

Klarna.

ESG Report 2021

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



Contents



Introduction

- 03 2021 in headlines
- 04 About this report
- 05 About Klarna



07 Sustainability

- 08 Materiality assessment
- 09 Sustainability approach



10 Environment

- 11 Climate action strategy
- 12 Meaningful partnerships
- 13 Climate change mitigation
- 16 Conscious shopping initiatives
- 18 Environmental initiatives
- 20 Environmental sustainability in business operations



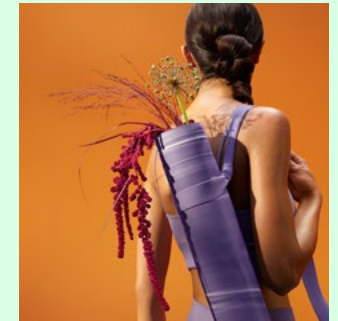
21 Social

- 22 Financial wellness
- 25 Community engagement
- 27 Our people
- 35 Commitment to human rights



36 Governance

- 37 Corporate governance
- 42 Risk management, risk reporting, and control functions
- 45 Sustainability governance
- 47 Stakeholder engagement
- 48 Fighting financial and cyber crime
- 51 Political advocacy
- 52 Taxes



53 Appendix

- 54 ESG datasheet
- 55 EU taxonomy
- 59 TCFD

2021 in headlines

2021 has been a year of significant expansion for Klarna - across markets, products, and consumer acquisition. We seek to meet the changing demands of consumers by saving them time and money while helping them be informed and in control of their finances through sustainable payments.

[Click on any link to read more.](#)

February March April May June

FEB 10
[Klarna launches bank account in Germany](#)

MARCH 1
[Klarna CEO challenges tech to focus on global sustainability in \\$1 bn funding round](#)

MARCH 3
[Klarna expands Open Banking solution to 8 more European markets](#)

MARCH 9
[Klarna takes merchant marketing support to new heights with enhanced demand-generation services](#)

APRIL 20
[Klarna launches carbon footprint insights for 90 million consumers](#)

MAY 4
[Kia ora New Zealand! Klarna brings “smooth” shopping to Kiwis](#)

MAY 25
[Announcement of the appointment of Roger W. Ferguson Jr to Klarna Board](#)

MAY 26
[Klarna uses increasing global scale to support emerging tech centres](#)

JUNE 1
[A\\$AP Rocky joins Klarna as investor and CEO for a day](#)

JUNE 8
[Klarna says “Salut!” to France with unique shopping experience](#)

JUNE 8
[A\\$AP Rocky and Klarna team up for global campaign](#)

June continued July August October November December

JUNE 10
[Klarna secures additional funding as consumers demand smarter alternatives to shop, bank, & pay \(June 10\)](#)

JUNE 15
[Klarna Launches Klarna Comparison Shopping Service across Europe](#)

JUNE 30
[Klarna becomes first Fintech to join The Climate Pledge and Race to Zero campaign](#)

JULY 9
[Klarna acquires HERO to bring best of in-store experience to social shopping for its 90m consumers](#)

JULY 27
[Klarna acquires APPRL, connecting retailers and content creators as global consumers embrace social shopping](#)

AUGUST 18
[Klarna says “Cześć!” to Poland with “Pay in 30 days”](#)

OCTOBER 11
[Billie and Klarna launch a global partnership](#)

OCTOBER 20
[Klarna publishes Climate report 2020/2021 and commits over USD 1m to climate transformation projects](#)

OCTOBER 22
[Klarna acquires Inspirock, bringing smooth travel planning to its 90M global consumers](#)

OCTOBER 26
[Klarna and Stripe enter strategic partnership to fuel growth for retailers worldwide](#)

NOVEMBER 2
[Klarna announces intention to acquire PriceRunner to strengthen banking offer for its 90m global consumers](#)

NOVEMBER 3
[Next generation shopping: Klarna reveals the only shopping app consumers need](#)

NOVEMBER 9
[Klarna says ‘Dia dhuit’ to Ireland and launches ‘Pay in 3’](#)

NOVEMBER 17
[Klarna says ‘Olá’ to Portugal and launches ‘Pay in 3’](#)

NOVEMBER 23
[Klarna supercharges US offering with launch of ‘Pay Now’ option and Klarna Card](#)

DECEMBER 9
[Klarna launches browser extension allowing consumers to pay later across all online stores](#)

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) has decided to report its environmental, social, and governance strategies, progress, activities, and performance in this Environment, Social and Governance (ESG) report separated from the annual report.

