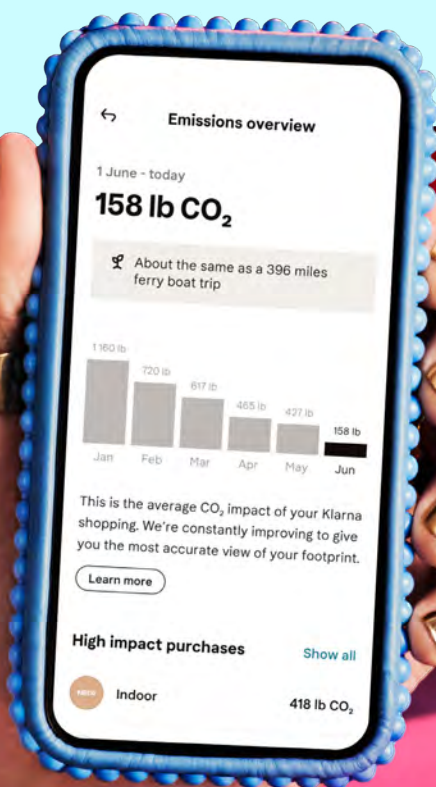


Climate report 2020/2021.



Klarna.

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Foreword.

Climate change poses one of the greatest challenges for humanity. And as our collective impact on the planet becomes more evident, so do the calls for action. At Klarna, we acknowledge that we're part of the problem, and that's why we aspire to be part of the solution. We also know that our customers, employees, partners and investors expect us to take action, and so they should.

Since our last Climate Report (2019 disclosure) that was published in early 2020, our focus has been to look beyond our own operations at how we can create real, lasting change. In 2020, Klarna achieved carbon neutrality across all operations, as calculated from the baseline outlined in 2019. We have since realized that this is not enough, and have shifted our focus to supporting projects which actively remove carbon emissions.

We are committed to addressing the environmental challenges the world is facing with particular urgency. To achieve this, we're setting ambitious carbon emission targets and supporting initiatives that mitigate climate change and biodiversity losses. In April 2021, we also pledged 1% of future funding rounds to planet health action initiatives, specifically

targeted towards conservation, mitigation, and restoration efforts with regard to the climate and biodiversity challenges. Furthermore, we have implemented an internal carbon tax that is channeled into effective climate projects.

This report will disclose Klarna's GHG emissions for the 2020 period and discloses climate-related information following the Task Force on Climate-related Financial Disclosures (TCFD). However, unlike previous reports, it will not just offer a retroactive disclosure. Instead, it will provide transparency over recent and upcoming initiatives in 2021, which will contribute to driving positive change for people and the planet.

Thank you for reading.

About Klarna

At Klarna, we make shopping smooth and allow customers to buy now and pay later, so that they can get what they love today. Our offering to customers and retailers includes payment solutions, social shopping experiences, and better ways to manage personal finances. Over 250,000 merchants, including H&M, IKEA, Expedia Group, Samsung, ASOS, Peloton, Abercrombie & Fitch, Nike and AliExpress, have enabled Klarna's innovative shopping experience online and in-store. And today, we are one of the most highly valued private fintechs globally with a valuation of 45.6 billion USD.

Founded in 2005, Klarna has over 4,000 employees and is active in 17 countries. For more information, [visit klarna.com](https://www.klarna.com).

Klarna has been backed by Sequoia Capital since 2010 and more recently by Dragoneer, Bestseller Group, Permira, Visa, Atomico, Ant Group and Silver Lake, HMI Capital, TCVC, the Commonwealth Bank of Australia, Softbank, Chrysalis Investment Company Limited, alongside funds and accounts managed by BlackRock, among others.

Klarna Holding AB's wholly owned subsidiary Klarna Bank AB (publ) is a registered bank and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen).



Strategy.

The challenge

Climate change poses significant challenges, and there is no one straightforward solution to this. With every generation, the expectation of companies like Klarna to find innovative solutions increases, and so too does the demand for guiding consumers along the way. More than ever, consumers are making a statement with their wallets by shopping with brands and products that align with their values, and paying more for those that are committed to protecting the planet. There is also an increased expectation for more transparency, education and enablement to become available via our products and communications. And we see a lot of opportunity in this, acknowledging that we can always do more.

