those initiatives. As part of the campaign, we expanded the Conscious Collections in the Klarna App to bring greater awareness of brands rated with 4 and 5 by GOY in the Planet section to all consumers.

The Earth Day campaign elevated the Klarna ecosystem to bring attention to planet health causes and our initiatives and highlight the environmental defenders working on the ground. Through the various touchpoints, we received approximately SEK 100,000 in consumer donations, which were matched by Klarna with payments from the 1% pledge, totaling donations worth SEK 200,000.

The Conscious Collection “The Earth Day Edit,” which builds on the partnership with Good On You, was created specifically for Earth Week. The collection featured products from brands that excel at conserving resources and waste, as well as their policies to reduce energy consumption and carbon emissions, water impacts, microfibre pollution, and chemical use and disposal.

Oceans Day campaign

Covering 70% of the Earth’s surface, the oceans are critically important to all life. In honor of World Oceans Day, Klarna featured 16 different projects driven by non-profit organizations working to help the oceans around the world. The projects range from regenerating mangrove forests and preserving coral reefs to protecting endangered marine species and removing plastic from our oceans.

For World Ocean Day in June 2022, we introduced a new donation feature. It is a dedicated donation touchpoint in the Klarna App where consumers can learn about Give One, its causes and projects, and the option to donate directly. It has generated the most consumer donations in two months since the launch of the Give One initiative in April 2021.

Donations with Klarna Banking in Germany

Even though all of our purchases have an impact on the planet, some purchases are simply necessary. Instead of encouraging consumers to try Klarna banking with coupons and gift cards, Klarna launched its first-ever impact-driven incentive campaign in Germany in November 2022. For every shopper who opened a Klarna bank account and made a purchase with a debit card for the first time, Klarna donated 20 Euros to the Give One initiative.

This campaign drove EUR 105,140 in consumer donations based on the sign-ups for Klarna bank account.

Season of Giving donations campaign

As part of Klarna’s Season of Giving, we launched a campaign allocating USD 2 million from our 1% pledge. We asked Klarnauts and our consumers to vote on which cause the funds should be used for. They could choose between causes protecting wildlife, restoring forests and landscapes, fighting climate change, saving oceans and seas, and supporting environmental activists. Consumers voted for the cause they care about in the donations feature of the Klarna App. Once they completed their vote, we offered them the chance to also support the planet by donating to their chosen charity. Klarnauts voted for the cause they care about on our internal channels.

Environmental initiatives



Give One

Investments in nature-based solutions need to triple by 2030 and increase fourfold by 2050 from the current level in order to successfully tackle the climate, biodiversity and land degradation crises.¹² Give One is a response to this massive funding gap - an initiative that aims to inspire everyone to get involved in solving the planet's health crisis. Leading by example, in April 2021, Klarna pledged 1% of all future funding rounds towards Give One, adding up to USD 16.5 million at the end of 2022. Beyond corporate giving, Klarna provides a platform for 150m consumers to easily donate to vetted projects that can make a real impact.

¹² <https://news.un.org/en/story/2021/05/1092922>

Together with our strategic sustainability partner, Milkywire, we support change-makers on the frontlines of environmental challenges and showcase their work being done on the ground. We strongly believe that the growth of our business needs to support the growth of solutions that can solve the planet's crisis. We are by no means experts, so we let the experts guide us to make sure that any funding is given to the people and causes that create a real impact on our planet.

Many organizations face difficult and unpredictable funding situations, with many donors providing only short-term and limited funding that sometimes does not even cover the total cost of their operations. We want to make

a difference by providing long-term funding and efficient distribution to support organizations in the best possible way. Klarna's **impact framework** helps us to deploy the funds efficiently and decide where they are needed most.

To make sure we select the right organizations, Give One has established an Advisory Board, a small group of experts in their fields who provide the initiative with invaluable scientific knowledge and extensive experience in environmental development, conservation, and project financing. The final decision on the selected projects is made by Milkywire but strives to follow the advice of the Advisory Board's guidance as much as possible.

The members are:

Linda Engström
Researcher in Rural Development

Carl Gustaf Lundin
CEO of Mission Blue, an organization that inspires action to explore and protect the ocean

Arjun Gopalswamy
Wildlife and statistical ecologist

Susan Chomba
Director of Vital Landscapes for Africa at the World Resources Institute and a global ambassador for the UN

Alexandre Antonelli
Professor in Biodiversity and Systematics at the University of Gothenburg and currently a visiting professor at the University of Oxford



Give One: Progress in 2022

We have transparently summarized the progress Give One has made in the **Give One Progress Report**, where we have documented in detail how the funds pooled by our Give One initiative have been used, with the goal of going beyond disclosure and providing full transparency to consumers, retailers, and nonprofits. Since the Give One launch in April 2021, we pledged a total of USD 16.5 million and have allocated about USD 8 million to date in support of over 50 organizations around the world.

We may only be at the beginning, but we are proud of the results we have already achieved together. For example, the Klarna community has enabled the planting of 2 million trees in the Andes, the protection of 10,000 hectares of wetlands by local communities in Rwanda, and the creation of 2,000 jobs in Rwanda.



The results of our contributions led to the following impact:

- **2 million trees** are planted in the Andes together with 90 communities
- **20 hectares of habitat** is created for pollinators in the United Kingdom
- **5,000 households** were provided with water during a severe drought in Kenya
- **41 indigenous leaders** are trained for local climate change action



Employee donations

During 2022, we launched several employee engagement formats, including internal climate competitions and hackathons on planetary health and climate change education. As part of this engagement, we donated around SEK 225,000 to various Give One projects.

Klarna Growth Awards - Sustainability

The Klarna Growth Awards 2022 nominated e-retailers from Sweden, Finland, Denmark, and Norway in four categories: Sustainability, Rising Star, Innovation, and Small Business. The Sustainability Award recognizes companies that have integrated sustainability as a core value in their business and strategy.

Companies that have found a clear way to combine growth and sustainability; and who also use sustainability as a competitive advantage. The prize was awarded to companies that have shown their determination to create a better planet and that consider sustainability to be a natural part of their business activities.

The winners were:

- **Norway:** [Studio EBN](#)
- **Sweden:** [Houdini](#)
- **Denmark:** [Aiayu](#)
- **Finland:** [Weekendbee](#)

They receive a special placement in the Klarna app highlighting their sustainability efforts. In addition, Klarna gives the winners control of SEK 1 million each from our 1% pledge and leaves it up to the winning companies to decide to which pre-selected cause the funds should go.

Environmental sustainability in business operations

Travel

During 2021 and in January to March 2022 global travel restrictions and quarantine regulations in several of our operating markets due to Covid-19 led to an increase in remote working and a decrease in commuting and business travel. From April 2022 travel began to increase again, like most other companies, as restrictions and quarantine lifted, and remote teams needed to meet and get together again. Whilst Klarna employees need to travel occasionally and some relatively regularly, we plan to limit travel to what is truly necessary and business-critical, and already have strong infrastructures for remote teams and remote work in place. Updated Travel guidelines are due to be launched with added restrictions to eliminate one-day

business trips, unless absolutely business-critical. Also, increased preferred hotel choices within walking distance to our offices, and greener options available to Klarna employees, when traveling.

Commuting

When travel is unavoidable, employees are encouraged to use environmentally friendly means of transport. In most of Klarna's offices, there are dedicated bicycle parking areas where employees can safely park their bikes without the risk of theft or damage. There are also changing rooms with showers that allow and encourage employees to cycle to work, even if it is a long distance. This not only reduces Klarna's overall environmental footprint but also promotes the health and well-being of employees.

Business travel

Taxi rides are strongly discouraged when more environmentally friendly transportation alternatives are available. Klarna encourages employees to use trains instead of planes whenever possible, and trains are always the first choice for domestic travel. However, Klarna's operations and offices are spread around the world, so domestic travel is a relatively small part of total business travel. Klarna's main focus for 2023 is to eliminate one-day business trips and provide greener hotel alternatives that can reduce Klarna's environmental footprint. Klarna has also compensated nearly 3,000 tons of CO₂ in 2022 according to the Scope 3 Greenhouse Gas Protocol-Standard with Lufthansa Group by converting benefit points into Sustainable Aviation Fuel (SAF).

The main focus is to ensure opportunities for fractional recycling in the office space and to minimize non-recyclable office waste. Our Global Office Services team promotes and facilitates recycling as much as possible and encourages action through events like our Global Earth Week, where Klarnauts could learn about conservation and recycling through engaging educational events.

IT equipment

As a technology-driven company, providing our employees with optimal IT equipment is critical to our success. Having the right tools is a necessity to further develop and maintain the innovative products and services we offer to our consumers and partners. Klarna strives to ensure sustainable consumption of physical electronic goods as much as possible. We reuse as much of our IT equipment as possible and ensure that each device has its full life before it is recycled. We work with various partners around the globe to refurbish and recycle used equipment of a greater value (e.g. laptops, mobiles, and screens), most of which are repaired and resold. In 2022, Klarna offered its employees in most locations the opportunity to buy their old hardware for personal use.

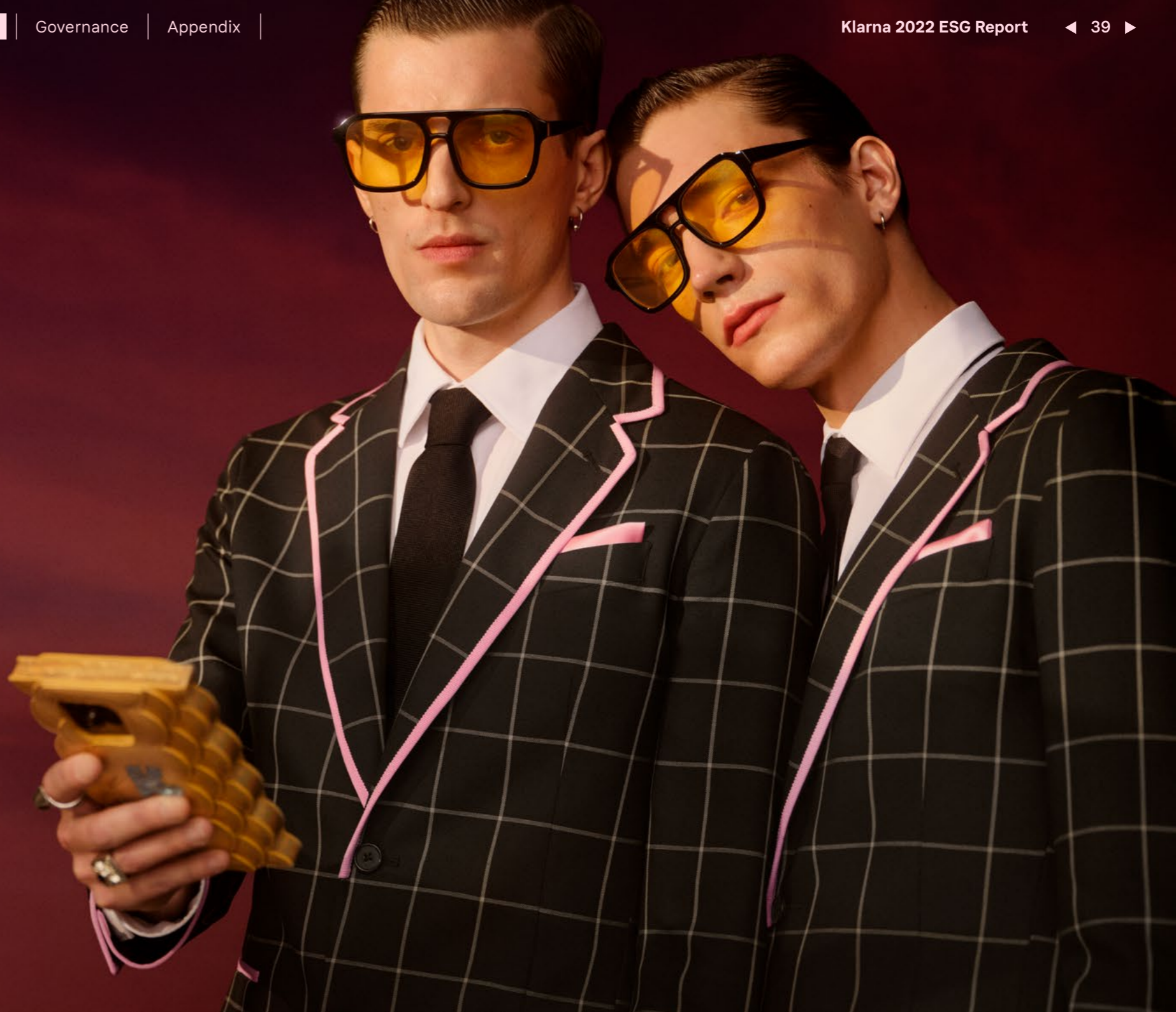
Waste management

Klarna has seen a natural increase in waste compared to 2021 as COVID restrictions were lifted and our office property portfolio increased. This increase was recorded despite the relatively low office occupancy caused by the flexible working hours policy implemented at the end of the first quarter of 2022. The majority of waste is a combustible material that is converted to energy and does not go to waste.

Business travel - by train ¹³	2022	2021	2020
Number of journeys	4,086	1,519	1,053
Distance (km)	1,500,000	523,300	398,700
Emissions (t CO ₂ e)	28	13	7
Business travel - by air ¹⁴	2022	2021	2020
Number of journeys	16,285	4,512	3,006
Emissions (t CO ₂ e)	4,600	1,300	1,200

^{13, 14} Restated due to improved data quality.

Social



Financial wellness

We believe consumers should first and foremost pay with money they have. But in some situations, credit makes sense, online for example, where you cannot see or touch the product before purchase. We want to help consumers save time and money, empowering them to make informed decisions and take control of their finances. From spending overviews, and in-app budgeting tools to auto discounts and our unbiased search tool, we allow consumers to find the best products at the best price and offer flexibility with a choice of ways to pay, including delaying payment or spreading the cost with no fees or interest over a short period of time - but never revolving credit.

Making existing products more consumer-friendly

The lack of transparency hinders consumers' ability to assess their options and can lead them toward unsustainable and harmful alternatives. The credit and payments industry needs to do better, and we want to be part of driving this change by making our product offering more sustainable. We rolled out our improved consumer-friendly products in the Nordics in September 2021, followed by Germany and Austria during spring 2022. We are planning to set this standard for our products across all markets - next is the United States. By removing unnecessary fees, we have already put almost USD 100 million back into consumers' pockets.

We have saved consumers nearly

USD 100m

by removing unnecessary fees.

Product changes

- **No revolving credit**

We want to be a sustainable and healthy player that offers secure and convenient payments where no consumer gets caught in a credit trap with high-interest rates and low installments. We have removed our revolving credit-based product from the checkout process and consumers can now only pay for their Klarna purchases in installments over a certain period of time.