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

The information and data contained in this report relate to activities carried out from January 1, 2021, to December 31, 2021. Unless otherwise noted, data is as of December 31, 2021. Due to several IT system changes, particularly related to our employee data, a three-year data comparison is not always feasible.

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.

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



About Klarna

Klarna is one of the fastest growing consumer ecosystems in the world. We are a leading global retail bank, payments, and shopping service that helps consumers save time and money and empowers them to be informed and in control of their finances through sustainable payments.

Klarna continuously develops new products and services to elevate

the entire shopping experience for consumers, making us a strong growth partner for our global retail partners. Together our products and services enable consumers to choose how, where, and when to shop, pay, and bank with Klarna based on their own needs and preferences.

Klarna was founded in 2005 in Sweden and has been a fully licensed bank since 2017.

2021 Highlights:

400k+

Global retail partners.

45

Countries.

147m¹

Active consumers.

¹ 47 million customers through acquisitions

51m

Active app users in 2021.



Business Model

Value proposition to consumers

Klarna is one of the fastest growing consumer ecosystems in the world. We are a leading global retail bank, payments, and shopping service that helps consumers save time and money and empowers them to be informed and in control of their finances through sustainable payments.

The Klarna app, now available in 18 markets, powers the whole shopping experience, empowering consumers to take control of their personal finances and shopping experience. It provides consumers with an overview of their finances and spending insights, purchase information, wishlist capability, deals and price drop notifications, friendly reminder push notifications, 24/7 customer service through chat, the option to snooze payments, delivery tracking, and return reporting. The in-app shopping feature makes it possible to use Klarna at all online retail partners who have not yet integrated with Klarna's powerful platform. Klarna is also increasingly available in physical stores across markets and through the Klarna card. 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.

Value proposition to retail partners

Klarna is a preferred growth partner for over 400,000 global retailers of all sizes. Klarna engages new and existing consumers across the shopping journey and connects them directly to retailers to drive retailer growth as a viable and competitive alternative to global e-commerce marketplaces. Klarna also creates new and innovative ways for consumers to connect to retailers through content creation partnerships, dynamic and search advertising, and virtual shopping. Klarna also ensures that retailers 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 all the risks for both the consumer and the retailer.

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.



Sustainability

Klarna is one of the fastest growing consumer ecosystems in the world. We are a leading global retail bank, payments, and shopping service that helps consumers save time and money and empowers them to be informed and in control of their finances through sustainable payments.

2021 was a year of immense growth for Klarna regarding both the business and its sustainability efforts.

2021 Highlights:



Conducted Klarna's first materiality assessment.



Developed a comprehensive sustainability approach with clear and measurable targets.

We reshaped our sustainability plans to focus on Planet Health, Financial Wellness, and Diversity and Inclusion, further evolving our approach through a materiality assessment.

We believe we can play an important role in supporting consumers to make sustainable everyday decisions through the launch of our in-app carbon footprint tracker, one of the largest awareness efforts on carbon footprints ever made. Our commitment to sustainable development and building a better future for all was highlighted by committing 1% of future funding rounds to action initiatives in planet health and implementing an internal carbon tax channeled into effective climate projects.



Materiality assessment

At the end of 2021, we conducted our first materiality assessment supported by independent experts. We wanted to consider the impact of Klarna’s business on global sustainability issues and the impact of those issues, e.g., climate change, on Klarna.