The discourse around climate change has only intensified following the UN Climate Report's recent

publication, which declared a 'code red for humanity.' This latest evidence rings loud and clear – the world must take urgent action to immediately bring down carbon emissions. Further, the 2021 Intergovernmental Panel on Climate Change (IPCC) report predicts there is a great danger that the 1.5°C global warming threshold will be exceeded in the next decades. Without an immediate, rapid, and comprehensive reduction of greenhouse gas emissions, limiting warming to just under 1.5°C or even 2°C will be unachievable. If targets are to be met, global greenhouse gas emissions need to be drastically reduced to half by 2030, and zeroed out by 2050. Importantly, we must address the emissions that are already in the atmosphere by 2030, and ultimately, reach 'net zero' emissions before then. This means that humanity must remove as much carbon as it emits each year.

32%

said they would be prepared to pay more to ensure a commitment to protecting biodiversity*

1 in 3

consumers stopped buying certain products due to sustainability-related concerns*

15%

consumers say they don't have the information they need to make more sustainable choices*

Our approach to climate action

Klarna has opted to follow the WWF and BCG blueprint for corporate climate action. It provides guidance on how companies measure and display their emissions, set targets to reduce them, price what is remaining, and then financially contribute 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. This includes ensuring that all of our locations reach 100% green electricity usage by 2025. And by 2040, our company aims to operate at net zero.

* Source: Deloitte Sustainable Consumer Study



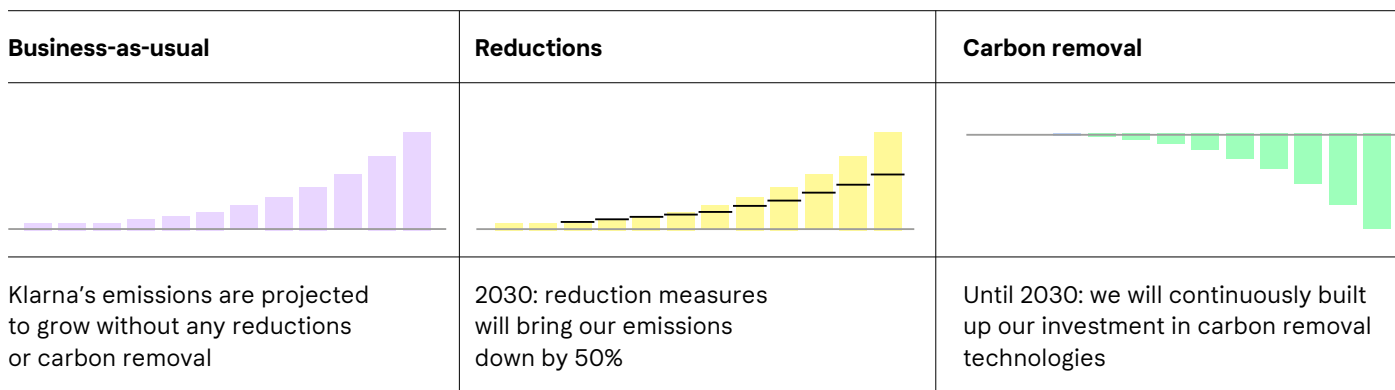
Our approach to climate action

To build momentum around the shift to a decarbonized economy, we have committed to the [Climate Pledge](#). By partnering with several existing organizations to drive meaningful change, we're joining corporate leaders in going further and faster on climate action. To cement our dedication to making meaningful contributions in this space, Klarna has also partnered with the company [Watershed](#) and joined the [Race to Zero](#) – a UN-backed global campaign that aims to halve global emissions by 2030, and reach net zero by 2050 at the latest. In addition, we have also submitted our first [Carbon Disclosure Project](#) questionnaire, gaining valuable insights into where we can improve our carbon reduction efforts.

Reducing our footprint.

Klarna has set a target to reduce emissions by 50% by 2030. This will be achieved in different ways, such as working with suppliers to reduce their emissions, buying zero-carbon electricity, and reducing business travel and commutes. Klarna is working closely with [Watershed](#) on measuring our emissions and finding ways to reduce them. And with the help of their software, which tracks our carbon footprint, we can plan better and take further steps to reduce emissions.