- **No unnecessary fees**

The total cost of a loan is often unclear to customers because of the many fees. We wanted to be reasonable and clear. We eliminated upfront costs and administrative fees so that consumers only have to pay a straightforward, pre-determined interest rate on the amount borrowed. In addition, interest on late payments has been removed.

- **More time to pay**

The 14-day payment period on our invoice wasn't good enough, so we extended it to

30 days to avoid hassles and unnecessary reminder fees. This means a 30-day payment period for all free invoice purchases and an extension of the payment period over a normal payroll cycle.

- **More friendly reminders**

To help consumers pay for their purchases on time, we introduced extra friendly reminders in the dunning chain free of charge. Our consumers have been receiving reminders via the app two days before the due date since before the product changeover, a method that has proven effective in reducing the number of reminder fees. With additional friendly reminders, we want to make it even easier for consumers to remember to pay on time.

First results in the Nordics

After running the program in the Nordics for one year, we have seen really good results so far. In Sweden, for example, we have seen a reduction of more than 50% in the number of late invoice payments among Swedish consumers, and the share of shoppers sent to debt collection decreased by about 34% since the program was launched in September 2021. In addition, our data indicates that the payment period for installment purchases among Swedish consumers will be reduced by 20% due to the removal of the revolving credit payment option from the checkout.

The share of shoppers sent to debt collection

decreased by about 35%

since the program was launched in September 2021.

Klarna's intuitive Financial Overview

Klarna's Financial Overview dashboard in the Klarna App makes it easier than ever for consumers to understand their spending habits and manage their budgets. It offers a comprehensive set of management tools that give them full transparency and control over their personal finances:

- **Budgeting**

Consumers can set a monthly allowance for themselves to control how much they spend with Klarna. The new, in-app bar indicator visually shows how much from each consumer's set limit has been spent using all of Klarna's products, helping users budget more confidently.

■ **Categorization**

All purchases made with Klarna are automatically organized into product categories, from Clothing to Electronics. The categorization feature allows consumers to understand exactly where their money goes, helping them to make more conscious spending decisions.

■ **Monthly spending breakdown**

Consumers can track their spending levels month over month and compare them to their average spending via an intuitive and interactive bar chart. Each chart is color-coded to reflect what is spent on each category, making it easy to see how spending patterns change over time.

Launch of additional features in Germany in 2022

Klarna has launched two new features for its German users of the Klarna Bank Account in 2022: fixed-term deposits and pools. Consumers using the Klarna Bank Account can now make fixed-term deposits with very competitive interest rates.

The new “pools” feature allows consumers to organize their savings goals with up to three free sub-accounts and set target amounts and a time horizon for each account to start and continue saving. “Rituals” allow users to activate automatic savings rules for the pools that encourage smart savings habits in a fun way: The “Goal Getter” ritual allows users to select a specific amount to be deposited into the pool at desired intervals, while the “Roundup” ritual rounds up each card payment to the nearest euro and deposits the excess change into the pool, allowing users to save continuously and conveniently on the side.

A better, smarter way to search and save

In 2022, we introduced a new way to search, which compares thousands of websites to help consumers find the best price for any product and lists the results in an orderly overview, saving them the time and frustration they experience when sifting through millions of disorganized results at conventional search engines. Consumers can also see the price range to decide whether it’s a good time to buy.

Wikipink

We strive to earn our consumers’ trust in every single instance. To create a transparent and fact-based discussion about consumer loans, we launched our Wikipink sites in the Nordics in 2021 and in Germany in 2022. The sites present, among other things, data on reminder fees and debt collection and enforcement cases not only for Klarna, but the wider credit industry, where we believe new, better standards need to be set.

Contributing to a more sustainable, consumer-friendly credit industry

In 2022, we continued our efforts to show that taking control of your money doesn’t have to be a daunting task and that Klarna is the right tool if you want to manage your personal finances responsibly and sustainably.

Supporting young consumers’ financial education

In spring 2022, Klarna took the next step on its journey toward a more sustainable and consumer-friendly credit industry. This time, we wanted to target young consumers between the ages of 18 and 25 who were using one of Klarna’s credit alternatives for the first time. The background to the initiative was a thorough analysis by Klarna in conjunction with the growing concern among authorities, especially in Sweden, that young consumers are getting into debt at a young age and that this has long-term consequences. To address this concern, Klarna has taken a number of measures. For example, from now on, all members of the defined target group in Sweden, Norway, Finland, Denmark, Germany, and Austria will be shown an **educational film** (a crash course on credit) via the Klarna app and by email. By providing young consumers with the basic knowledge of what it actually means to buy on credit, we want to enable them to make smarter decisions when shopping with us. We hope to expand this measure to other markets in the future.

As a basis for this initiative, we conducted a **Nordic study** among young consumers together with Ungdomsbarometern and added a whole new chapter to our **Wikipink page** with interesting facts and statistics about this special target group of young consumers. The expanded Wikipink page was launched in Sweden, Norway, Finland, and Denmark. We also provided free educational material for teachers and students via an external educational platform in Sweden

Sustainable payment research project

Klarna has partnered with the Sustainable Finance Lab in Sweden to conduct a research project that will span a period of four years and, in short, aims to improve understanding of the Swedish consumer credit market, identify its challenges, and propose concrete solutions to prevent and address the existing problems.

To achieve this, project researchers will incorporate economic and behavioral theories as well as gender studies that may influence consumer decisions in different ways. In addition, systematic evidence will be identified on behavioral characteristics that lead borrowers to take on too much debt, choose costly credit, and other factors that may run counter to borrowers’ interests. On the supply side, researchers will examine, for example, how product design can influence borrowers’ negative decisions and the extent to which lenders engage in underpricing of lending.

When completed, the study’s newfound insights will contribute to a deeper understanding of the root causes of the challenges, provide an indication of the magnitude of the social and economic costs, and make a sound case for new regulatory reforms and better industry practices that can contribute to a more sustainable credit market.

Fighting financial crime

The financial sector has a key role to play in society’s prevention of – and fight against – financial crime. Strong financial to modernize and digitalize activities and identify the people behind such activities.

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

- Fraud
- Bribery and corruption
- Money laundering and terrorist financing
- Cybercrime

How we prevent financial crime

Klarna takes the prevention of financial crime extremely seriously. We actively manage the risks of financial crime through policies, instructions, and routines across Klarna. The Fraud prevention domain at Klarna has the overall responsibility for preventing fraud. We have multiple functions in place to prevent money laundering and terrorist financing and ensure compliance with international sanctions. The Compliance team is responsible for our Anti-Corruption Program to ensure that Klarna and its employees are not participants in bribery or corruption, unintentionally or otherwise.

Employee training is key to fighting financial crime. Our mandatory e-learning modules on Code of Business Conduct, Conflicts of Interest and Anti-corruption, Anti-money Laundering, and Countering Terrorist Financing ensure all employees understand the importance and the detail of the processes we have in place. Completion of regular training is monitored to ensure it is completed by all employees and forms part of the Klarna Check-In training, which is mandatory for all.

Anti-money laundering and countering terrorist financing

Klarna has no tolerance for establishing or maintaining business relationships if there is suspicion of a customer using or will use, Klarna’s products or services for money laundering (ML) or terrorist financing (TF).

The same policy applies if there is insufficient knowledge of the customer to manage the risk of ML/TF or to monitor and assess the customer’s activities. In all, Klarna has the aim to, within reasonable bounds and as required by the relevant regulations and rules, minimize the risk of being used for all types of money laundering or terrorist financing.

Klarna continuously identifies, manages, and mitigates risks, improves the measures taken, and applies the three lines of defense model as part of its risk-based approach. Where applicable, and as required by anti-money laundering and countering terrorist financing laws and regulations, Klarna has systems and routines in place to perform “Know Your Customer” where measures such as risk assessment, customer due diligence, and transaction monitoring are used. Klarna has no tolerance towards facilitating transactions for individuals or entities that have been identified

as being listed in relevant sanctions regimes and takes required measures to mitigate against this risk.

Relevant Klarna teams are responsible for monitoring the performance of Klarna’s efforts to combat ML/TF and always taking action when required. Further, Klarna has periodic reporting, including standardized key performance indicators, that enable senior management and the Board to track the performance of Klarna’s efforts within this area.

ML/TF employee training ^{15, 16}	2022	2021	2020
Completion rate (% of total workforce)	91%	90%	94.5%

¹⁵ The ML/TF employee training is part of the mandatory Compliance online training.

¹⁶ The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

Data privacy

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

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

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

During 2022, we have closely followed the global developments of data privacy laws applicable to

our business - existing and proposed - and we see the legislation as an opportunity to build trust in offering consumers transparency, flexibility, and choice regarding how their data is used. We continuously strive to improve and further develop the processes and tools available to support consumers' rights, 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.
- A safe and transparent process for exercising the right to opt out of the sale of personal data.
- Providing data privacy-specific training to Klarna customer service agents to ensure that Klarna's customer representatives know individuals' rights.

Cybercrime and security

Trust is core to our business. Klarna is committed to the security of our services and protecting our customers from cybercrime and fraud. We

aim to have the best security in the industry and are focused on protecting the confidentiality of customers' information and ensuring our services' availability and integrity.

The threat of cyber-attacks continues to be a concern for financial institutions, with the volume and sophistication continuing to evolve and increase. We have implemented robust processes to detect and respond to preemptive cyberattacks, risks, and threats to prevent fraud and protect our customers. This includes 24/7 monitoring through our expert Security Operations Center and a dedicated Fraud Prevention domain.

Klarna is also a champion for better consumer protection against the ever-growing threats of fraud and actively pushes for collaboration across the financial industry. We hold membership with and are active participants in fraud prevention collaboration discussions with both **Cifas** and the **UK fraud prevention agency**. Klarna also supports and participates in special interest organizations to promote and encourage the security of the internet and society.

At Klarna, all employees are required to complete annual security awareness training to ensure that they understand their role in helping combat security breaches and ensure their knowledge keeps pace with the ever-evolving cyber threat landscape.

Klarna strives to ensure that products are secure by design. They are built following a Secure Software Development Life Cycle (SSDLC) inspired by frameworks from the Open Web Application Security Project (OWASP - a non-profit organization that sets standards for secure development). Our developer training program, the Security Academy, is the foundation for our Security Champion community; 90% of high-security footprint teams have at least one participant enrolled in the program.

Our offensive security team conducts regular penetration tests and red team exercises to verify ongoing security. We maintain an active vulnerability disclosure policy and private bug bounty program delivered through HackerOne. We also perform independent third-party penetration tests annually. All findings from our security testing and vulnerability scanning follow strict deadlines for patching and are continually monitored. We continue investing in internal resources and capabilities for proactive and reactive measures to better respond to fraud and cybercrime attempts.

While Klarna is under the supervision of relevant financial supervisory authorities and ensures compliance with all applicable regulations, we know that our word is not enough when it comes to trust. We regularly conduct security audits and certifications based on globally recognized frameworks and certification bodies for third-party assurance of security, including ISAE 3402 and 3000 assurance reporting and PCI DSS certification.

Data privacy employee training ¹⁷	2022	2021	2020
Completion rate (% of total workforce)	91%	96%	92%

Security awareness employee training ¹⁸	2022	2021	2020
Completion rate (% of total workforce)	92%	96%	97%

^{17, 18} The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

Our people

2022 was a challenging year for the tech industry. When we entered 2022, the world looked very different. Since then, we have seen a huge shift in investor sentiment, a steep rise in inflation, a very volatile stock market, and a likely recession. With investors prioritizing profitability over growth, Klarna had to make some difficult decisions to ensure that the right people were in the right place and focused on business priorities that will bring Klarna back to profitability. One of the difficult decisions we had to make was to reduce our workforce by about 10%.

To address stakeholders' new expectations, we will continue to be organized into hundreds of small teams, each run like a start-up and focused on its problem space. This ambitious environment allows Klarnauts to take control of their own goals and development while delivering on Klarna's ambitions at pace.

It also offers employees to work in an inspiring, challenging, and inclusive environment with colleagues who bring different skills, perspectives, and backgrounds, all to create a culture where everyone can create, innovate, and disrupt.

Klarna's Global Work Environment Policy

We strive to create and maintain a healthy and safe work environment for all Klarnauts, for which our Global Work Environment Policy provides a proactive framework. It contains routines and descriptions for all work activities related to the work environment and provides Klarnauts with knowledge and awareness of the applicable legislation, risks in the workplace, and how they can contribute to a healthy work environment. It also establishes important routines, such as regular employee engagement surveys and incident reporting.

The policy is linked to local work environment policies, which set our conduct in local markets and include instructions on issues such as discrimination, health and well-being, and alcohol and drug use in the workplace.





Global talent management

We hire for a competence such as analytics, engineering or marketing at Klarna - not for a specific role. The competence structure equips us with the right skills to deliver the best products and services for our global consumers and retail partners. It allows us to allocate talent effectively to different teams and problem spaces. Our candidates come through various channels: sourced by recruiters, employee referrals, job post applications, internal moves, graduates, and interns.

At the beginning of the recruitment process, we identify which competence area best suits the candidate and where they want to develop their skills and abilities. Candidates are evaluated from both a behavioral and competence-related skills perspective, and Klarna always strives for an inclusive and unbiased process. Employees move in and out of roles, based on for example company priorities or individual preferences.

Employees by level 2022	Women	Men	Total
CXO	0%	0.2%	0.1%
Manager ¹⁹	9.4%	12.2%	11%
Non-Manager ²⁰	90.6%	87.6%	88.9%

Employees by age 2022	Women	Men	Total
<30	48.5%	36.6%	41.7%
31-50	50.6%	61.8%	57.0%
>50	0.9%	1.6%	1.3%

Employees by region 2022	Women	Men	Total
Asia	-	0.1%	0.1%
Europe	84.6%	90.7%	88.0%
North America	13.8%	8.5%	10.8%
Oceania	1.6%	0.7%	1.1%

Employees by type 2022	Women	Men	Total
Permanent	99.3%	99.2%	99.2%
Temporary	0.7%	0.8%	0.8%

Total employees 2022	Women	Men	Total
	2,348	3,093	5,411

¹⁹ Restated due to a change in definition to management level 5 - 8. ²⁰ Restated due to a change in definition to management level entry - 4.

Performance

Klarna promotes a healthy feedback culture from the very beginning of each Klarnaut's journey. In 2022, Klarna reshaped its way of thinking about performance, and our new approach is faster, more transparent, and a scalable way to manage performance. It celebrates and recognizes continuous feedback and has more proactive and standardized processes across competences.