This double materiality methodology aimed to derive new and deep sustainability focus areas for Klarna. We conducted qualitative interviews with 15 internal and external stakeholders, a customer survey in four markets with over 3,000 respondents,

a global employee survey, and internal workshops to analyze the results and prioritize outcomes. We were pleased to see the results closely mirrored our existing three pillars of Planet Health (climate change), Financial Wellness, and Diversity

and Inclusion as well existing areas of focus for Klarna such as data security and privacy, and new areas such as circular economy which we are now looking to embed in our approach.

As an outcome, we identified three priority topics:

1. Climate change

Mitigating climate change impact by reducing GHG emissions connected with online shopping.
[Read more here.](#)

2. 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.
[Read more here.](#)

3. Data security & privacy

Ensuring that personal data is stored and used in a secure, compliant, and responsible manner. Fostering cyber security to ensure uninterrupted processes, service quality, and countering cyber-attacks.
[Read more here.](#)

In addition, four other topics of greater business relevance and impact on the planet and society were identified:

Circular Economy

[Read more here.](#)

Personal Data Sovereignty

[Read more here.](#)

Diversity, Inclusion and Equity

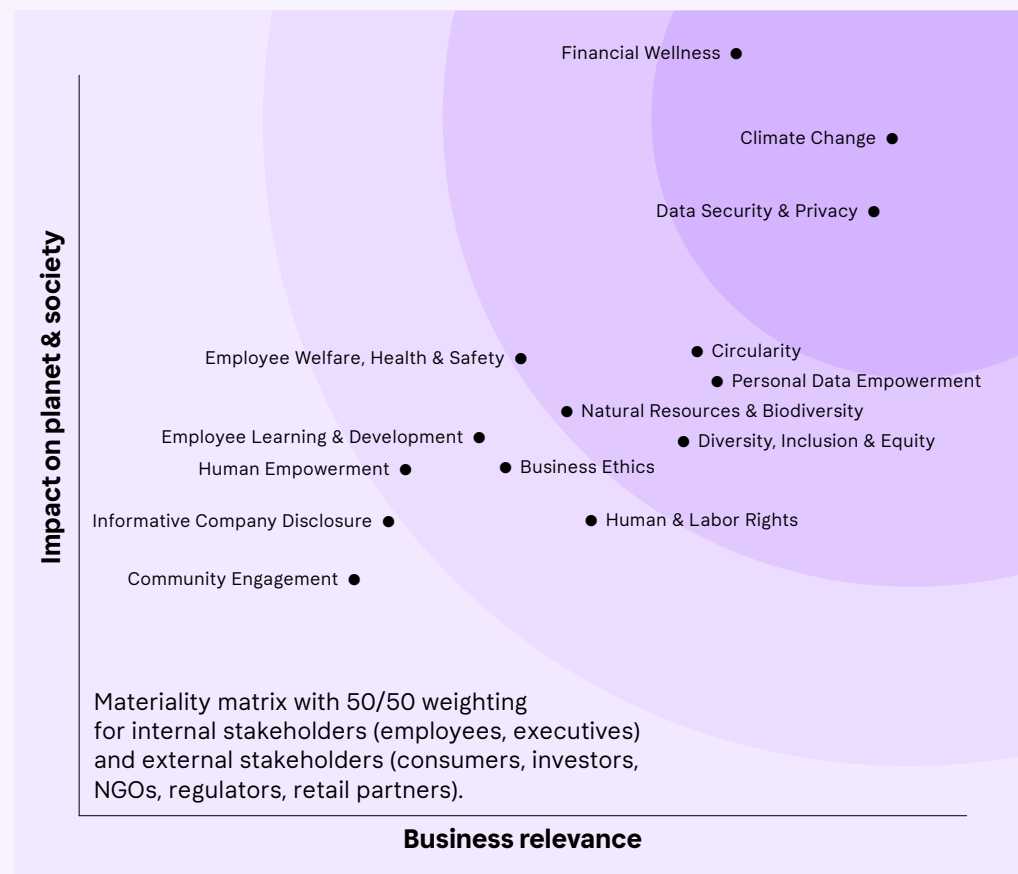
[Read more here.](#)

Employee Learning and Development

[Read more here.](#)

Our stakeholders largely agreed that Klarna could have a positive impact by increasing the share of sustainable products from retail partners in our ecosystem, marketing them responsibly, and actively promoting them.