Figure A – Klarna's plan to achieve a 50% reduction in carbon emissions by 2030



Description for Figure A:

This graph provides an overview of our climate strategy. As described above, we aim to urgently cut our carbon emissions by more than half by 2030, both for our direct emissions and for our entire supply and value chain. This means reducing our carbon emissions against a business-as-usual scenario (the yellow bar) by over 50% in 2030 (the black line). And while reducing carbon emissions emitted today and in the coming years, we can also take action in removing carbon emissions from the atmosphere (the green bar).

We plan to reach our reduction targets in 2030 through a number of initiatives that directly combat our core emission areas (see Figure B). There are two ways in which we aim to do this: firstly, through neutralizing our own business operations, and secondly, via initiatives beyond our own operations.

Initiatives to reduce our footprint

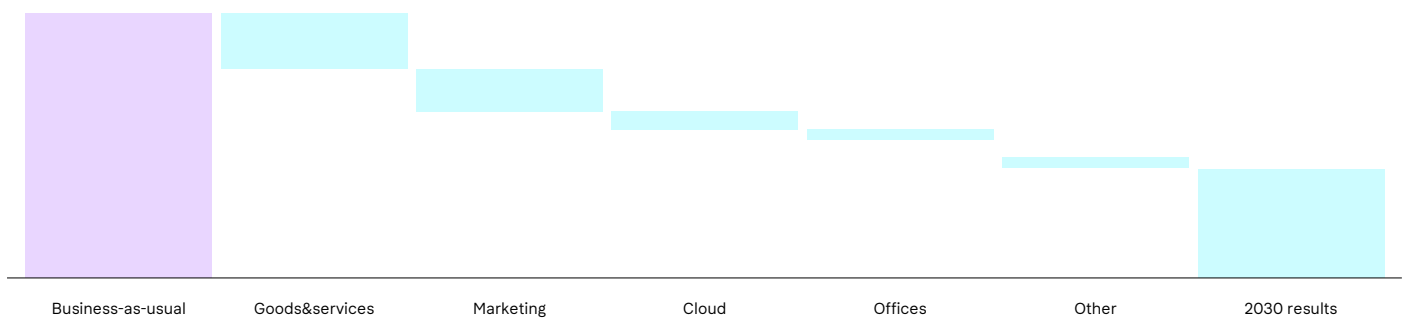
We have already started on our goal to only use green electricity by default – as soon as possible and by 2025 at the latest, 100% of the electricity used in our offices around the world will come from renewable energy sources. Our headquarters in Stockholm and our two offices in Berlin already switched to green energy in 2020. And wherever we

rent flexible working spaces, we are discussing possibilities with our suppliers regarding this switch. In addition, we will go further by encouraging our suppliers to measure and reduce their own emissions, establish a zero-carbon cloud infrastructure, increase our clean power purchasing efforts, and reduce business travel and commutes.



Figure B

Planned Reduction of Business-as-usual emissions across different categories to reach 2030 target.



We are doing this by creating transparency around the carbon intensity of the services we attain, and aiming to reduce these emissions in collaboration with our teams and partners. For instance, Klarna's datacenter workload expands as we grow to serve more customers and merchants with our products. By moving all of our seven datacenters capacity to the cloud, we have already become more efficient – instead of having a fixed set of servers running

24/7, we are now more flexible in how we use and release resources. We can do this by allocating more servers when experiencing a peak in customers using our services, and scaling down again when it subsides. We are continuously seeking ways to optimize in this area, and to create a deeper understanding of what climate impact our services have on our suppliers. In the process, we also engage them to identify optimal solutions themselves.



Our GHG emissions 2020

In order to steer purposeful reduction measures in the coming years, we need to effectively track our carbon footprint. We follow guidelines from 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 are sometimes presented in metric tonnes of CO₂e. Together with our partner [Watershed](#), we use the data to calculate a carbon footprint (i.e. corporate inventory of GHG emissions and removals) by multiplying Klarna activity data by a corresponding emissions factor for that activity.

We follow the GHG Protocol's guidelines – the leading global reporting standard for carbon calculation and corporate emissions – when calculating our Scope 1 - 3 emissions. To account for carbon emissions, we have classified them into three categories, or "Scopes." These are:

Scope 1	Direct emissions from activities – such as the heating supply in our offices.
Scope 2	Indirect emissions that come from electricity that powers the buildings we rent.
Scope 3	Indirect emissions from all the 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, e.g. cloud and marketing services.