Unlike in previous years when feedback was mainly given during a promotional window, Klarnauts now have the opportunity to reflect on their own performance based on the feedback they receive throughout the year.

Onboarding

A great onboarding journey starts long before the first day in the office. To ensure the best possible start for new Klarnauts, the company has designed a Pre-boarding Learning Portal where new hires learn more about Klarna, such as its products, culture, and operating model so they feel part of Klarna even before they arrive on their first day.

In their first three days, all new hires attend the "Klarna Check-in" (KCI), an introductory program that dives deeper into topics such as Klarna's vision and mission, workplace and security rules, operating model, and leadership principles. The KCI focuses on the output delivered by new employees through a team case study and other exercises and is tailored to prepare new Klarnauts for the company's fast-paced and ever-changing environment. It is mandatory for all new employees.

Another key element of the Klarna onboarding journey is the buddy program. It consists of a 60-day peer buddy program that primarily supports new Klarnauts and integrates them into the Klarna culture. The program combines informative sessions with shadowing and regular opportunities for questions and feedback. By pairing new employees with more experienced colleagues in similar roles, Klarna's new employees benefit from the knowledge exchange at both a professional and social level. Our domains and competences provide additional onboarding programs covering the specifics of the respective organization.

Operating model

As of 2017, Klarna has a team-based and agile operating model that optimizes for high speed, flow, quality, and accountability. It evolves from

a more traditional organizational structure to instead working in self-organizing teams of up to eight employees to maintain the agility and innovation found in start-ups. Each team consists of members from different competences who own and work on a specific business purpose within Klarna, which we call a 'problem space.' Teams take full accountability for creating and delivering value propositions to their main internal or external stakeholders, aligned with Klarna's overall vision and strategy. For this to work smoothly, Klarna's workplace culture embraces change and continuous improvement.

To ensure an aligned vision throughout the company, teams follow Klarna's ways of working and best practices, which include a regular team meeting culture and check-ins with different internal stakeholders. While adhering to all relevant banking regulations and guidelines, team autonomy and flexibility are at the core of how Klarna operates.

Leadership

Klarna works to disrupt the existing payments and banking industry, designing products and services

that save consumers time and money, helping them make informed decisions and take control of their finances. That creates a thriving high-change business environment with great demands on leadership, making competence and accountable

leads at Klarna a key group in driving the company's growth. They play a pivotal role in ensuring people in their teams feel they can work and develop in a safe environment that fosters trust while driving real change in consumers' lives.

In 2022, Klarna had eight leadership principles that all employees live by and that build the foundation of the whole company's work culture:



Customer obsession

Leaders see the world from the customer's perspective. They understand that to keep trust, the customer needs to come above anything else.



Deliver quality results

Leaders don't hesitate or make excuses. They deliver value consistently and don't shy away from delivering outside their normal responsibility.



Courage

Leaders are not afraid to make decisions or engage in difficult conversations. They know that nothing comes of waiting, and they step up and make the call.



Hire and develop exceptional talent

Leaders choose, coach, and fight to keep exceptional talent. They recognize others' talents and paths and don't hold them back.



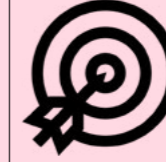
Challenge the status quo

Leaders embrace change and never miss an opportunity to disrupt the industry. They find simple solutions fast and experiment by adapting their ideas.



Start small and learn fast

Leaders test their ideas to learn and improve tomorrow. They understand that constraints breed resourcefulness, self-sufficiency, and innovation.



Detailed thinkers

Leaders know that disrupting the industry requires detailed thinking. They are a unique combination of ambitious, free-thinkers with meticulous eyes for detail.



Let the team shine

Leaders understand the value of differences and build on the strengths of others. Leaders lead by example with integrity, earning trust and respecting others.

These principles guide what the company values and expectations are. Their purpose is to encourage accountability and continuous professional and personal growth for all Klarnauts, ensuring our culture always puts people first. It is pivotal that all leaders inspire, act as role models, and create conditions that enable employees and teams to thrive. For this, they need to be supported and have the right tools to lead their teams through change to success.

To focus on practical leadership and people skills, e.g., the accountable lead accelerator program and high-performing teams workshops focusing on trust-building, feedback, and conflict management, Klarna launched several new initiatives. More content is available online to ensure scalability and enable on-demand training on a larger scale. For example, the former New Lead Orientation training has been converted into digital training.

Each new lead must take the mandatory "Leading at Klarna" training within three months of taking on their role as lead. They first go through digital, self-paced content before attending a practical instructor-led workshop, which covers topics such as how to run a development talk, good practices for leading remotely, and an introduction to diversity and inclusion. Furthermore, leads have on-demand access to resources that support them in their role, including peer support and

instructor-led workshops addressing a range of topics, including the art of feedback or creating and sustaining high-performing teams.

In 2022, Klarna facilitated 82 leadership training sessions attended by 479 Klarnauts with a satisfaction score of over 4.5/5.

Employee engagement

Nurturing the connection between the leadership team and Klarnauts is a priority, with several initiatives created to address any perceived gaps that could arise from a fast-paced work environment.

Internal communication

Frequent and open dialogue in management chats, business updates, and group All-Hands meetings strengthen the bond and dialogue between management and employees while keeping the information flow as direct as possible. Additionally, all team and domain leads are encouraged to provide weekly updates on challenges and progress in their workstreams. This way, all Klarnauts can receive relevant updates from other work streams that may impact their own, streamlining the sharing of information and our efficiency as a company and celebrating shared success.

In 2022, Klarnauts were invited to dial into

46 “What’s cooking”

sessions hosted by Klarna’s CEO Sebastian Siemiatkowski and other CxOs.

Employee engagement survey

The bi-annual employee engagement survey results provide a basis to understand current perceptions better and identify areas of improvement and success in employee engagement, e.g., development, leadership, feedback, recognition, vision awareness, and ways of working. Klarnauts have an opportunity to provide detailed feedback both quantitatively and qualitatively.

In 2022, Klarnauts were invited to dial into

86% of all eligible employees²¹ in Fall 2022

indicating that Klarnauts are engaged and want to drive positive change.

Results are reviewed carefully, and each team, domain, and competence is asked to follow up on the results of the employee feedback and make improvements, if necessary.

While the overall engagement score of 86% has remained stable and not changed significantly over the past two years, the engagement satisfaction

score dropped from 75% in 2021 to 64% in this year’s survey, partly due to recent restructuring.

Following the results of the survey, Klarna leads are given access to the insights related to their reporting line scope and are encouraged to act on them. They share the overall results with their domains and teams to ensure transparency and drive improvement. To address the issues that are most important to them based on their role as a leader, leads receive guidance from the Org&Lead teams.

Learning and development

Klarna operates within an industry undergoing rapid change, driven primarily by consumer behavior and technology disruption. As the company drives that development with innovative solutions, Klarnauts are also provided with a creative environment to develop their professional skills.

Our culture is based on the commitment and willingness to develop and take responsibility for achieving the company’s and employees’ personal goals.

Klarnauts can grow in different ways at Klarna, for example, through learning in everyday life, participation in change projects, formal learning through education, internal and external learning programs, and network participation. We offer a wide range of learning programs available through our native digital learning platform, Loop, both the training courses specific to Klarna and those provided by external suppliers.

Several methods and tools are offered to facilitate learning, and the company provides courses in various subjects, such as leadership, presentation skills, communication, diversity, and productivity, both internally and through partners such as Udemy Business. We also believe internal mobility is key to professional development, making it simple for employees to apply for new roles and take on new problem spaces and challenges.

Learning and development	2022	2021	2020
Number of mandatory trainings on Loop	36	34	n/a

Employee engagement survey	2022	2021	2020
Employees who took the annual employee engagement survey	86%	81%	90%
Overall satisfaction score from employee engagement survey	64%	75%	77%

²¹ Includes employees and line consultants.



Diversity and inclusion

Klarna believes that diversity and inclusion are key factors in the company’s continued success. At Klarna, differences are respected and highly valued, and the company strives to provide everyone with an equal-opportunity workplace that promotes diversity and inclusion. With employees of more than 100 nationalities, we are proud of our strong cultural diversity.

We strive every day to become an even more diverse and inclusive organization. To achieve this, we have standardized interview procedures, diversified interviewers, conducted bias training, and introduced inclusive job descriptions.

We are seeing early signs that this approach has a positive impact. Still, we plan to continue improving our gender balance at all management levels, focusing on senior leadership positions where the gender balance is significantly skewed in favor of men. That includes a monthly review of our gender data, which not only looks at Klarna’s

gender balance as a whole but also highlights the balance in all domains and competencies and at all career levels, from entry to management. The frequent data reviews allow us to focus our efforts where they are most needed to ensure that we achieve gender balance in all areas of the company.

Parental leave

Examining our gender data also sheds light on Klarna’s parental leave practices in terms of financial impact and support for returning parents. We have market-leading parental leave policies available to all parents at Klarna, as we believe that parenthood should not have a negative impact on your career or salary.

We aim to ensure that no one is financially disadvantaged when taking parental leave by including them in salary reviews and promotion cycles during their absence. We also know that returning to work can be daunting, especially in a company as fast-paced as Klarna, where the constant pace of change can leave you feeling

overwhelmed or left behind. We have put in place a number of support mechanisms that our returning parents say have really eased the transition back to work.

Discrimination and harassment

Discrimination, harassment, and bullying of any kind based on ethnic or national origin, citizenship, gender, sexual orientation, age, skin color, faith, religion, disability, marital status, or any other characteristic will not be tolerated at Klarna. Klarna has clear company-wide internal policies detailing what constitutes inappropriate conduct that will not be tolerated and how to deal with it when such behavior occurs.

An example is the Anti-Discrimination, Harassment, and Bullying Policy, based on the detailed Swedish representation in applicable laws. Klarna has also implemented various reporting mechanisms and whistleblowing tools that allow employees to report conduct or incidents while maintaining confidentiality and anonymity. Dedicated resources address these individual cases.

Gender split	2022		2021	
	Women	Men	Women	Men
Overall gender split	43.2%	56.8%	43.4%	56.6%
New hires	42.6%	57.4%	47.4%	52.6%
CXO	14.3%	85.7%	22.2%	77.8%
Managers²²	37%	63%	36.3%	63.7%
Non-managers²³	44%	56%	44.3%	55.7%

Employees who took parental leave	2022		
	Women	Men	Total
Total employees	2,348	3,093	5,441
Of which took parental leave	405 (17.25%)	360 (11.64%)	765 (14.06%)

²² Restated due to a change in definition to management level 5 - 8.

²³ Restated due to a change in definition to management level entry - 4.

Internal and external initiatives

To promote diversity and inclusion within Klarna and in the technology and business world at large, we have supported a number of external initiatives that focus particularly on empowering women and employee resource groups.

Here are some of the 2022 highlights:

■ **Employee resource group: “Be you”**
 “Be you” was the first employee resource group of its kind at Klarna, founded by employees in late 2017 to promote diversity and inclusion from the grassroots. Since then, the group has evolved into a community that provides a safe space for marginalized groups and allies and promotes diversity to ensure that all employees can be their authentic selves.

■ **Employee resource group: “LGBTQIA+”**
 The LGBTQIA+ employee resource group provides an opportunity for the community to come together on a professional level and build a support network. The goal is to support each other and discuss the issues and experiences faced in the workplace and how this impacts career development and workplace inclusion.

■ **Employee resource group: “Women in Tech @Klarna”**
 Women in Tech @Klarna is an initiative launched in 2019 to empower women in all areas of expertise at Klarna. The group strives to raise awareness of diversity issues, discuss daily challenges and improve the working environment for women at Klarna.

■ **External initiative: “Women in Tech Stockholm”**
 Klarna supports and collaborates with Women in Tech in Stockholm. This organization strives to inspire and educate women already in the tech industry to stay in the field by providing them with the network and experience of successful people from the wonderful world of technology and media.

■ **External initiative: “Diversity Charter (NL)”**
 To act as a catalyst for improving the current state of diversity and inclusion in the Netherlands, Klarna has been a signatory to the Diversity Charter since 2021. The charter is part of the Dutch Social and Economic Council (SER) infrastructure that actively supports companies in developing, implementing, and monitoring their diversity plans.

Health and safety

People

A healthy work environment leads to healthy employees and increased well-being and forms successful business results. For that reason, Klarna prioritizes employees’ health and safety by creating a safe, healthy, and productive workplace. We aim to enable a healthy lifestyle for all Klarnauts and offer various health benefits, such as wellness allowances, flexible working hours, parental benefits, and health and rehabilitation insurance.

Locally adapted health and safety training is available in Klarna’s internal training program in several countries, covering local rules and routines.

To highlight one initiative, Klarna’s Sports and Wellness Volunteer Committee continuously engages employees and promotes inclusion by encouraging sports and outdoor activities. The committee regularly organizes sports activities such as basketball, soccer, and jogging at various Klarna locations. The team expanded its activities to include virtual events, such as weekly virtual yoga and pilates sessions.

Offices

Klarna mitigates and minimizes workplace-related risks associated with the physical office environment through appropriate health and safety measures. Each Klarna office also has appropriate plans in place for emergencies, and local safety teams operate with systematic fire prevention management. Ongoing initiatives include first aid and CPR training, as well as annual evacuation training for employees.





Compensation and benefits

Klarna has a remuneration structure that recognizes the importance of balanced but differentiated remuneration based on business and local market needs, as described in our Remuneration Policy. The objective of the remuneration structure is to support the ability to attract and retain talent in any position, promote equal and fair treatment, and ensure that our remuneration is consistent with efficient risk management and compliant with existing regulations.

We work with cash and equity-based compensation and perks and benefits to create an attractive total compensation offering. Klarna’s benefits package includes, e.g., insurance benefits, pension contributions and health insurance (where applicable), parental leave, and wellness benefits (e.g., gym memberships). Depending on local market practices, we may also offer benefits such as meal vouchers and catered breakfasts, etc.

Gender pay gap

Our Remuneration Policy supports equal and fair treatment of all Klarnauts and applies the principle of non-discrimination. Equal treatment of all, regardless of gender, is a cornerstone in determining compensation. Differences in remuneration are analyzed and addressed annually in all our locations to ensure that remuneration decisions are made based on performance, skills, and contribution without taking other factors into account.

RSUs

An important part of Klarna’s total compensation offering is the long-term element in the form of restricted stock units (RSUs). They enable our employees to become owners of the company and invest in Klarna’s financial success and continued growth. RSUs are a “promise” to receive a certain number of Klarna shares in the future, contingent on continued employment at Klarna.

While in many other companies share compensation is usually limited to executives or management employees, at Klarna we aim for broad-based share ownership with many RSU plan participants in all countries and all employee groups, except for entry-level positions.