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



Sustainability approach

Klarna has evolved into a leading global retail bank, payments, and shopping service with over 5,700 employees³, 147 million consumers⁴, and 400,000+ global retailer partners, 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 cyber security and data protection, and promoting [financial wellness](#), and [diversity and inclusion](#), in line with the results from 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 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 extra fees, extending payment times and helping consumers pay on time with more friendly reminders through our [Pink Standards](#). We also work collaboratively with our retail partners on ensuring responsible business practices and creating consumer choice by offering sustainable shopping opportunities.

³ This figure includes Klarna Holding and all subsidiary employees. It does not include consultants.

⁴ 47 million customers through acquisitions

We have enhanced our sustainability approach from focusing solely on the initial three pillars - Planet Health, Financial Wellness and Diversity and Inclusion - to now include additional priorities where Klarna can really make a difference established in our materiality assessment to support consumers in making sustainable decisions. These are:

1

Vote with your wallet

Klarna powers 2 million purchases per day across our channels. We 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 capacity, beliefs, or preferences to make 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 do this with no judgment.

Actions

- Help our consumers live up to their values by having them reflected in our offers.
- Offer consumers CO₂ insights for all shopping purchases.
- Promote sustainable brands and products by offering curated sustainable collections in-app.

2

Effortless donations

With our consumers choosing to pay through Klarna every day, we have the potential to become the biggest aggregator of consumer donations worldwide. By 2025, we want to achieve consumer donations worth SEK 2bn through our channels. 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.

Actions

- Give consumers the option to round up their purchase with a donation.
- Offer consumers various touchpoints and causes to donate to in the app.
- Give consumers a transparent feedback loop from the causes they support.

3

Circular shopping

While only 9% of the world's economy is circular today, we know that 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 pre-owned items. 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 around reuse opportunities of products they have previously purchased through Klarna.

Actions

- Helping consumers maximize product use and shop and sell pre-owned items

Environment

Klarna is one of the fastest growing consumer ecosystems in the world. We are a leading global retail bank, payments, and shopping service that helps consumers save time and money and empowers them to be informed and in control of their finances through sustainable payments.

As we grow, so does our responsibility toward our consumers and the global environment we operate in. Climate change poses one of the greatest challenges for humanity. After achieving carbon neutrality in 2020, we have realized that this is not enough and have shifted our focus to supporting projects that actively remove carbon emissions. We aim to halve our carbon emissions by 2030 and to reach net-zero by 2040 at the latest.



2021 Highlights:



Internal carbon tax introduced that is channeled into effective climate projects.

1%

1% of future funding rounds pledged to planet health action initiatives.



Give One initiative launched.



In-app CO₂ Emissions Tracker launched.

Climate action strategy

Klarna has opted to follow the WWF and BCG blueprint for corporate climate action. 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.

Our commitment has 3 broad components...

100%

By 2025, we will ensure that all of our locations reach 100% green electricity usage.

50%

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

net-zero

By 2040, our company aims to operate at net-zero.

Klarna is well on its way to achieving our goal to use green electricity by default by 2025 at the latest. To achieve Klarna's target to reduce emissions by 50% by 2030, we will go further...



Encouraging our suppliers to measure and reduce their emissions.



Establishing a zero-carbon cloud infrastructure.



Increasing our clean power purchasing efforts.



Reducing business travel and commutes.

Meaningful partnerships

We believe that by partnering with several existing organizations that drive meaningful change, we're joining corporate leaders in going further and faster on climate action. In 2021, we:



Committed to the Climate Pledge - building momentum around the shift to a decarbonized economy.