Our carbon footprint increased by 73% YoY from 2019. The majority of our carbon emissions stem from services and goods, with the top emissions coming from marketing, labor costs, cloud and payment services. Our emission intensity in 2020 increased by 32% YoY to 70 t CO₂e per 1 million USD revenue. This was mainly due to a strong increase in emissions from marketing and payment services. In 2030, it is our goal to bring this indicator down to 35 t CO₂e per 1 million USD, while removing as much carbon as possible as we move towards this target.

GHG Protocol Category	2020 (t CO ₂ e)	YoY change (%)	2019 (t CO ₂ e)
1 Scope 1	396	61%	246
2 Scope 2	761	112%	358
3 Scope 3	86,972	73%	50,414
Emission Intensity tCO₂e per 1M USD of revenue per year	70	32%	53

Incentivizing transformation – internal carbon tax

For Klarna, the process of decarbonization and CO₂ removal needs to happen in tandem, and quickly. Our decarbonization measures aim to achieve a reduction in line with the Paris Agreement by 2030. In addition, we have introduced an internal carbon tax in 2021, linked to a substantial financial commitment to incentivize an internal shift to low-carbon products and services. This helps us drive climate-related action that removes carbon from the atmosphere today, and clears the way for future climate-friendly solutions.

Klarna has set a high price on carbon - 100 USD for emissions under the company's control (Scope 1, 2, and travel emissions), and 10 USD for indirect emissions (rest of Scope 3). In contrast, most of the companies that report using internal carbon pricing in Europe have set their thresholds at around 27 USD per metric ton. We believe the true cost of greenhouse gas emissions is high, both based on what the social cost of carbon is deemed to be, and the long-term cost to remove and permanently store CO₂. Our efforts to price carbon try to reflect this, as well as the differentiated responsibility companies have for their different emission Scopes.

Since it affects department budgets within the company, the internal tax on carbon that is invested in climate solutions both works as a tool to reduce emissions, and as a way to take responsibility for their negative impact.

1. Scope 1, 2, and travel emissions will be taxed at **100 USD*/tonne**
2. The remaining Scope 3 emissions will be taxed at **10 USD*/tonne**

Overall, we promote the usage of less CO₂ intensive services by introducing tax on our emissions. For our carbon emissions in the 2020 fiscal year, we already implemented this tax approach broadly. Based on the emissions created, the internal tax amounted to **1.05 million USD**. Going forward, we will now work to integrate it across the business, and especially in our teams. In doing so, we hope to find ways to apply the tax to decision-making processes, and to ensure it has an impact on business steering. We believe it is essential to educate teams on why they need to consider their carbon footprint (including the tax associated), and to enable them to work towards net zero emissions.

88,129

t CO₂e, Total GHG emissions in 2020

100 USD

For all scope 1,2 and travel emissions

10 USD

For all remaining scope 3 emissions

1991

t CO₂e, carbon removal services contracted

3333

Gold standard certified verified emission reductions

Climate Transformation Fund – how we bring our carbon tax to life

Klarna invests the funds from the internal carbon tax into projects selected from the [climate transformation portfolio](#) (CTP), using donations platform [Milkywire](#), and enables consumers to do the same. The funds are invested in high impact projects, including permanent carbon removal, reforestation and forest protection, and decarbonization projects among others. The portfolio focuses on selecting effective and transformative projects in all these areas, reflecting the needs for climate finance. This year, Klarna will contribute over 1 million USD to the portfolio, and will continually select other projects based on the internal tax on carbon.

We made a meaningful financial commitment by introducing this internal tax, and we aim to leverage this to maximize the positive climate impact (the green bar). This is why we created a portfolio of high-impact climate projects with the help of external experts. Initially, we looked at over 50 different projects. Starting in 2021, we started to support **11 projects**, including four with a carbon removal focus, and forest projects (see following pages). Going forward, we will continue to support, as well as select, other projects to build towards our net zero ambition by 2040.