Compensation & benefits	2022	2021	2020
Number of employees participating in RSU program	4,678 (85.98%)	3,773 (67.4%)	2,121 (57.5%)

Commitment to 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 the countries we operate in. Klarna firmly believes that, although governments have the primary duty to protect and ensure the fulfillment 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. We also work to protect human rights in our own operations through our internal policies and procedures regarding the treatment of employees, as well as by ensuring compliance from both retail partners and suppliers.

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

During 2022, we reviewed and updated, as necessary, internal policies, instructions, and governance, demonstrating Klarna's commitment and requiring employees to raise concerns regarding any identified or suspected non-compliance, as well as confirming that employees will not suffer any detriment for raising such concerns.

Klarna is not a political organization and does not affiliate with any political parties in any country it operates.

Modern slavery and human trafficking Statement

Klarna is committed to ensuring that our business and supply chains are free from modern slavery. Klarna takes a zero-tolerance approach to modern slavery and will not knowingly support or deal with any business or supplier involved in such practices. For more information, read our Modern Slavery and Human Trafficking Statement [here](#).



Supply chain

In 2022, Klarna purchased goods and services worth

SEK 10.9bn

from 3,625 suppliers.

We recognize that our purchasing activities not only have an impact on the environment but also on people within our supply chain and local communities in the suppliers' markets. To ensure that our suppliers share Klarna's values and the common goal of operating in an ethical and law-abiding manner, we introduced the Supplier Code of Conduct in 2021 and started a supplier risk identification process in 2022.

Supplier Code of Conduct

Klarna's **Supplier Code of Conduct** articulates a vision of responsible business behavior. It sets forth the principles that we expect our suppliers and their subcontractors to abide by in their business relationship with Klarna and promotes lawful, professional, and fair practices that integrate respect for human rights, business ethics, and

the environment. Klarna supports adherence to the supplier code of conduct principles through essential training, awareness, and operational control.

Since its introduction at the end of 2021, we have begun to implement the Code in our procurement process. New suppliers should now sign the Supplier Code of Conduct as part of their contract with Klarna while existing suppliers sign the Code when renewing their contracts ensuring compliance.

Supplier risk assessment

Climate change and modern slavery were identified as two key supply chain risks in our 2022 ESG risk assessment. Climate change, especially acute physical risks such as extreme weather events, can disrupt Klarna's value chain by impacting our suppliers and subcontractors, for example in the transportation and distribution of goods. Modern slavery risks may, but are not expected to, appear in Klarna's indirect supply chain.

As a result of the ESG risk assessment, we have developed a supplier risk assessment that examines the inherent risk of modern slavery and climate change based on publicly available information.

We used the following sources as inputs to assign a supplier risk rating (low, medium, or high) depending on the product or service being procured:

■ Modern slavery:

Global Slavery Index, US Bureau of International Labor Affairs (ILAB) List of Goods Produced by Child Labor or Forced Labor, and guidelines from Walkfree Foundation, International Labor Organization, Anti-Slavery International, and Anti-Slavery Australia.

■ Climate change:

Climatewatchdata.org for absolute country emissions (or "total CO2e") and Worldbank.org for CO2e emissions per capita.

Assessing the risks of modern slavery and climate change helps Klarna mitigate its legal, financial, and reputational risks. The inherent risk assessment has been integrated into the procurement process for Klarna employees when sourcing a product or service. The Inherent risk assessment enables contract owners to understand the ESG risk of the companies and countries from which they source goods and services. The inherent risk score encourages the contract owner to engage with relevant Klarna teams to understand how to assess the high risks of modern slavery and climate change and therefore whether further due diligence and monitoring are required.

Community engagement

We strive to bring about positive change in the communities where we operate by supporting organizations that represent both Klarna's values and those of our employees and initiating programs to help people through financial support and Klarna services.

Here are some of the highlights of our community engagement in 2022:

GAY TIMES partnership

We partnered with the GAY TIMES in the UK to inspire and engage members of the LGBTQ+ community to discover their self-expression and enhance their shopping experiences.

Together, we interviewed five content creators about their style, attitude, and personality and how

this is expressed through their aesthetics: London-based model, DJ and festival veteran Simone Murphy; trailblazing trans model Maxine; fashion blogger and self-confesses hypebeast Sakuta; content creator and gamer Emma; and filmmaker Yelita Ali. Each influencer was specifically chosen to represent one of five shopping personality types: Hypebeast, Festival Lover, 'That' Girl, Gamer, and Accessories Master.

The series aimed to highlight the power of our Klarna app as a discovery and shopping tool for any shopper when looking to express their personality. Each content creator curated their own in-app collection for consumers to browse and take inspiration from.





Designer competition championing gender fluidity and sustainability

Together with Harris Reed, the emerging British-American inclusive fashion designer, Klarna launched a competition to find emerging talent in the fashion community. The competition, open to entries from the UK and US, challenged the young designers to think sustainably and champion inclusivity to create a look using recycled and eco-conscious materials. Whilst open to all designers, members of the LGBTQIA+ community were particularly encouraged to take part. The winner of the competition will have direct access to Harris over a mentoring lunch where they will receive advice and guidance on the world of fashion and feedback on their design.

Angel City Football Club

This year kicked off the first year of our founding partnership with fellow gamechanger Angel City FC (ACFC) of the National Women’s Soccer League in Los Angeles, United States. The partnership is rooted in bringing the best shopping experience to ACFC fans while also positively impacting the Los Angeles community at large. To bring that to life, Klarna integrated its payment product into the Angel City FC Online Team Store to encourage a smoother shopping experience and introduced the Smooth Pink Carpet to empower fans of all walks to celebrate their fandom and highlight their best looks before entering the stadium.

The two brands also launched their first limited edition capsule collection with Christen Press’ re-inc brand, which focused on the “New

Everyone Club.” It celebrated and embraced underrepresented groups and was meant to redefine the narrative surrounding historically non-inclusive spaces and invited all walks of life to empower one another mutually.

The partnership also intends to continue Klarna’s focus on planet health initiatives by partnering with the Downtown Women’s Center of LA’s MADE boutique to encourage donations of gently used clothing to be recycled, all while encouraging women to develop business experience.

Cancerfonden

Cancerfonden and Klarna have agreed to a long-term strategic collaboration that began in the first quarter of 2020. The main driver for Cancerfonden was to explore new technologies and alternative tech platforms to modernize and digitize the donor experience.

To support Cancerfonden in their important work, Klarna applied a not-for-profit pricing model to cover the structural costs of each transaction. Cancerfonden has integrated Klarna on a small scale with an instant shopping-based “donate button” on its website, simplifying the process for people to donate online and even become monthly donors. The collaboration also allows Cancerfonden to communicate with potential donors through Klarna’s app and engage them through articles, push notifications, and social channel advertising. In 2021, it was a natural next step to further deepen the collaboration between Klarna and Cancerfonden by promoting Klarna’s QR-code at Cancerfonden’s annual fundraiser “Tillsammans mot Cancer” in January, which aired on Swedish channel TV 4.

Political advocacy

As a leading global business, we are responsible for engaging transparently and ethically with political and policy stakeholders. We believe it is important to continue to improve our business and the global digital economy in the best interests of our consumers and retail partners. We believe it is important to engage with policymakers debating policy and regulatory issues relevant to Klarna and our stakeholders and speak to trade associations, think tanks, consumer groups, governments, and legislatures in the countries where we operate.

In our day-to-day processes and the engagement we do, we make sure to always operate according to the highest ethical standards and Klarna’s **core values**. We put our customers and their interests at the heart

of everything we do and constantly strive to inspire innovation and transparency.

In some of the countries where Klarna operates, we use public affairs agencies who support us by providing monitoring and commissioned strategic advice. We apply the same high ethical standards when engaging with agencies and expect them to do the same.

Political contributions

Klarna is not a politically affiliated organization, nor does it support political parties through donations or otherwise.

Memberships

To continue improving our business in the best interest of consumers, we engage with several trade associations.

EU:

- European Payment Institutions Federation
- European Third Party Providers Association
- European Tech Alliance
- Ecommerce Europe
- European Fintech Association
- European Digital Payments Industry Alliance
- Swedish FinTech Association
- Swedish Digital Commerce
- Swedish Tech Alliance
- Stockholm’s Chamber of Commerce
- Nordic Payments Council
- Danish Chamber of Commerce
- Vereniging van Financieringsondernemingen Nederland
- Fédération Bancaire Française
- Fintech Belgium

UK:

- UK Finance
- Innovate Finance
- Swedish Chamber of Commerce for the UK
- Coalition for a Digital Economy (Participation)

USA:

- Financial Technology Association
- Electronic Transactions Association
- Financial Health Network
- National Retail Federation

Canada:

- Canadian Lenders Association (Participation)

Australia:

- Australian Finance Industry Association

Spend on public affairs activities ²⁴	2022	2021	2020
Total (SEK)	34.1m	19.1m	n/a

²⁴ Restated due to improved data quality.

Global tax commitment

Klarna is committed to paying its fair share of taxes and we will always strive to pay and report what is fair and reasonable.

Achieving a fair tax level means that Klarna’s tax positions are aligned with our business operations and support genuine commercial activity that complies with applicable tax law and Klarna’s ethics and policies.

Our commitments

- We always aim to apply the spirit as well as the letter of the law in all territories in which we operate.
- We do not engage in any aggressive tax planning or tax avoidance. We define aggressive tax planning as transactions that are carried out solely or with the principal purpose of avoiding tax. We define tax avoidance as tax planning that frustrates or runs counter to the intention or spirit of the law for the purpose of reducing a tax burden, without being strictly illegal.
- We do not artificially transfer profits into a low-tax jurisdiction.

- In dealings with tax authorities, we engage proactively, constructively and transparently, and in a timely manner.

Our business

Taxes are one of many considerations in how we run and organize our business. This is common to all businesses with a global scale. When tax is a factor in deciding where or how we do business, the decisions we make are consistent with our tax commitments and policy, as well as Klarna’s ethics. Profits are taxed where the economic activity that generates them takes place, in accordance with international transfer pricing rules. Transactions that artificially transfer profits into a low-tax jurisdiction are not in line with our commitments, our internal policy or our ethics.

Low-tax territories

Klarna does not have material business operations in low-tax jurisdictions. All profits generated in the Klarna Group are subject to corporation tax at the level required by the tax residence of the relevant subsidiary.

Transparency and reporting compliance

Klarna is committed to meeting the heightened expectations of transparency in respect of its tax management. We shall make the best effort to comply with local requirements and disclose all relevant information in accordance with applicable tax legislation in all jurisdictions where business is carried out. At the same time, Klarna shall always consider external and internal rules on data protection and confidentiality.

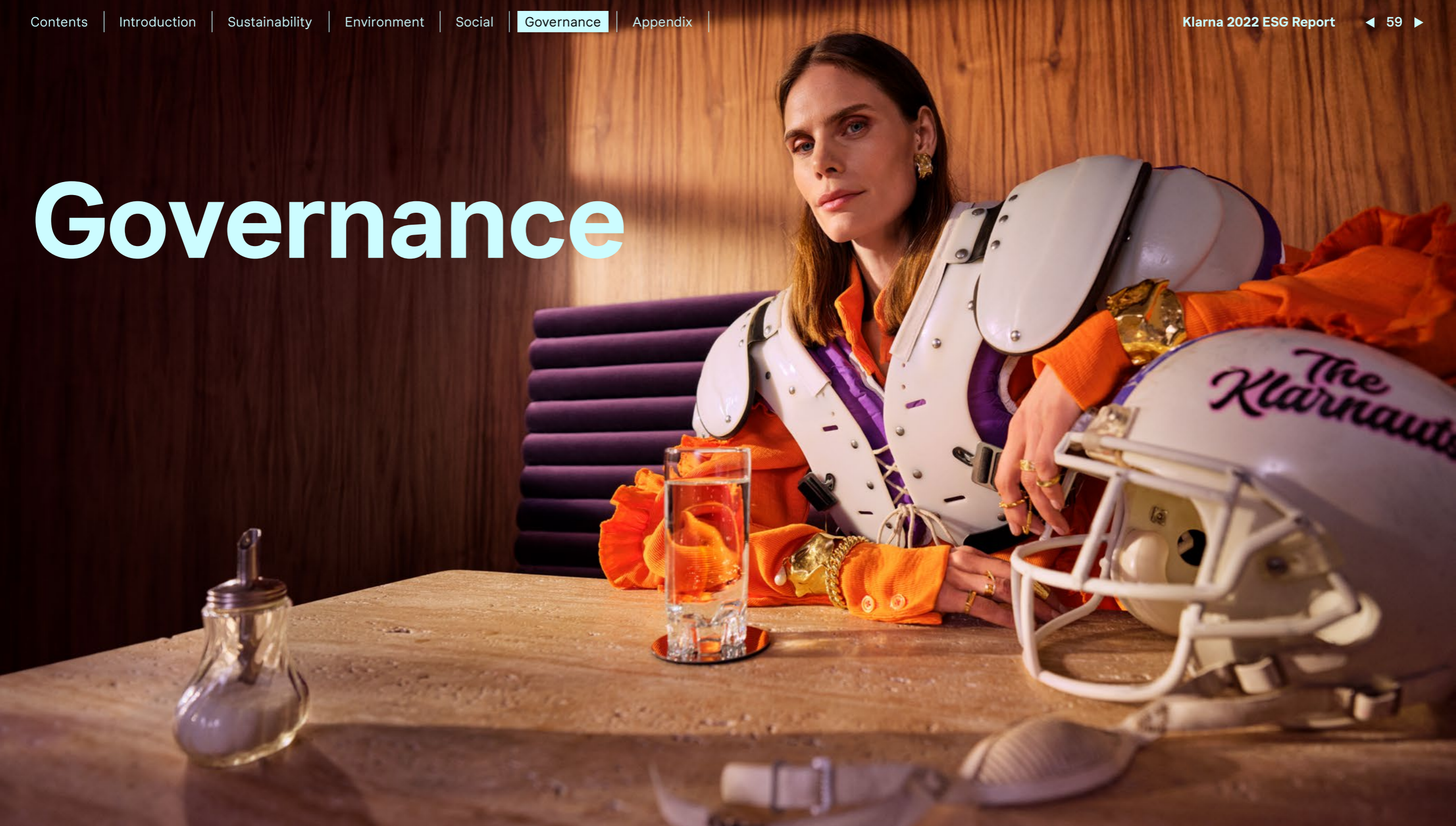
We are committed to fulfilling our reporting obligations to tax authorities relating to both our own obligations and customer information.