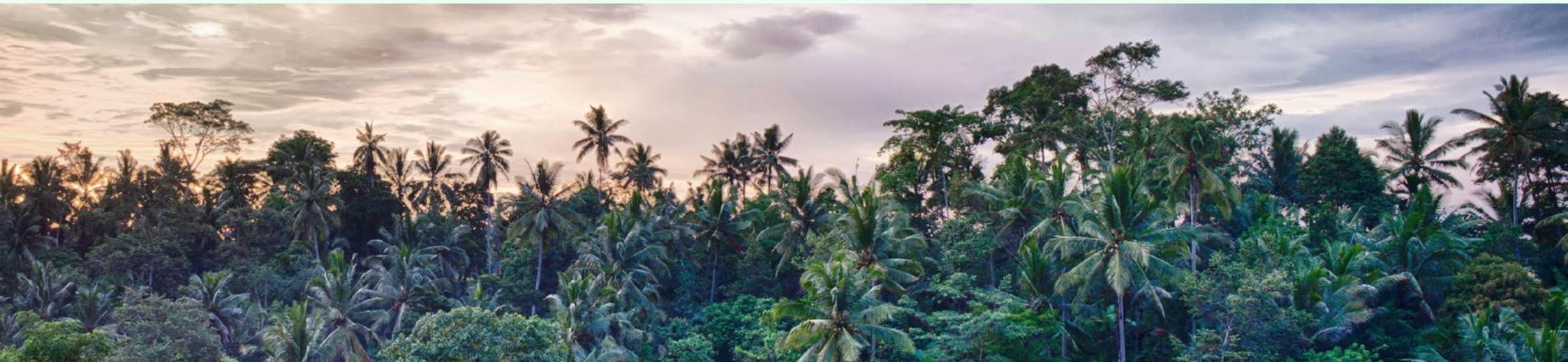
Became a member of Leaders for Climate Action - driving climate action to facilitate and scale best practice CO₂ reduction. solutions in tech



Joined Race to Zero - cementing our dedication to making meaningful contributions in this space.



Submitted our first CDP climate questionnaire - gaining valuable insights into where we can improve our carbon reduction efforts.



Climate change mitigation

Energy and GHG emission trends

In order to steer purposeful reduction measures in the coming years, we need to

effectively track our carbon footprint. Klarna follows the 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 presented in metric tons of CO₂e. 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. When calculating our Scope 1-3 emissions, we follow the GHG Protocol's guidelines, the leading global reporting standard for carbon calculation and corporate emissions as shown below.

Scope 1

Direct emissions from activities such as the heating supply in our offices.

Scope 2

Indirect emissions that come from the electricity that power the offices and buildings we rent.

Scope 3

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.

Klarna has put in place some ambitious emissions targets. However, as we expand globally and increase sales and payments volume supported by the associated increase in labor, marketing and cloud services, our carbon footprint has increased 33% from 2020. We have strong plans in place to reduce these emissions in coming years including the internal carbon tax and use of renewable energy.

Our emission intensity in 2021 decreased by 9% compared to the previous year to 74 t CO₂e per USD 1m revenue. This was mainly due to an update of various emission factors as well as methodology updates in calculating the emissions related to payment processing. In 2030, it is our goal to bring this indicator down to 28 t CO₂e per USD 1m, while removing as much carbon as possible as we move towards this target.

Carbon emissions ⁵	2021	2020	2019
Direct (Scope 1) GHG emissions (tCO ₂ e)	279	341	234
Indirect (Scope 2) GHG emissions (tCO ₂ e)	806	1,420	456
Other indirect (Scope 3) GHG emissions (tCO ₂ e)	135,131	100,752	54,231
GHG emissions intensity (tCO ₂ e per USD 1m revenue)	74	81	57
Increase in GHG emissions (%)	33%	87%	-

⁵ In comparison to the previously published figures in the Climate Report 2020/2021, the figures for 2019 and 2020 were updated due to changes in calculating emissions, in particular, we are now accounting for full Scope 3 emissions of our cloud service providers and updated the emission factors associated with payment processing activity.

Energy consumption

Given our rapid growth in 2021 and the opening of a number of new office locations and co-working spaces around the globe, a corresponding increase in our energy consumption was to be expected. However, this increase was offset by the fact that our offices are not operating at full capacity, as the COVID-19 pandemic means employees in many of our locations have not returned to the office full time.