Carbon Removal



Restoring &
Protecting Nature



Moving away
from fossil fuels &
decarbonization

With this approach, we are trying to create as much impact per dollar as possible, rather than buying only a set amount of carbon credits. This also opens up possibilities to support solutions such as policy change and new technologies. For many projects, especially the ones of nature-based solutions such as reforestation, the impact is rarely limited to carbon emission reductions. We also focus on projects that prevent other negative environmental and social consequences in relation to human rights. In this way, we aim to support those most vulnerable to the impact of the climate crisis. We believe that this is an approach that can inspire others to also set ambitious targets, put a price on their emissions, and contribute to the vital climate solutions the planet needs.

This year, we identified and selected the projects together with our partner [Milkywire](#), and we are looking to 'seed' and 'scale.' In the selection process the focus was on finding projects with a high catalytic effect. Other important criteria were ensuring high permanence, additionality, effectiveness and verifiability of projects. Co-benefits for people and nature, and a low risk for adverse effects were also important factors. In this context, for example, 'seed' means supporting new technologies such as Heirloom, new biochar projects and other initiatives, and 'scale' corresponding to already established solutions such as reforestation. In total, this year's Carbon Transformation Portfolio is supporting 11 projects.

“This year, Klarna will contribute over 1 million USD to the portfolio, and will continually select other projects based on the internal tax on carbon.”



Carbon removal

USD

Heirloom

150K

Heirloom is a new company developing promising, novel direct air capture technology to extract CO₂ directly from the ambient air using common minerals. The process starts by maximizing the mineral surface area exposed to the ambient air. After absorbing CO₂ like a sponge, the minerals are heated, releasing the CO₂ from the mineral so it can be captured and stored underground permanently. Their goal is to be able to do this at a cost of less than 100 USD per ton. We are one of their earliest customers, helping them remove their first tonnes and get started on their journey to remove and store CO₂, cheaply and at scale.

73/t

of CO₂ is to be removed
by the end of 2024

HUSK

100K

When you grow rice, you get leftover husks that can either be burnt or decomposed, releasing the carbon stored in the plant. Husk in Cambodia creates biochar from the rice husks instead, stabilizing the carbon. Together with nutrients, this biochar is then used as fertilizer by organic farmers, restoring soil health and increasing yields. Our support is helping Husk build their second biochar facility.

1000/t

tonnes of CO₂ is to be
removed by 2023

MASH Energy

100K

MASH Energy creates biochar from leftover biomass. The company is active in India, where they target regions with arid and semi-arid soils which benefit greatly from the added biochar. This process not only creates a carbon storage but simultaneously contributes to reduced air pollution, using agricultural residues that would otherwise have been burnt. Our support is helping them build their second biochar facility, as well as enabling MASH to remediate the lands involved for farming, thereby enhancing the livelihoods of the local community. All carbon removal credits created in this project were issued through a fully-digitized marketplace and platform Carbonfuture.

846/t

is to be removed by 2023

Climeworks

65K

Climeworks empowers people to reverse climate change by permanently removing carbon dioxide from the air with its direct air capture technology. The air-captured CO₂ is returned to earth, stored safely and permanently away for millions of years. By becoming a customer to Climeworks' carbon dioxide removal service, we contribute to the scale-up of their solution.

72/t

of CO₂ is to
be removed by 2028

Total

415K

Restoring and protecting nature

USD

JustdiggIt, Tanzania

100K

Many small farmers in warm countries would like to have more trees on their farms. These trees contribute to more water remaining in the ground and create shade for plants to grow. 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. With this initiative:

Supported in collaboration with WRLD foundation.

approx.

270

of CO₂ is to be removed
by the end of 2024

approx.

5,600

people will be
positively impacted

approx.

1,316

hectares will be
under restoration

approx.

20,000

tonnes of CO₂ will be
removed over 20 years

With one seed, Timor Leste

100K

WithOneSeed is using a unique approach for reforestation, paying small-scale farmers in Timor Leste to grow and maintain new trees on their land. The farmers get paid every year to take care of the trees, with each tree being tracked via an RFID chip and visited by project staff every year. This Gold Standard certified project has led to the building of village economies, the creation of jobs and higher incomes for the local subsistence farming communities and captures CO₂ sustainably. Our support will lead to 3333 tonnes of CO₂ being removed.