This covers local reporting and adherence to third-party requests as well as international exchange of information according to the multilateral Convention on Mutual Administrative Assistance in Tax Matters, The United States’ Foreign Account Tax Compliance Act (FATCA), and the Organisation for Economic Co-operation and Development’s Common Reporting Standard (CRS) and other initiatives designed to foster greater transparency.

Klarna also complies with the Arm’s Length Principle as defined in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations and included in Article 9 of the OECD Model Tax Convention. Furthermore, in line with the UK Finance Act 2016, Schedule 19 part 2, a UK tax strategy is published on behalf of our UK activities.

Corporate taxes	2022	2021	2020
Cash income taxes paid (SEK)	214m	229m	150m

Governance



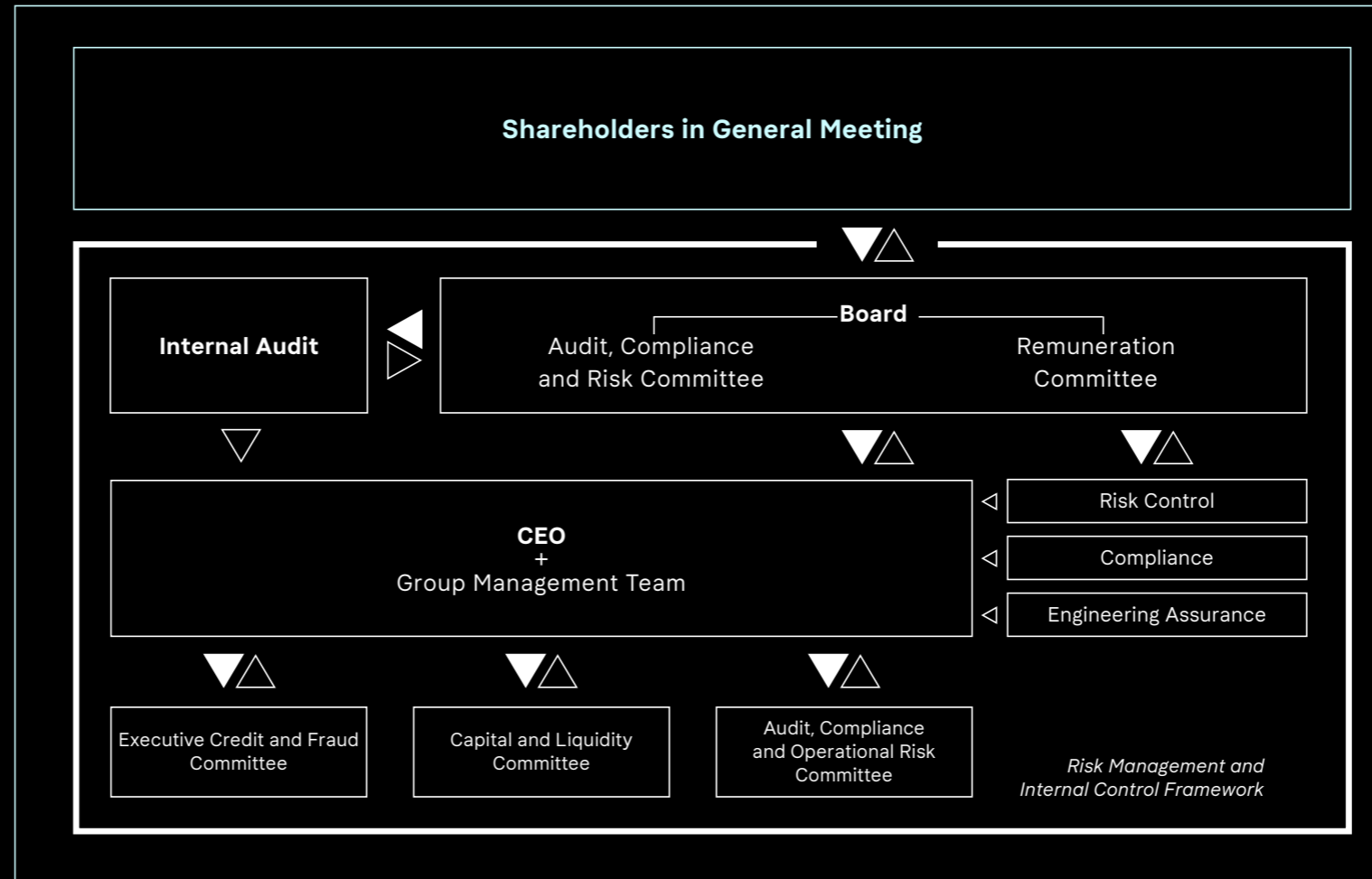
Corporate governance

Good corporate governance means ensuring that Klarna is run sustainably, responsibly, and as efficiently as possible. Maintaining the confidence and trust of our stakeholders is vitally important to Klarna’s continued success. This chapter describes Klarna’s corporate governance framework and responsibilities of the various corporate bodies.

Corporate Governance Structure

Klarna’s Corporate governance structure distributes rights and responsibilities between the shareholders, the Board, and the CEO according to the relevant laws, rules, and internal processes. We believe well-defined reporting lines and distribution of distinct responsibilities are essential to good corporate governance. Our high ethical and professional standards and a sound risk culture are also vital in ensuring good governance.

The image below provides a summary of how governance and control are organized at Klarna.



▶ Elected / appointed by

▷ Reporting to / informing

External Framework
Laws, regulations, good credit market practice, prescribed practices or ethical standards (Code of Conduct), authorities’ rules and recommendations.

Internal Framework
Articles of Association, Rules of Procedure of the Board including CEO Instruction, policies, instructions, routines, guidelines, Code of Conduct and Klarna’s values.

Framework for corporate governance

External framework

In addition to general laws, rules, and industry practices, Klarna must also comply with the detailed regulations specific to banks and payment service providers. These include the Swedish Banking and Financing Business Act (SFS 2004:297) and rules and recommendations issued by the SFSA with regard to, among other things, capital and liquidity requirements as well as rules on internal governance and control. As Klarna has corporate bonds listed at Nasdaq Stockholm, Klarna is also subject to the Rule Book for Issuers of Fixed Income Instruments.

Internal framework

In order to ensure compliance with external regulations Klarna has developed an internal framework which incorporates the external requirements on corporate governance.

Of primary importance are the Rules of Procedure for the Board (which include how to address conflicts of interest for Board members and instructions for the Board's committees), the Instructions for the CEO, the Policy for Suitability, Training, and Diversity of the Board, Management and Key Function Holders, and the Policy for Klarna Board Committees. These documents have been adopted by Klarna's Board. Additionally, Klarna's Code of Business Conduct provides an ethical framework for the conduct of all members of governing bodies and employees.

Klarna has established a framework of approved policies and instructions. These are important tools for the Board and the CEO in their governing and controlling roles, as well as defining the roles, requirements, and expectations of the second and third lines of defense within risk ownership and all employees in the fulfillment of their roles. These policies include, for example, the Risk Policy, Compliance Policy, Credit Policy, Insider and Disclosure Policy, Conflicts of Interest Policy, Anti-Money Laundering and Counter-Terrorist Financing Policy, Remuneration Policy, and the Global Work Environment Policy.

These mechanisms, together with the Articles of Association, constitute the internal framework that regulates corporate governance at Klarna.

Articles of association

The articles of association are the overall set of rules for the company which are decided by the shareholders at the General Meeting. The Swedish Companies Act sets certain minimum demands on what information they should contain. The Articles of Association are available at the Swedish Companies Registration Office and on Klarna's website. Amendments to the Articles of Association are resolved by the General Meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

Klarna's Articles of Association can be found [here](#).

Klarna's organization

Klarna's organization is divided into domains. Each domain is responsible for a subset of Klarna's overall customer offering and is led by a domain lead who reports to a CXO. Each CXO reports to the CEO and the CEO reports to the Board. There are also four independent control functions outside of the domains: Risk Control, Compliance, Engineering Assurance, and Internal Audit. Risk Control, Compliance, and Engineering Assurance are all directly subordinated to the CEO and the Board. Internal Audit, which reports directly to the Board, has been outsourced to an external party.

General meeting

The General Meeting is Klarna's highest decision-making body where shareholders exercise their voting rights. At the General Meeting decisions are taken regarding matters including the annual report, the income statement and balance sheet, dividend, election of the Board of Directors and auditors, and remuneration for Board members and auditors.

Voting rights

All shareholders, registered in the Shareholders' Register and having notified their attendance properly, have the right to participate in the General Meeting and to vote for the full number of their respective shares.

Mandate to repurchase and convey own shares

The annual general meeting 2022 neither decided on authorisation to acquire nor convey own shares in Klarna. Consequently, the Board of Directors did not have such authorisations in 2022.

Mandate to issue shares and warrants

The annual general meeting held on May 6, 2022, authorized the Board to issue 2,602,083 shares and 2,602,083 warrants. The extraordinary general meeting held on July 26, 2022, authorized the Board to issue 2,641,202 shares and 3,961,803 warrants.

Klarna's qualified shareholders

Klarna Holding shareholders >10% are as follows:

Shareholder	% of votes / ownership
Funds advised by Sequoia	21.85%
Aktieselskabet A/S	10.09%

Klarna Bank AB is 96.77% owned by Klarna Holding AB.

The Board

Board is the highest decision-making body in Klarna’s structure for management and control. The Board is responsible for the company’s strategy, organization and for the management of the company’s operations. The Board also holds the ultimate responsibility for ensuring that Klarna’s corporate governance arrangements meet expectations, and are implemented effectively throughout the organization.

The Board members are elected by the shareholders at the Annual General Meeting (AGM) for a one-year term of office extending through to the next AGM. Klarna is not required to have a nomination committee and as such the Board has not adopted a nomination policy. In practice, the 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 policies 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.
- evaluating the effectiveness of operations in relation to the agreed strategy, framework, and objectives on a regular basis.
- 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. The board is also responsible for setting Klarna’s risk appetite and policies establishing the principles for risk management.
- 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, the Chief Risk Officer, the Chief Compliance Officer, and the Chief Information Security Officer.
- deciding on appointment and dismissal of the Internal Auditor (outsourcing partner and/or individual).
- deciding on remuneration of the CEO, members of the CXO team, and the heads of the control functions, Risk Control, Compliance and Engineering Assurance.

Board members

- Michael Moritz, Chair of the Board
- Sebastian Siemiatkowski, CEO
- Sarah Smith
- Mikael Walther
- Lise Kaae
- Omid Kordestani
- Roger W. Ferguson Jr.

The Chairman

The Chairman of the Board organizes and leads the work of the Board. According to the Rules of Procedure, the Chairman will maintain regular contact with the CEO, ensuring that the Board receives sufficient information and documentation to effectively assess Klarna’s current position, financial plans, risks and risk management, and future development, and deliberate with the CEO on strategic issues.

By gender	Women	Men	Total
Board of Directors	2 (28.6%)	5 (71.4%)	7

Executive / Non-Executive	Executive	Non-Executive	Total
Board of Directors	1 (14.3%)	6 (85.7%)	7

Chief Executive Officer

Klarna's Chief Executive Officer (CEO) is responsible for the day-to-day management of the Group's activities in accordance with the external and internal frameworks. The CEO reports to the Board and at each board meeting, they submit a report on the performance of the business including updates on strategic priorities set by the Board.

Klarna's CEO is also a Board member and participates in all board meetings, except on matters in which the CEO has an interest that may be in conflict with the interests of Klarna, such as when the CEO's work is evaluated. Other members of the CXO team participate as required by invitation from the Board or CEO.

The Board has adopted an instruction for the CEO's work and duties which also regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO appoints the heads of corporate functions (CXOs) and the heads of the control functions. The Chief Risk Officer, the Chief Compliance Officer, and the Chief Information Security Officer appointment and replacement is also approved by the Board. The CEO is Sebastian Siemiatkowski.

The composition of the Board and its committees in 2022 as well as the number of meetings held and the attendance is shown in the table found below under the heading Meetings and attendance.

The reputation, experience and assignments of the Board and the CEO

Board members bring a wealth of relevant professional experience to Klarna, including expertise in banking and finance, e-commerce, technology, payment cards, risk management, governance, accounting, international sales, venture capital, entrepreneurship, and leadership. Additionally, their diverse backgrounds provide valuable knowledge and insight into the conditions and requirements for conducting business in the different markets where Klarna operates.

Suitability assessment

To ensure Klarna's Board members and CEO have the right skills, knowledge, and experience, the Board has adopted the Suitability, Training, and Diversity Policy. This policy looks at the person's experience and reputation and makes sure they're a good fit for the company. It also evaluates their ability to commit the time and effort needed to do their job well.

The Chief Operating Officer is responsible for the assessment at appointment and then subsequently at least every two years or sooner if events observed through the ongoing monitoring process suggest a review would be prudent. When a new Board member or a new CEO assumes their duties, they are also externally assessed by the SFSA. The CEO's performance and qualifications

will be evaluated the same way as Board members. According to the Rules of Procedure of the Board, the Board ensures that the CEO fulfills his duties. The Board is responsible for appointing and retains the authority to dismiss the CEO of Klarna.

Diversity

Klarna understands that having a diverse Board is crucial to ensure the Board can do its job well and has the knowledge and experience needed to navigate the various social, business and cultural conditions of the markets Klarna operates in and the activities the company is involved in.

The Suitability, Training, and Diversity Policy adopted by the Board lays out the diversity requirements Klarna's Board is expected to meet. This policy emphasizes that all Board assignments should be made based on merit and with the goal of maintaining and enhancing the Board's overall effectiveness. In order to achieve this, the company looks for a wide range of qualifications and competencies, and places a strong emphasis on diversity in terms of age, gender, geographical background, and educational and professional experience.

Number of assignments

Klarna must evaluate the number of positions held by the Board members and CEO to ensure that it is reasonable and appropriate. The evaluation takes into account the specific circumstances and the nature, scale, and complexity of Klarna's business operations. The company has determined that all Board members' assignments comply with regulatory requirements.

A detailed presentation of the members' backgrounds and other assignments can be found [here](#).

Training

The Board sets a training plan every year, and it is the responsibility of the Compliance function to implement the plan for the Board. The training plan includes an orientation program for new Board members, and ongoing training on important topics for individual members and the Board as a whole in matters that have been considered important by the Board itself. This is to ensure that the Board is continuously informed and updated on the relevant matters that affect the company.

Board committees

The overall responsibility of the Board cannot be delegated. The Board has established two separate working committees, the Remuneration Committee and the Audit, Compliance & Risk Committee, to assist the Board in fulfilling the responsibilities outlined above. The duties of the Board Committees, as well as working procedures, are defined in the Policy for Klarna Board Committees. Each committee regularly reports on its work to the Board. Committee members are appointed by the Board for a period of one year at a time.