Use of renewable energy

By 2025, 100% of the electricity used in our offices around the world will come from renewable energy sources. In 2021, we switched to green power at a number

of sites, and we are discussing opportunities with our suppliers to do the same for our leased flexible workspaces. We have already purchased green power in 12 of 15 leased offices.

Klarna's carbon tax

For Klarna, the process of decarbonization and CO₂ removal needs to happen in tandem, and quickly, in order for our decarbonization measures to achieve a reduction in line with the Paris Agreement by 2030. One supporting measure this year was the introduction of an internal carbon tax, where we tax ourselves for our own carbon emissions and invest that money in high-impact climate projects. This incentivizes an internal shift to low-carbon

products and services and helps us drive climate-relevant measures that remove carbon from the atmosphere today and pave the way for future climate-friendly solutions.

We have set a high price on carbon: USD 100 per metric ton for emissions under the company's control (Scope 1, 2, and travel emissions), and USD 10 for indirect emissions (rest of Scope 3). We are applying this carbon price annually, based on the GHG emissions calculation on the latest date of reporting. 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 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.

We already implemented the carbon tax broadly to our carbon emissions of the fiscal year 2020, which amounted to USD 1.05m, and USD 1.67m in fiscal year 2021. Going forward, we will integrate it across the business. 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 enable them to work towards net-zero emissions.

80%

Renewable energy of total energy use.

Energy use	2021	2020	2019
Total energy use (MWh)	3,560	2,157	1,851

USD 100

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

USD 10

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

USD 1.05m

Funds resulting from carbon tax in FY20.

USD 1.67m

Funds resulting from carbon tax in FY21.

Klarna's contribution to the Climate Transformation Fund

The funds generated by the internal carbon tax are invested into projects selected from the [Climate Transformation Fund](#) run by our strategic partner Milkywire, through which consumers can also donate to projects.

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 need for contributing to the solutions needed to reach global net-zero. In 2021, Klarna contributed over USD 1m to the fund and is supporting 11 projects, including four with a focus on carbon removal, as well as forest projects.

In the future, we will continue to support and select additional projects to work toward our net-zero target by 2040.

With this approach, we are trying to create as much impact per euro/dollar as possible, rather than buying a set amount of carbon credits. It 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.

Carbon removal



Heirloom is a new company that is developing a promising and novel technology to capture CO₂ directly from the air using common minerals. **(USD 150k)**



Husk Ventures in Cambodia creates biochar from the rice husks, stabilizing the carbon. The biochar is used as fertilizer by organic farmers, restoring soil health and increasing yields. **(USD 100k)**



Mash also creates biochar from leftover biomass to improve the quality of soil in India with materials that otherwise would be burnt in the field, contributing to air pollution. **(USD 100k)**



Climeworks sucks CO₂ from the air using large fans and filters and together with their partner Carbfix stores the carbon dioxide underground where it turns into stone. **(USD 65k)**

Total: USD 415k

Restoring and protecting nature



Justdiggit and their partner LEAD foundation teaches farmers to use simple and natural methods to grow the bushes they already have into mature large trees. **(USD 100k)**



With One Seed uses a unique approach for forestation, paying small scale farmers in Timor Leste to grow and maintain new trees on their land. **(USD 100k)**



Warsi in Indonesia helps local communities to get forestry licenses for their land so that they have the legal right to it and can prevent it from being cut down. **(USD 100k)**

Total: USD 300k

Decarbonization and advocacy



Mafia Island in Tanzania is not connected to the national electricity grid and almost entirely dependent on diesel generators. A new renewable power source is being developed, utilizing old, unproductive coconut trees that are gasified to create electricity. **(USD 100k)**



Human Rights Watch focuses on the health damages coal powered power plants have on the local population to persuade decision makers and mobilize public support to accelerate the transition away from coal. **(USD 100k)**