3333/t

tonnes of CO₂ being removed

Warsi, Indonesia, forest protection

100K

It's a huge problem that rainforests are being cut down to make room for palm oil plantations or livestock. Stopping deforestation is one of the key aspects of solving the climate crisis. Warsi in Indonesia helps local communities get forestry licenses for their land so they have the legal right to it, and can prevent it from being cut down. Our support enables them to create new projects, and protect approximately 40,500 hectares through community land tenure in 4 villages. In total, the estimated carbon dioxide protected will be 700,000 tonnes.

Supported in collaboration with WRLD foundation.

700,000 /t

total estimated carbon
dioxide protected

Total

300K

Decarbonization and advocacy

Note: all of these projects are supported in collaboration with WRLD foundation.

USD

Biomass gasifier, Tanzania

100K

50,000 people live on Mafia Island in Tanzania. However, as it is not connected to the national electricity grid on the mainland, it is almost entirely dependent on diesel generators. A new renewable power source is being developed by a local company, utilizing residues from old, unproductive coconut trees and native coppice crops, which are gasified to generate electricity and heat. Our support enables this project to scale up and move from a pilot facility to a bigger one. Renewable energy reduces the amount of diesel burnt, leading to lower emissions.

Human Rights Watch, coal project

100K

Reining in coal power is essential to solve the climate crisis, but unfortunately, it is still a very large part of the world's energy mix. The organization Human Rights Watch is focusing on the health damages coal power plants have on the local population to help deter government support for them. By pressuring decision-makers and mobilizing public support, Human Rights Watch hopes to be able to accelerate the transition away from coal.

Clean Air Task Force. The Africa Energy and Climate Innovation Program

100K

Africa is the continent with the greatest need for more energy. The energy needs to be clean, affordable and reliable. The organization Clean air task force is building on their previous highly successful decarbonization work in the US and has created an Africa 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 micro grids for household consumption. We believe their work has a high chance of influencing the clean energy development in Africa and our support helps them scale up the project.

The ClimAccelerator Program

35K

In the process of identifying projects, it has become evident that there is a need for many more companies to develop carbon removal solutions. Two research institutions, TU Delft and ETH Zurich sus.lab, have partnered with Climate KIC and other partners to create an accelerator for new European carbon removal startups in order to develop new solutions. Our support contributes to getting the initiative off the ground.

Total

335K

Total portfolio

1 050 000

Promoting climate change mitigation beyond our own footprint

As a responsible company, Klarna cannot just look at the environmental impact of its own operations when it comes to mitigating climate change. That is why we are convinced that we need to encourage over 90 million customers in 17 markets (and rising), and over 250,000 merchants, to take action. We believe that by creating opportunities for them to do so will be key to successfully and effectively reducing emissions.

Give One

The Give One initiative is the starting point of Klarna's contributions to our planet's health. Launched on Earth Day 2021, Klarna committed to donating 1% of all funding rounds to planet health action initiatives, specifically targeted towards conservation, mitigation, and restoration efforts for the climate and biodiversity. At the time, this equaled 10 million USD, however as at October 2021 it reached 16.5 million USD due to additional funding rounds. The first third of this will be disbursed by the end of 2021.

As part of this initiative, we also made it easy for our 90 million active customers to make donations in a transparent way, and 58,000 USD has already been donated at the checkout in the Klarna app since launch. In choosing this

approach, Klarna is making contributions to effective climate projects in more innovative ways, while also giving our customers direct access to contribute. Around the globe, we are providing a way for shoppers to donate to charitable organizations focusing on the planet's health. Through the partnership with Milkywire, donors can also support local grassroots projects directly, connect with experts working in the field, and see proof of the impact by following their progress through weekly video updates on the Milkywire app.