Remuneration Committee

The Remuneration Committee (Rem Co) is responsible for preparing and presenting proposals to the Board on remuneration issues. This duty includes proposals regarding the Group’s Remuneration Policy and on remuneration to members of the CXO team and employees who head any of the control functions. Klarna’s Board has adopted a Remuneration Policy which creates sound and standardized remuneration structures throughout the organization. This is revised when necessary and at least annually.

The Rem Co makes a competent and independent evaluation of the Remuneration Policy and Klarna’s remuneration system, and presents to the Board on at least an annual basis, together with the suitable control function(s). The Rem Co handles matters within its responsibility on an ongoing basis through correspondence between the committee members. Any formal decisions not covered by its delegation authority are reported to and documented by the Board at the closest following Board meeting. Under

the oversight of Rem Co, Klarna has established a Remuneration Policy and processes, securing sound and standardized remuneration structures throughout the organization.

Members during 2022:

Omid Kordestani (Chair), Michael Moritz and Sarah Smith

Audit, Compliance & Risk Committee

The Audit, Compliance & Risk Committee (ACRC) is responsible for oversight and preparation of all matters related to audit (both internal and external), compliance, risk and financial reporting and related internal control arrangements. ACRC held 9 meetings in 2022 and provided regular updates to the Board on matters pertaining to its responsibilities. More information about the number of meetings and attendance can be found below.

Members during 2022:

Sarah Smith (Chair), Mikael Walther, and Lise Kaae

Committee members by gender	Women	Men	Total
Remuneration Committee	1 (33.3%)	2 (66.7%)	3
Audit, Compliance & Risk Committee (ACRC)	2 (66.7%)	1 (33.3%)	3

Committee members by type	Executive	Non-Executive	Total
Remuneration Committee	0	3	3
Audit, Compliance & Risk Committee (ACRC)	0	3	3

CXO team

The CEO works together with the CXOs in Klarna’s Group Management Team. The CXOs are responsible for matters of common concern to several corporate functions, strategic issues, business plans, financial forecasts, and reports. The CXOs usually meet weekly or when the CEO convenes a meeting.

The CXO ²⁵ Team consists of:

- Sebastian Siemiatkowski, CEO
- David Fock, Chief Product Officer
- Camilla Giesecke, Chief Operating Officer & Expansion Officer
- Niclas Neglén, Chief Financial Officer
- David Sandström, Chief Marketing Officer
- Yaron Shaer, Chief Technical Officer
- David Sykes, Chief Commercial Officer

Management committees

The CEO has, besides the CXO-team, three separate committees at his disposal for the purpose of managing the operations:

Executive Credit and Fraud Committee

which is responsible for reviewing credit risk results and trends as well as steering the company’s overall generation of credit risk.

Capital and Liquidity Committee

which is responsible for assessment and decision within the internal capital assessment process.

Audit, Compliance, and Operational Risk Committee

which is responsible for providing oversight and retaining executive responsibility for all Audit, Compliance, and Operational Risk related matters.

Remuneration

Salaries, other remuneration, social security and pension expenses (SEKm)	2022	2021
Salaries and other remuneration amounted to:		
Board and CEO	24	22
Other employees	4,380	2,838
Total salaries and other remuneration	4,404	2,860
Statutory and contractual social security expenses	1,214	1,108
of which: pension expenses	282	227
Total salaries, other remuneration, social security and pension expenses	5,618	3,968

²⁵ In 2022 Knut Frängsmyr, Linda Höglund, Koen Koppen and Luke Griffiths stepped down from the CXO team.

Risk management, risk reporting, and control functions.

Risk management is central to Klarna’s operating model and underpins all activities conducted throughout the organization. The purpose of risk management is to safeguard Klarna’s long-term viability, mitigate volatility in financial performance, enhance operational resilience and performance, and facilitate informed decision-making.

Klarna’s risk management governance model encourages a risk-aware culture combined with control structures that are monitored and enforced by independent control functions. Key controls are documented and assessed on a regular basis, with assessments considering both effectiveness of design and operation. The risk strategy is a natural extension of the business model that focuses on identification, assessment, management and monitoring of the material risks that Klarna is exposed to.

Risk governance

Klarna operates a financial services industry standard three lines of defense model for risk management and control. The model allocates responsibilities of activities among teams or functions in three independent lines as shown opposite.

The ultimate responsibility for risk management rests with the Board, which sets Klarna’s risk appetite and policies establishing the principles for risk management. It also oversees and promotes a sound risk culture of risk awareness and understanding across the organization to encourage informed decision-making. The Board is supported by the Audit, Compliance, and Risk Committee (ACRC), Executive Credit and Fraud Committee (ECFC) and the Capital and Liquidity Committee (CLC) in performing their duties regarding risk management, including risk identification, measurement, monitoring, and ensuring appropriate controls are in place.

The Executive Management, consisting of the CEO and the CXO team, is responsible for implementing the risk strategy. They are also accountable for the management of risks and within each of their areas of responsibility, and to promote a sound and effective risk culture across their teams and the Klarna as a whole.

Business Line Management, in the first line of defense, are responsible for the risks, and the management of these, within their respective area of responsibility. They are responsible for ensuring that the appropriate organization, procedures, and

support systems are implemented to ensure a sufficient system of internal controls.

The **second line of defense**, consisting of the functions Risk Control, Compliance, and Engineering Assurance, oversee risk. These functions set the principles and framework for risk management, facilitate and challenge risk assessments, perform independent control testing, and report on adherence to risk appetites, limits, and frameworks.

The control functions are independent of business line management. They attend and report to the Audit, Compliance, and Risk Committee (ACRC) and the Board.

Internal Audit, in the third line of defense, provides risk assurance through independent periodic reviews of governance structures and control systems. This includes regular evaluation of Klarna’s framework for risk management and a yearly review of the control functions in the second line of defense. Internal audit reports directly to the Board of directors.

Board and Executive Management Overall Responsibilities		
Business Line Management	Risk Control, Compliance and Engineering Assurance	Internal Audit
<p>“Risk ownership” 1st line of defence</p> <p>Owns risk and risk management activities</p> <p>Performs necessary controls to secure acceptable risk exposure</p>	<p>“Control functions” 2nd line of defence</p> <p>Establishes policies and framework, provides advice, facilitates risk assessment and independent control including reporting of adherence to risk appetites, limits and frameworks</p>	<p>“Risk assurance” 3rd line of defence</p> <p>Tests, validates and assess efficiency in governance, risk management and internal control processes and activities</p>

Risk strategy and appetite

Klarna's risk strategy is set by the Board and outlines the nature of risks that the business is exposed to, its willingness to take these risks, and how they are managed. It is formed through Klarna's business plan, established by Executive Management and approved by the Board; the Risk Policy, which forms the basis of Klarna's risk management framework; the Credit Policy which sets out Klarna's credit strategy; and the Internal Capital and Liquidity Adequacy Assessment Process.

The risk appetite framework outlined in the Risk Policy reflects Klarna's willingness to take and limit risk. The appetite is set by the Board and reviewed and updated regularly, at least on an annual basis. This annual review is an integral part of the annual business planning process, ensuring alignment of the business strategy, planned business activities, and Klarna's risk exposures.

Klarna's risk appetite approach commences with an assessment of Klarna's risk capacity, the maximum level of risk Klarna is able to assume, and continues with the level of aggregate risk appetite that the Board is willing to accept. Limits are set on risk appetite metrics and reported on a monthly basis. Any limit breaches are escalated to the Board.

The Board and Executive Management also issue specific written policies and instructions for managing risks, which are complemented by detailed routine descriptions within the organization. The second line functions provide an independent assessment of Klarna's risk profile to Executive Management and the Board on at least a quarterly basis.

Risks

Klarna categorizes the key risks it is exposed to into six types, which can be found in more detail in the Corporate Governance Report, which is part of our Annual Report, [here](#). These categories are subsequently further refined and managed within the organization. These risk categories form the basis of how Klarna identifies, assesses, manages, and reports against risk.

Risk reporting

In the Risk Policy the Board has established how and when it shall receive information about Klarna's risks and risk management. The periodic, recurring risk reporting in Klarna provides reliable, current, complete, and timely information, reflecting the nature of different risk types as well as market developments. The Board, the ACRC, the CEO, and the CXOs, as well as other functions that require such information, receive regular reports on the status of risks and risk management to ensure they are aware of material risks and control weaknesses.

Internal control and financial reporting

Klarna maintains risk management processes and internal controls relating to financial reporting which are designed to ensure accuracy of financial records, appropriate application of accounting policies and compliance with relevant regulations and provide management with accurate and timely financial reporting in order to accurately view the Group's performance and make informed decisions.

Internal audit

Klarna's Internal Audit Function is independent of the business, directly reporting to the Board. The Board has adopted a Policy on Internal Audit. The responsibility of Internal Audit is to provide reliable and objective assurance to the Board and the CEO regarding the effectiveness of controls, risk management, and governance processes by performing independent periodic reviews of the governance structure and the system of internal controls.

The Board has decided to outsource Klarna's Internal Audit Function to an external party and has appointed Deloitte as Internal Auditor. The Risk Control Function is the internal coordinator for the internal audit activities.

The Internal Audit Function reports regularly to the Board and ACRC the results of its audits, including identified risks and suggestions for improvements. Internal Audit also informs the CEO, the CXO team and the relevant departments on internal audit matters. The Board annually establishes a plan for the internal audit work.

External audit

Klarna's external auditors are formally elected at the General Meeting on an annual basis in line with Swedish Company law. Ernst & Young AB was re-elected at the 2022 AGM as external auditor for the period up to the 2023 AGM.

The ACRC receives reports from the auditor, which include details of significant internal control matters that they have identified, and meets with the auditor on a regular basis.

The ACRC oversees appropriate procedures to maintain the independence of the external auditor, this includes Klarna's non-audit services policy which sets out those services that the auditor is permitted to provide and the requirements for pre-approval by ACRC in advance of provision of non-audit services.

Insider administration

Insider administration is organized according to the applicable EU and national level laws and regulations. The Board has approved Group-wide policies and instructions to provide clear instructions for employees to ensure inside information is identified and handled appropriately.

Insiders are identified on a case-by-case basis whenever inside information is detected and are subsequently registered in a related insider register and notified of their insider status. All identified insiders are then prohibited from dealing in the financial instrument(s) to which the inside information relates until that information is made public or otherwise no longer deemed to be inside information, and the insider register is closed.

As Klarna's shares are not admitted to trading on a regulated market, Klarna's obligations under the EU Market Abuse Regulation No 596/2014 (MAR) relate only to its corporate bonds listed on Nasdaq Stockholm. Klarna does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR).

The responsibilities of Klarna's insider administration include evaluating whether information is inside information or not, training of and providing information to employees who are exposed to inside information to make sure that they are aware of the restrictions and obligations placed on insiders, setting up and maintaining insider registers as well as monitoring compliance with the insider rules. The rules are put in place to mitigate the risk of insider dealing and other forms of market abuse, and the overall responsibility for making sure that a high level of knowledge of and compliance with these rules is maintained lies with Klarna's Corporate, Governance and Litigation Team reporting to the Chief Financial Officer.

Whistleblowing

Whistleblowing is a means by which to detect and prevent unethical or illegal behavior within an organization, and an important channel to foster high ethical standards that help maintain customer and public confidence in the organization.

Klarna has a Whistleblowing Policy in place that defines a reporting system for employees, consultants, and other partners that are part of our business operations. Klarna encourages users to immediately report their observations if they suspect or discover behaviors that are:

- criminal or non-compliant,
- not in line with Klarna’s values and ethical codes,
- could constitute gross misconduct,
- may seriously affect Klarna or a person’s life, health, or safety, or
- could cover up wrongdoing in any of the above cases.

Klarna encourages reporting concerns even if the reporting party is not certain whether potential wrongdoing actually falls under the whistleblowing definition, so the potential incident can be reviewed, and action can be taken if necessary.

Employees, consultants, or other partners can submit their concerns anonymously through the WhistleB tool, where all messages are processed in confidence meeting the highest security requirements in terms of encryption, data security, and protection of the whistleblower’s anonymity. The identity of the person reporting is also kept confidential in any case follow-ups, inquiries, and discussions unless Klarna is obliged by law to disclose the identity of the reporting person. In such an instance the concerned individual will always be informed.

Klarna has a strict non-retaliation policy in case of whistleblowing, and all cases are handled confidentially.

Klarna’s Chief Compliance Officer is responsible for the Whistleblowing Policy as well as for its implementation.

Whistleblowing	2022
Number of reported cases	48
Number of actual whistleblowing cases	11

Appendix



ESG datasheet

Environment	2022	2021	2020
Greenhouse gas emissions			
Direct (Scope 1) GHG emissions (tCO ₂ e)	281	279 ²⁶	341
Indirect (Scope 2) GHG emissions (tCO ₂ e)	66	6 ²⁷	1,420
Other indirect (Scope 3) GHG emissions (tCO ₂ e)	146,928	152,710 ²⁸	100,752
GHG emissions intensity (tCO ₂ e per USD 1m revenue)	76.5	82.4 ²⁹	80.9
Change in GHG emissions (%)	-3.75% ³⁰	+49% ³¹	+87%
Electricity consumption			
Total electricity consumption ³² (MWh)	9,110	6,344	4,861
Share of renewable energy of total electricity consumption (%)	100%	80%	n/a
Internal carbon tax			
Funds resulting from internal carbon tax (USD)	2.25m	1.67m	1.05m
Internal carbon tax funds invested in Climate Transformation Fund projects (USD)	2.6m+	1.05m	n/a
Number of projects we invested in through Climate Transformation Fund	16	11	n/a

^{26, 27, 28, 29, 31} Restated due to a calculation error and incomplete data omission that came to light during the preparation of the 2022 ESG report.

³⁰ Excludes carbon removal tons.

³² Since not all utility data was available at the time of publication of this report, we have made estimates based on square footage wherever that is applicable. We are also restating the data for 2021 and 2020 based on improved data quality.

^{33, 35} Restated due to a change in definition to management level 5 - 8.

^{34, 36} Restated due to a change in definition to management level entry - 4.