Clean Air Task Force supports with funds for their work on clean energy access in sub-Saharan Africa. **(USD 100k)**



The two research institutions TU Delft and ETH Zurich sus.lab are creating together with Climate KIC an accelerator for new European carbon removal startups, helping to develop new solutions. **(USD 35)**

Total: USD 335k

Conscious shopping initiatives

More than ever, consumers are voting with their feet - and their wallets - by choosing brands and products that align with their values, and consumers are willing to pay more for products that work to protect our planet. According to a 2019 [consumer spending survey from First Insight](#), 62% of Generation Z prefer to buy from sustainable brands, and the majority of them (54%) state that they are willing to spend an incremental 10% or more on sustainable products, with 50% of Millennials saying the same. At Klarna, helping consumers make informed decisions is a key part of what we do and we know we can always do more.

Sustainable Collections and Good Vibes

In April, we launched our 1% pledge and Give One on Earth Day. In support of our commitment to sustainability, we curated sustainable shopping content in the Klarna app in special sustainability collections. To spotlight this content, we created a dedicated section in the Klarna app for the duration of the month in the United States, United

Kingdom, Germany, Sweden, and Australia. Our sustainability lists recognized brands and products that use organic ingredients, emphasize reuse and upcycling, or highlight the importance of nature in our daily lives.

Pre-owned fashion generated the most interest from users in all markets. In response, we have since launched a version of this activation dedicated to secondhand shopping for luxury items, which has quickly become one of our most successful offerings.

Through our Vibes program, we showcased the sustainable efforts of our retailers and guide consumers to shop consciously, and gave our consumers twice the Vibes for conscious shopping during the month of April, partnering with Etsy, The North Face, and Pangaia in the US and Australia.

To help our customers extend the lifespan of their products, we now partner with a number of retailers who sell pre-owned goods, such as Sellpy and Vestiaire Collective. Consumers placed more than 540,000 orders with these two retailers through Klarna in 2021. This is a vertical where we see huge growth opportunities as well as strengthening our commitment to sustainable shopping.