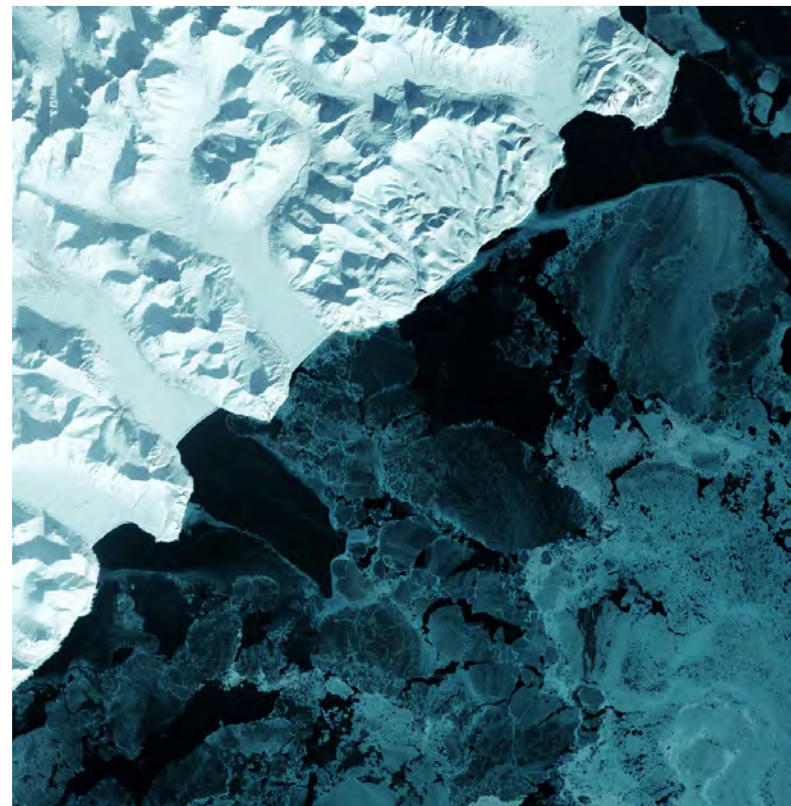
As part of the initiative, we are making our a approach to planet health action publicly available via giveone.com/impactapproach. Through this, we hope to inspire and trigger more companies to follow suit.

CO₂ Emissions Tracker

In addition, we have launched the Carbon or CO₂ Emissions Tracker in our app. Powered by Doconomy's Åland Index, it offers CO₂ insights for all the shopping purchases our 90 million customers make through Klarna. This is a response to our customers' increasing demands to better understand how their purchasing power affects the planet, and they can see this impact directly in the Klarna app. Presented through average kg CO₂ assessments made on each transaction, customers are then encouraged to take action on those emissions by donating to a Climate Transformation Portfolio. The new feature brings to life one of the largest awareness efforts on carbon footprints ever made, by making CO₂ data accessible on a global scale.

The feature has seen a strong positive trend since its launch, with page views having tripled since May 2021. Klarna is working to improve the accuracy through deriving the calculations at a product level, rather than a category one - for example, currently, the tracker can tell whether you have been to the florist or the dentist, but not whether you bought roses or tulips. In the future, we want to utilize each line-item transaction data to perform more accurate CO₂ calculations. Until now, we have only been able to process a general merchant category code, which is a high-level representation of the merchant's product portfolio.

Alongside using transaction data, we plan to integrate our merchants throughout this journey even more. We are thinking of adding the possibility for them to co-create the calculations displayed in the app. Our ambition is to provide relevant emission data that will impact customers' shopping choices so that average CO₂ emissions per Klarna purchase will drop significantly over time.



Reforestation partnership with Scotch & Soda

We are also committed to working with our retail partners on positive climate action. In June 2021, we announced a joint campaign with Scotch & Soda and Dutch NGO Trees for all supporting global reforestation efforts.

Risk management.

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 (please see the diagram below).

Board and Executive Management Overall Responsibilities

Business line management	Risk control, Compliance and Engineering Assurance	Internal Audit
<p>“Risk owned” 1st line of defense</p> <p>Own risk management activities</p> <p>Performance necessary controls to secure acceptable risk exposure.</p>	<p>“Control functions” 2nd line of defense</p> <p>Established 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 defense</p> <p>Tests, validates and assesses efficiency in governance, risk management and internal control processes and activities.</p>

Klarna manages risk within its risk appetite, and the maximum risk accepted to achieve its objectives. This risk appetite and these risk limits are decided by the Board and reviewed and updated regularly, at least once annually. Our approach identifies, assesses, manages and monitors Klarna’s key risks.

In 2021, 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.

Policy & legal

As a company, we are too exposed to transition risks that stem from increased carbon emission pricing and emission reporting obligations. Carbon pricing mechanisms could have an impact on 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 operation costs. Given our carbon footprint today, this is heavily weighted towards Scope 3.