Social	2022			2021			2020		
Employees (# (%))									
Employees (# (%))									
By management level	Women	Men	Total	Women	Men	Total	Women	Men	Total
CXO	1 (0%)	6 (0.2%)	7 (0.1%)	2 (0.1%)	7 (0.2%)	9 (0.2%)	1 (0.1%)	6 (0.3%)	7 (0.2%)
Manager ³³	221 (9.4%)	376 (12.2%)	597 (11%)	235 (9.4%)	412 (12.6%)	647 (11.2%)	176 (12.5%)	304 (13.3%)	480 (13%)
Non-Manager ³⁴	2,126 (90.6%)	2,711 (87.6%)	4,837 (88.9%)	2,272 (90.5%)	2,855 (87.2%)	5,127 (88.6%)	1,226 (87.4%)	1,972 (86.4%)	3,198 (86.8%)
Total employees	2,348	3,093	5,441	2,509	3,274	5,783	1,403	2,282	3,685
By employment type	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent	2,331 (99.3%)	3,068 (99.2%)	5,399 (99.2%)	2,460 (98%)	3,230 (98.7%)	5,690 (98.4%)	1,378 (98.2%)	2,266 (99.3%)	3,644 (98.9%)
Temporary	17 (0.7%)	25 (0.8%)	42 (0.8%)	49 (2%)	44 (1.3%)	93 (1.6%)	25 (1.8%)	16 (0.7%)	41 (1.1%)
Total employees	2,348	3,093	5,441	2,509	3,274	5,783	1,403	2,282	3,685
By region	Women	Men	Total	Women	Men	Total	Women	Men	Total
Asia	0 (0%)	4 (0.1%)	4 (0.1%)	0 (0%)	3 (0.1%)	3 (0.1%)	0 (0%)	0 (0%)	0 (0%)
Europe	1,986 (84.6%)	2,804 (90.7%)	4,790 (88%)	2,090 (83.3%)	2,934 (89.6%)	5,024 (86.9%)	1,226 (87.4%)	2,125 (93.1%)	3,351 (90.9%)
North America	324 (13.8%)	262 (8.5%)	586 (10.8%)	364 (14.5%)	287 (8.8%)	651 (11.3%)	158 (11.3%)	131 (5.7%)	289 (7.8%)
Oceania	38 (1.6%)	23 (0.7%)	61 (1.1%)	55 (2.2%)	50 (1.5%)	105 (1.8%)	19 (1.4%)	26 (1.1%)	45 (1.2%)
Total employees	2,348	3,093	5,441	2,509	3,274	5,783	1,403	2,282	3,685
By age	Women	Men	Total	Women	Men	Total	Women	Men	Total
<30	1,139 (48.5%)	1,132 (36.6%)	2,271 (41.7%)	1,375 (54.8%)	1,350 (41.2%)	2,725 (47.1%)	n/a	n/a	n/a
31-50	1,188 (50.6%)	1,913 (61.8%)	3,101 (57%)	1,118 (44.6%)	1,866 (57%)	2,984 (51.6%)	n/a	n/a	n/a
>50	21 (0.9%)	48 (1.6%)	69 (1.3%)	16 (0.6%)	58 (1.8%)	74 (1.3%)	n/a	n/a	n/a
Total employees	2,348	3,093	5,441	2,509	3,274	5,783	n/a	n/a	n/a
By gender	Women	Men	Women	Men	Women	Men			
CXO	14.3%	87.5%	22.2%	77.8%	n/a	n/a			
Managers ³⁵	37%	63%	36.3%	63.7%	n/a	n/a			
Non-Managers ³⁶	44%	56%	44.3%	55.7%	n/a	n/a			
New hires	42.6%	57.4%	47.4%	52.6%	n/a	n/a			
Total	43.2%	56.8%	43.4%	56.6%	n/a	n/a			

Social - continued	2022			2021			2020		
Employee engagement survey									
Employees who took the annual employee engagement survey ³⁷	86%			81%			90%		
Overall satisfaction score from employee engagement survey	64%			75%			77%		
Training									
Number of mandatory trainings on Looop	36			34			n/a		
Completion rate of compliance training (% of total workforce) ³⁸	91%			90%			94.5%		
Completion rate of AML/CTF training (% of total workforce) ^{39,40}	91%			90%			94.5%		
Completion rate of data privacy training (% of total workforce) ⁴¹	91%			96%			92%		
Completion rate security awareness training (% of total workforce) ⁴²	82%			96%			97%		
Parental leave									
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Number of employees who took parental leave	405 (17.25%)	360 (11.64%)	765 (14.06%)	n/a	n/a	n/a	n/a	n/a	n/a
Compensation & benefits									
Number of employees participating in RSU program	4,678 (85.98 %)			3,773 (67.4%)			2,121 (57.5%)		
Political advocacy									
Spend on public affairs activities (SEK) ⁴³	34.1m			19.1m			n/a		
Global tax commitment									
Cash income taxes paid (SEK)	214m			229m			150m		

Governance			
Board of Directors in 2022			
By gender	Women	Men	Total
Board of Directors	2 (28.6%)	5 (71.4%)	7
Audit, Compliance & Risk Committee (ACRC)	2 (66.7%)	1 (33.3%)	3
Remuneration Committee	1 (33.3%)	2 (66.7%)	3
By type	Executive	Non-Executive	Total
Board of Directors	1 (14.3%)	6 (85.7%)	7
Audit, Compliance & Risk Committee (ACRC)	0	3	3
Remuneration Committee	0	3	3

³⁷. Includes employees and line consultants.

^{38, 40, 41, 42}. The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

³⁹. The ML/TF employee training is part of the mandatory Compliance online training.

⁴³. Restated due to improved data quality.

EU Taxonomy Compliance Report

As a licensed credit institution with more than 500 employees, Klarna Bank AB falls within the scope of the Non-Financial Reporting Directive (NFRD) (Directive 2014/95/EU)⁴⁴. All companies that fall within the scope of the NFRD must report in or alongside their annual report in accordance with the EU Taxonomy Regulation (hereafter “Taxonomy”) (Regulation (EU) 2020/852)⁴⁵. Klarna Holding AB (hereafter “Klarna”), defined under article 2 of the directive 2013/34/EU⁴⁶ as a credit institution, falls under the scope of the Swedish implementation of the NFDR – the Annual Accounts Act (ÅRL)⁴⁷.

In accordance with the EU Taxonomy Regulation, Klarna must provide quantitative and qualitative information on the proportion in its total assets of exposures to Taxonomy-eligible economic activities of the first two environmental objectives, namely climate change mitigation and climate change adaptation.

When estimates and proxies are used, disclosures under Article 8 of the Taxonomy Regulation may not be classified as ‘mandatory’ and should be classified as ‘voluntary’. To assess the eligibility of exposures, Klarna is often dependent on the information provided by its customers and

merchants. In many cases, this information is not yet available. Therefore, Klarna has used alternative methods and estimates which are described below under ‘Assumptions and methodology’. If eligibility would have been identified, these exposures would have been included as voluntary disclosures.

Reporting on eligibility this year for the climate objectives will prepare credit institutions for the more extensive mandatory report.

Quantitative information

The following section presents the quantitative information that Klarna is required to report for the financial year 2022, in accordance with Article 10 of the Disclosures Delegated Act. Table 1 displays the KPIs that have been calculated using the available data and a best-effort approach. The table is based on the template recommended by the EU Platform on Sustainable Finance for the disclosure of Taxonomy for credit institutions⁴⁸.

To ensure consistency between the financials in the annual report and the Taxonomy KPIs, the calculations are based on the same data used for Klarna’s financial reporting under Regulation (EU) 2021/451⁴⁹ (FINREP).

The percentage of coverage represents the proportion of each KPI in relation to the total assets, which are defined as the total on-balance sheet exposures excluding exposures to central governments, central banks, and supranational issuers.

At the end of the financial year 2022, Klarna’s activities eligible under the EU Taxonomy accounted for 0% of its total covered assets. The low eligibility score is a result of various factors such as data constraints, materiality evaluations, and the limited relevance of the current scope of the EU Taxonomy. In particular, with regards to its climate objectives, and to Klarna’s predominant exposures, namely households. Further elaboration on this can be found in the subsequent sections of the report.

Table 1. Klarna’s metrics in compliance with Disclosures Delegated Act Article 10

KPIs	Taxonomy eligible [SEKm]	Taxonomy non-eligible [SEKm]	% of coverage * (over total assets)
Total covered assets**		102,900	82%
Trading portfolio		0	0%
On demand inter-bank loans		1,759	1%
Derivatives		789	1%
Non-NFRD companies		9,936	8%
Other assets***		13,186	11%
Central governments, central banks and supranational issuers		22,493	18%
Total on-balance sheet assets		125,393	100%

* Proportion of the KPI over the total on-balance sheet assets.

** The total on-balance sheet assets excluding the exposures towards central governments, central banks, and supranational issuers

*** Klarna acknowledges the discrepancy in the “Other assets” figure presented in this report and the annual report. This discrepancy is attributed to the differing methodologies mandated for the GAR, as outlined in Table 2.

⁴⁴ [Official Journal of the European Union](#)

⁴⁷ [Finansinspektionen](#)

⁴⁵ [Official Journal of the European Union](#)

⁴⁸ [Platform on Sustainable Finance](#)

⁴⁶ [Official Journal of the European Union](#)

⁴⁹ [Official Journal of the European Union](#)

Qualitative information

To provide transparency and understanding of the reported metrics, Klarna is required to report accompanying qualitative information. The requirements for the qualitative information and its content are set out in Annex XI of the Disclosures Delegated act and are listed in the section “Regulatory reporting metrics”⁵⁰.

Scope of assets and activities covered by the metrics

The table below provides information on what is covered by each metric. The definitions correspond to those in the Disclosures Delegated Act and its Annexes, as well as references to other EU Directives.

Table 2. Description and content of the regulatory metrics

KPI	Content of metric
Total covered assets	Total loans and advances, debt securities, equities and repossessed collaterals and all other on-balance sheet assets on 31 December 2022 for Klarna Holding AB excluding exposures to central governments, central banks and supranational issuers.
Trading portfolio	All positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book as defined in Directive 2006/49/EC ⁵¹ .
On-demand inter-bank loans	Balances receivable on demand with credit institutions.
Derivatives	The definition of derivatives is in line with the definition of Klarna’s financial statements.
Non-NFRD companies	Companies that do not fall within the scope of the Non-Financial Reporting Directive (NFRD) such as SMEs, non-EU country counterparts, and other non-financial companies that fall out of the scope of the NFRD.
Other assets	Other assets cover cash, tangible assets, intangible assets, prepaid expenses and accrued income.
Central governments, central banks, and supranational users	Exposures to central governments, central banks, and supranational users. These exposures are not included in the total covered assets.
Total on-balance sheet assets	Total loans and advances, debt securities, equities, and repossessed collaterals and all other on-balance sheet assets on 31 December 2022 for Klarna Holding AB.

Assumptions and methodology

The purpose of this section is to provide a comprehensive explanation of the assumptions and methodology applied in Klarna’s EU Taxonomy disclosure for the financial year 2022.

The calculation of the KPIs adheres to the structure of the Green Asset Ratio (GAR), which is a mandatory KPI for credit institutions starting from the financial year 2023 and encompasses all on-balance sheet exposures.

The GAR categorizes the exposures to counterparts into four groups: financial corporations, non-financial corporations, households, and local governments. In order to assess the eligibility of these exposures, a four-step process was followed for each category: The eligibility of the exposures to the counterparts has been assessed through four steps for each of the categories:

- Identify Klarna’s exposures amount to the counterparts
- Identify eligibility of the exposures where data is available
- Estimate Klarna’s eligibility based on the amount of exposure to, and the eligibility of, the counterparty
- Structure the data in the GAR template and consolidate the findings in the reporting table (Table: Klarna’s metrics in compliance with Disclosures Delegated Act Article 10)

To assess the eligibility of the exposures, Klarna used different methods based on the categories to which it has exposures:

Financial corporations

the eligibility of this category is assessed based on publicly available sector information. To calculate the eligibility of the exposures towards financial corporations within the EU, Klarna first identified who its financial counterparts are and determined the eligibility amount reported in the counterparts’ annual reports for 2021. Afterward, Klarna estimated its own eligibility to financial corporations based on the exposure it has towards the corporations and their reported eligible amount.

Non-financial corporations

To identify eligible assets for corporations, Klarna analyzed its portfolio using the NACE industry codes as stated in the Climate Delegated Act⁵², which provides guidance on the industries/activities within the scope of the Taxonomy’s eligibility. The exposure to customers registered with the corresponding NACE code is fully included as eligible if the description of the activity closely matches the official NACE code description.

Households

All retail exposures or loans to private customers can be categorized as assets related to households. Since only the climate change mitigation and adaptation objectives need to be reported on this year, three types of retail exposures are identified as important to these objectives and are to be included under eligibility. These include exposures for the renovation of buildings and motor vehicles, as well as loans collateralized by residential immovable property. Klarna does not grant motor

⁵⁰ Official Journal of the European Union ⁵¹ Official Journal of the European Union ⁵² European Commission

vehicle loans or loans collateralized by residential immovable property. Therefore, only exposures for the renovation of buildings were considered.

Local governments

This category would be assessed based on the exposure Klarna has to the local governments and their eligibility reporting.

Since Klarna is a global payment and shopping service oriented toward retail customers, the majority of its covered assets come from what the Taxonomy refers to as “households”. Besides the latter category, the second largest share of the total covered assets is ‘Other Assets’.

It is not required to consider the eligibility of these exposures. The exposures to financial corporations, non-financial corporations, and local governments only made up a small share of the total covered assets.

The methodology, as described above, is likely to be updated as additional regulatory guidance on the EU Taxonomy is released, as the remaining four objectives come into play, as market practice changes, and as customers disclose their eligibility. The disclosed numbers may fluctuate as a result, and the data may differ significantly from the numbers presented.

Data limitations

In every category of exposure counterparts, Klarna faced some data constraints which affects the determination of the eligibility of the exposures. These are the following:

■ **Financial corporations**

When assessing the eligibility of the exposures towards financial corporations, data limitations are mainly found due to outdated public data. The eligibility of the counterparts is based on publicly available data from reporting in the previous year and therefore does not accurately represent information for the current year.

■ **Non-financial corporations**

Data limitations are mainly found in the use of NACE codes. Since companies may engage in a wider range of activities than indicated by the NACE code, the one reported by a customer may not accurately reflect all their business activities. As a result, the NACE proxy applied to each customer may underestimate or overestimate the activities of that customer’s eligibility. Furthermore, due to a limited granularity of the NACE codes and a relatively low exposure, non-financial corporations are not further considered for eligibility.

■ **Households**

For households, exposures for the renovation of buildings should be considered for eligibility. Since Klarna lacks product-level data, it is unable to determine what specifically is sold and whether the item is used for building renovations. Therefore, due to data limitations, household exposures that might be related to building renovation are not considered for eligibility.

■ **Local governments**

Currently, no data is available to the level required to assess the eligibility of the exposures towards local governments.

Summary of methodology and data limitations

The table below summarises the methodology and data limitations considered when assessing the eligibility of various exposure categories.