This tax could potentially impact Klarna in at least two ways. Firstly, Klarna would be liable to pay additional taxes for its direct emissions, and our suppliers to pay extra taxes for theirs. This could result in price increases being passed on through to Klarna and onto our customers.

Secondly, because this tax could incentivize businesses to increase their clean energy and carbon purchases to reduce their tax liabilities, the price of renewable energy credits and other contractual instruments might increase. This could result in greater costs for Klarna and our supply chain.

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.

Market

As customer awareness increases around climate change risks – for example, with regard to shipping costs driven by carbon pricing mechanisms, or companies not taking enough proactive preventative action – it is possible that their purchasing behaviors may change. Our business enables customers to buy more smoothly online, and if they decide to purchase fewer products to reduce their consumption behavior or to reduce their shipping emissions, this has a direct impact on our business metrics.

One focus of Klarna's ESG activity program is to inform consumers of the environmental impact of their choices. 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.

Acute physical

Klarna's business relies on us having customers that buy products from merchants around the world – we currently have 250k+ retail partners in 17 markets across three continents. 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, Germany's recent flooding, 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.

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 carbon marketplaces (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 towards 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. In this, we want to go further by enabling them to reduce their emissions, and support them in understanding the emissions 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.

Governance.

To ensure success, Klarna's actions regarding the climate change crisis are dependent on leadership. A robust corporate governance approach is essential, and it starts with engagement from our Board members, as evidenced by the funding commitments of future investment rounds.

To drive implementation and further development of our sustainability strategy, as well as assess potential risks and opportunities, Klarna has established a solid corporate governance structure. This outlines well-defined reporting lines and the distribution of clear responsibilities.

Each quarter, ESG and climate as a subset updates are discussed by the Board, helping us steer our progress. The Sustainability Lead is the non-executive director for these programs. In addition to this, the Chief Marketing Officer (CMO) holds overarching accountability for Klarna's climate program within the executive team. He is closely supported by the sustainability team, whose objective is to drive and implement ESG initiatives across Klarna. This specific team, including its Sustainability Lead, reports directly to the CMO. The Board is also a key stakeholder in its activities, with each executive member focusing on aspects relevant to their divisions.

At least once per quarter, the CMO, Chief Financial Officer (CFO) and Sustainability Lead assess and manage climate-related risks and opportunities, alongside those relating to our other products, services and operations.

Outlook.

We're approaching the climate challenge with a sense of urgency, but also great optimism that we can have meaningful, positive and lasting impact. Not only do we want to lead with what we say, but what we do – and we want to bring our customers along with us, and join forces with other businesses to reduce emissions and accelerate carbon removal wherever we can.

The existing and planned pledges and initiatives documented in this report are just the beginning. We are fully committed to transparency at every step of the way, and to keeping our customers informed as we move forward to positively impact the climate crisis together.



Glossary.

The Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change, requiring us all to limit global warming to as close to 1.5°C as possible. According to the UN's Intergovernmental Panel on Climate Change, we must all reduce carbon emissions by around 50% between now and 2030, and reach net zero globally by the second half of this century if we are to meet this goal.

Nature-based

Nature-based climate solutions combat that crisis by expanding natural carbon sinks like forests, wetlands and oceans.

Reforestation

Reforestation projects include the planting of trees in conservation forests, with no use of timber. These include forests with selective harvesting and other agricultural activities.

Biochar

Plant biomass consists of approximately 50% carbon, which the plant removes during its lifecycle from the atmosphere in the form of CO₂. When this biomass is burnt or decomposed, the assimilated CO₂ is re-released. However, if the plant biomass is pyrolyzed, only about half of the CO₂ escapes. The other half is transformed into a very persistent, solid form of carbon (biochar) that degrades extremely slowly under natural conditions.

Carbon-Intensity

Carbon-intensity describes the amount of total emissions per revenue generated in a reporting period. It is measured in metric tonnes of carbon dioxide equivalents per 1 million USD revenue.

Net-Zero

"Net-zero" emissions means we must remove as much CO₂ as we emit in a year. It requires measuring our carbon footprint, reducing carbon as much as possible, and removing the rest via carbon removal services.