Summary of methodology and data limitations

KPI	Methodology	Data limitations
Financial corporations	The category is assessed based on the exposure Klarna had towards the financial corporations and their eligibility reporting over the fiscal year 2021	The eligibility assessment is based on estimates and the exposure was relatively low, therefore, this category is not considered for eligibility
Non-financial corporations	The category is assessed using NACE codes to determine the eligible activities of non-financial corporations	Due to a limited granularity in terms of its own NACE codes and a relatively low exposure, therefore, this category is not considered for eligibility
Households	The category is assessed based on the exposure Klarna had towards its merchants and their eligibility reporting over the fiscal year 2021	The eligibility assessment is based on estimates and the exposure was relatively low, therefore, this category is not considered for eligibility
Local governments	The category is assessed based on the exposure Klarna had towards its merchants and their eligibility reporting over the fiscal year 2021	Granular data to properly assess this category was not available, therefore, this category is not considered for eligibility

Taxonomy alignment in the business strategy, product design processes, and engagement with clients and counterparts

In the context of Klarna’s EU Taxonomy disclosure for the financial year 2022, it is expected that a larger proportion of loans made by the company to “households” will meet the eligibility criteria as the remaining four objectives become mandatory for reporting in the coming years. The circular economy objective holds the greatest potential impact on Klarna.

Klarna acknowledges the substantial role it can play in promoting sustainability by providing its customers with more comprehensive information to make informed purchasing decisions. In line with this, the company is engaged in various sustainability initiatives, including the Sustainable Collections initiative, the CO2 emissions tracker, and the promotion of circular shopping. These initiatives are described in detail in Klarna’s ESG report.

Klarna is exploring the synergies between its sustainability efforts and the Taxonomy. For instance, while collecting data for the Sustainable Collections initiative through platforms like Good on You, Klarna will also assess if the data required for the Taxonomy can be gathered simultaneously. Additionally, Klarna’s circular shopping initiatives have the potential to impact its Taxonomy eligibility and alignment in the future.

The company also recognizes its impact on its retail partners and has established processes and dialog tools to encourage sustainable e-commerce and sustainability goals. These dialogues can be leveraged to discuss the Taxonomy with retail partners as well.

Given the increasing efforts to adopt and comply with the Taxonomy, Klarna will continue to evaluate the best ways to integrate the Taxonomy into its business and processes.

Materiality

In the context of ESG reporting, Klarna endeavors to provide information regarding its environmental and social impact to stakeholders, investors, and customers. In this regard, ESG materiality helps to assess whether some information is relevant and important to the company’s ESG reporting. This helps to determine which sustainability topics Klarna should prioritize and, in turn, be included in the ESG report.

In regards to the EU Taxonomy disclosure for the financial year 2022, Klarna’s eligible exposure to financial and non-financial corporations was deemed low. Hence, taking into consideration materiality and data limitations, Klarna chose to exclude these exposures from its eligibility analysis.

Klarna provides loans to merchants that are considered as exposures to non-financial corporations in the Taxonomy. However, given the limited materiality of these exposures, they were not included in the eligibility analysis. The loans in question are a legacy product that is no longer offered and do not form a part of Klarna’s future strategy. Furthermore, the revenue generated from these loans represents a minimal portion of the total revenue. As a result, it was decided not to further assess the eligibility of these loans and they were classified as non-eligible.

Similarly, Klarna extends loans to retailers that are reported as exposures to non-financial companies in the EU Taxonomy. However, due to materiality considerations, these exposures were not considered in the eligibility analysis. Instead of relying on quantitative values, Klarna performed an internal, case-by-case evaluation to determine the relevance of the eligible amount.

Task Force on Climate-related Financial Disclosures (TCFD)

Core elements	TCFD Disclosure recommendation	Core elements
Governance	a) Describe the Board's oversight of climate-related risks and opportunities	The Board annually approves the ESG report which outlines Klarna's climate strategy, measures, targets and progress towards reaching its net zero commitment as well as its response to TCFD requirements.
	b) Describe management's role in assessing and managing climate-related risks and opportunities	The Sustainability Lead is responsible for Klarna's environmental programs. In addition to this, the Chief Marketing Officer (CMO) holds overarching accountability for these programs within the CXO team. He is closely supported by the sustainability teams, whose objective is to drive and implement environmental initiatives across Klarna. These two specific teams, including its Sustainability Lead, report directly to the CMO. At least once per quarter, the CXOs and Sustainability Lead assess and manage climate-related risks and opportunities, alongside those relating to our other products, services, and operations.
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Policy & Legal (medium term) As a company, we are exposed to transition risks that stem from emerging regulation, especially with regard to increased emissions reporting mechanisms and carbon pricing. With increasing regulatory focus and expectations on climate change, there are increasing expectations on Klarna, especially regarding climate reporting (e.g EU taxonomy, Corporate Social Responsibility Directive (CSRD), EBA Pillar 3 ESG disclosures). This presents the risk that Klarna faces increasing compliance obligations with these regulatory expectations. There is also a risk that we are not adequately reporting on climate change risks. The increase in operational effort is linked to an increase in costs associated with compliance, and if non-compliant there is a risk of facing regulatory costs (i.e. fines) or litigation.

Core elements	TCFD Disclosure recommendation	Core elements
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term <i>continued</i>	As for carbon pricing, regulation could impact costs, our ability to operate, and the return on investment. A tax on carbon emissions, or other policies intended to reduce private-sector emissions, would increase Klarna's operational costs as our current carbon footprint today is heavily weighted towards Scope 3.1 (Purchased goods & services). This tax could potentially impact Klarna in at least two ways. First, in the instance Klarna is included within scope of carbon emission tax legislation, Klarna would be liable to pay additional taxes for its direct emissions, and our suppliers to pay extra taxes for theirs, which could result in price increases being passed on to Klarna and our users. Second, this tax could be applied to our suppliers who would face higher operating costs, which then could be passed onto us. We consider that this risk could impact Klarna in a material way over a three to five-year time horizon – however, based on our risk assessment methodology, the impact is low financially and reputationally. Due to the time horizon and the uncertainty of potential drivers, we are mitigating this risk through our current program of activities. To determine what further action we could take, we will continue to monitor this.

Core elements	TCFD Disclosure recommendation	Core elements
Strategy	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term</p> <p><i>continued</i></p>	<p>Market (medium term) Klarna’s business model is based on users purchasing products. It is expected that as user awareness increases around climate change risks, such as shipping costs driven by carbon pricing mechanisms or companies not taking enough proactive preventative action, their purchasing behaviors may change. Climate change has the potential of decreasing user consumption, especially in industries that have a high carbon footprint (e.g. fast fashion). This could result in a gradual decrease in consumption and therefore volume for Klarna.</p> <p>Our business enables users to buy more smoothly online. If they decide to purchase fewer products to reduce their consumption behavior (e.g., moving away from fast fashion) or reduce their shipping emissions, this directly impacts our revenue and business metrics. Although we may see a decreasing volume of fast fashion goods that are generally cheaper, we could see a shift towards goods that are made more sustainably that are generally priced high, and an increase in goods in the secondary goods market (second-hand, fixing damaged goods), which could partly mitigate the shift away from other industries. One focus of Klarna’s environmental action program is to inform consumers of the environmental impact of their choices (e.g., CO2 Emissions Tracker). While this will not reduce this risk completely, we consider these steps will help mitigate this risk for Klarna. We are continuing to monitor our planned activities and how this risk crystallizes over time.</p> <p>Reputation (medium term) Klarna has included risks aligned to the TCFD framework to understand the climate risks that are most likely to impact and will have the largest impact on our business. An example of this risk type is the reputational impact that partnering with a retailer or supplier who is carbon intensive or does not comply with climate-related commitments could have on our business, as we have numerous partnerships across our business. In addition, there are also reputational risks associated with Klarna not meeting regulatory expectations or climate-related commitments that we have publicly committed to.</p>

Core elements	TCFD Disclosure recommendation	Core elements
Strategy	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term</p> <p><i>continued</i></p>	<p>Acute Physical (long term) Klarna’s business relies on us having customers that buy products from merchants around the world – we currently have circa 500,000 retail partners in 45 countries. As climate change worsens, extreme weather patterns could impact our operations or our merchant’s production and delivery capabilities. This is especially the case in geographic zones that are prone or could become prone to, extreme weather patterns (e.g. California’s fires, Australia’s recent flooding, Florida’s hurricanes, etc.) In such scenarios, business would be interrupted. We are a globally diversified business and to a large extent, we expect that acute physical impact will be limited to certain geographies and markets. Based on Klarna’s risk assessment methodology, this risk level is also considered to be low.</p> <p>Chronic Physical (long-term) Klarna has included risks aligned to the TCFD framework to understand the climate risks that are most likely to impact and will have the largest impact on our business. Similarly, to acute physical risks, chronic physical impacts from climate change can also impact our retailers in terms of operating costs which could impact their ability to repay Klarna. Also, chronic physical events may lead to increasing prices over time (e.g., increasing home costs to protect against events) which can decrease user spending on Klarna’s platform.</p> <p>Opportunity ahead We see several opportunities relating to climate change, particularly in our strategy to further promote environmental awareness and knowledge among employees, customers, and partners. As Klarna allocates funds towards the carbon marketplace (e.g., carbon removals) and reduces its own operational emissions, we have the chance to stand out among payment and retail platform companies as a low-emission option. This could drive increased demand for our services from a customer base wanting to interact with climate-forward brands. Klarna’s platform brings together merchants from around the world, and we help them accelerate their businesses. We want to go further by enabling them to reduce their emissions and support them in understanding how much CO2 their products and deliveries emit. This could move Klarna’s business forward by increasing the number of merchants that choose to accept Klarna’s payments.</p>

Core elements	TCFD Disclosure recommendation	Core elements
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	The risks could increase Klarna's operating costs and potentially decrease revenues due to reduced demand for products and services or decreased supply of goods. We are monitoring the risks on an ongoing basis and aim to set up an internal ESG policy to help strengthen our ESG governance practices and mitigate emerging regulatory risks. Generally, Klarna estimates risks and values them internally with a price, and we intend to complete this exercise for climate risks within 2023.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2-degree or lower scenario	Klarna does not yet take climate change scenarios into consideration in its climate strategy analysis and further development, but we are currently looking into the financial impact that climate risks could have on our volumes in different climate scenarios.
Risk Management	a) Describe the organization's processes for identifying and assessing climate-related risks	Klarna considers ESG as both a business risk in how it can impact us achieving our business objectives and also a driver of other risks such as the potential to increase operational incidents or business continuity. We conducted a double materiality assessment in 2021 to understand our most material sustainability topics, using views from both internal and external stakeholders. In 2022, we also conducted an ESG risk assessment, including climate change risks, across all of Klarna's operations to identify how ESG risk impacts our business, both as a risk in itself and as a driver of other risks. We used climate change risks (physical and transition) as a key theme and worked with key teams to understand how it could impact their business area and how their business area could impact climate change. We considered the current mitigating actions and based on the action applied a residual likelihood and impact score to derive an overall risk rating. For the top priority areas, we developed recommendations to further mitigate the risk. The actions, as well as the responsible team and timeline, were entered into our Risk Control tool to monitor their progress. The ESG risk assessment will be updated and reviewed annually.
	b) Describe the organization's processes for managing climate-related risks	Our approach identifies, assesses, manages, and monitors Klarna's key risks. In 2021 and 2022, we strengthened the connection between our ESG governance and risk management approaches. Klarna's main climate risks are focused on the impact of changing weather conditions on our own operations, and on Klarna merchants' industries.

Core elements	TCFD Disclosure recommendation	Core elements
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<p>The purpose of risk management is to protect Klarna's long-term survival, manage volatility in financial performance, promote operational resiliency and excellence, and enable good decision-making. Klarna's approach is based on three lines of defense model, which defines roles and responsibilities for risk management and control:</p> <ol style="list-style-type: none"> 1. Business line management: "Risk owned"; 1st line of defense; Own risk management activities; Performance of necessary controls to secure acceptable risk exposure. 2. Risk Control, Compliance, and Engineering Assurance: "Control functions"; 2nd line of defense; Established policies and framework, provides advice, facilitates risk assessment and independent control, including reporting of adherence to risk appetites, limits, and frameworks. 3. Internal Audit: "Risk assurance"; 3rd line of defense; Commits to an annual risk assessment.
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<p>Klarna monitors a range of metrics to assess climate-related risks and opportunities. The four main metrics come from Klarna's emissions, revenue intensity, renewable energy usage, and carbon removal credit purchases.</p> <p>To calculate our emissions, Klarna uses an operational boundary approach in accordance with the Greenhouse Gas Protocol on corporate accounting and reporting. This results in a comprehensive breakdown by scope and category. Scope 1 comes from direct emissions from activities such as the heating supply in our office, scope 2 comes from indirect emissions from the electricity that powers the offices and buildings that we rent, and scope 3 comes from indirect emissions from all other activities we engage in, including across the entire supply chain, our employees' business travel, and the energy used to run the services we obtain.</p> <p>Klarna then measures the intensity of our emissions over revenue which puts into perspective our emissions per dollar earned. Additionally, we measure our renewable energy utilization and the tons of carbon removals purchased per year.</p>

Core elements	TCFD Disclosure recommendation	Core elements
	<p>b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p>	<p>In order to take targeted reduction measures in the coming years, we must effectively track our carbon footprint. We work with our partner Watershed to calculate the net emissions of each business activity and follow the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.</p> <p>Emissions are calculated in kg CO₂e and reported in metric tons CO₂e. We use the data to calculate the carbon footprint (i.e., a corporate inventory of GHG emissions and removals) by multiplying Klarna activity data by a corresponding emission factor for the respective activity.</p> <p>Scope 1: 281 tCO₂e Scope 2: 66 tCO₂e Scope 3: 146,918 tCO₂e</p> <p>Please see related risks under Strategy a).</p>
	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</p>	<p>Klarna has opted to follow the WWF and BCG Blueprint for Corporate Climate Action, which serves as a guide for companies to measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects. Our commitment has three broad components: by 2030, we will reduce 50% of our carbon-intensity-based emissions in line with the Paris Agreement. By 2025, we will ensure that all of our locations reach 100% green electricity usage. And by 2040, our company aims to operate at net zero.</p>



Klarna.



Revisorns yttrande avseende den lagstadgade hållbarhetsrapporten

Till bolagsstämman i Klarna Holding AB, org. nr 556676-2356

Uppdrag och ansvarsfördelning

Det är styrelsen som har ansvaret för hållbarhetsrapporten och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

Vår granskning har skett enligt FARs rekommendation RevR 12 *Revisorns yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för vårt uttalande.

Uttalande

En hållbarhetsrapport har upprättats.

Stockholm den 24 februari 2023

Ernst & Young AB

Jesper Nilsson

Auktoriserad revisor