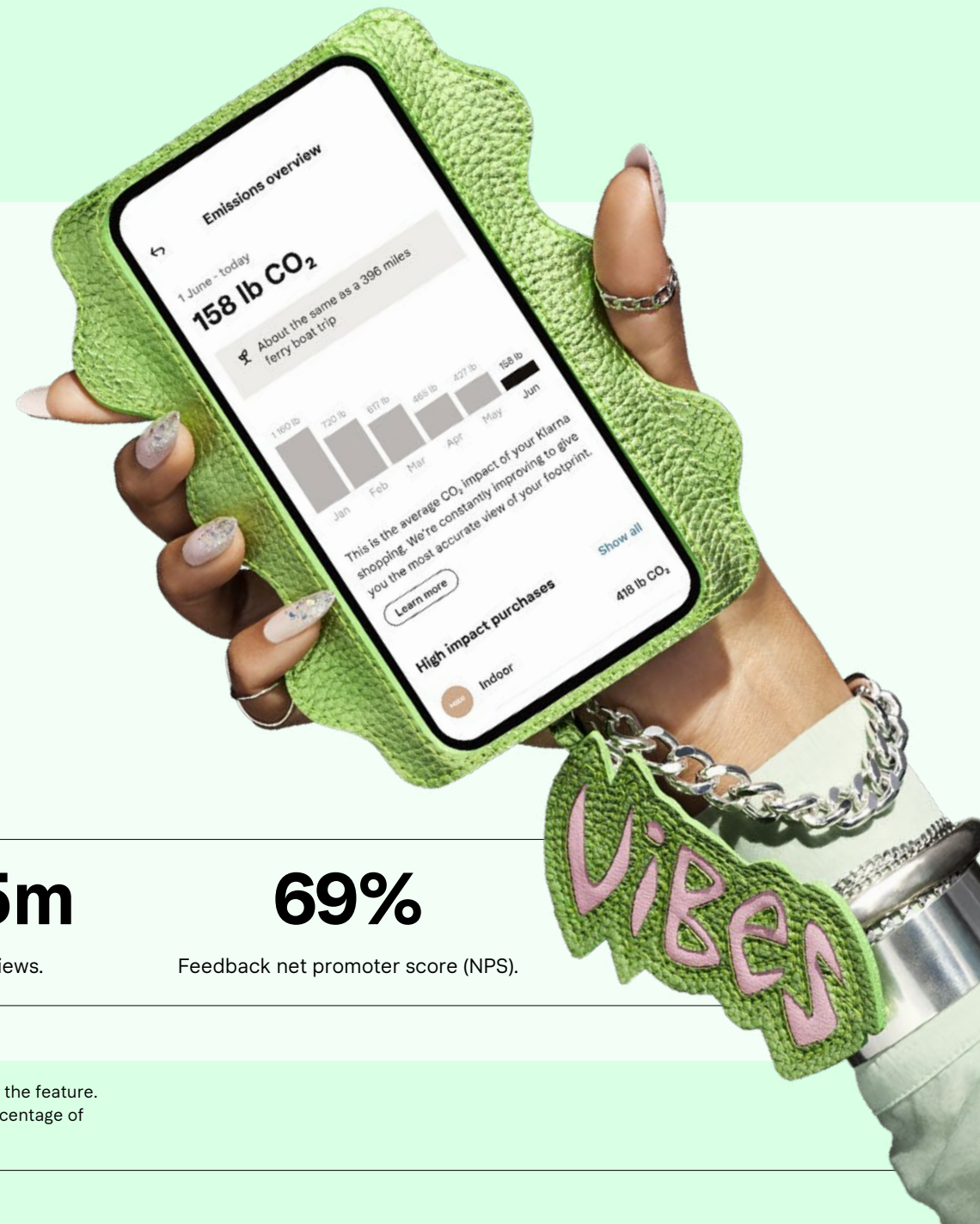


CO₂ Emissions Tracker

To respond to that increasing shopper demand for a better understanding of how their buying power affects the planet, we launched a new feature in 2021: the CO₂ Emissions Tracker. The new feature makes CO₂ data accessible on a global scale, making it one of the biggest awareness-raising efforts ever. It is based on Doconomy's Åland Index and provides insights into the carbon emissions of all purchases made by our 147 million consumers via the Klarna app. By displaying the kg-CO₂ rating of each transaction, consumers are becoming aware of their individual purchasing footprint and

are encouraged to do something about these emissions by either learning how to shop more sustainably or donating to the Klarna Climate Transformation Fund directly through the Klarna app.

We continue to work on improving accuracy by making calculations at the product level instead of the purchase level. Currently, the tracker can tell if you went to the florist or the dentist, but not if you bought roses or tulips. From launching in April 2021 until the end of December 2021, the new feature has recorded a total of 3,5 million unique users and an average of 350,000 monthly active users. The tracker recorded a total of 5,5 million page views and a feedback net promoter score (NPS)⁶ of 69%.



3.5m

Unique users.

350k

Average active monthly users.

5.5m

Page views.

69%

Feedback net promoter score (NPS).

⁶ The "Net Promoter Score" shows the result of an in-app feedback survey where users vote how much they like the feature. The user can give ratings from 1 to 5, with 5 being the best rating. The given performance metric shows the percentage of users who voted 4 or 5 for the feature.

Environmental initiatives

Give One

The Give One initiative was launched on Earth Day in April 2021 to tackle some of the most critical environmental issues our planet is facing - from climate change to biodiversity loss. Klarna pledged an initial USD 10m and 1% of all future funding rounds towards Give One, adding up to USD 16.5m at the end of 2021. On top of this, we also had a donation from A\$AP Rocky, who pledged 1% of his investment in Klarna to Give One projects and picked the Miti Alliance in Kenya, a grassroots organization that is fighting deforestation, as the recipient of his funds.

USD 16.5m

From Klarna funding rounds towards Give One in 2021

The next step was to get our customers involved, and together with Give One's strategic sustainability partner Milkywire, we provided a platform where our customers can donate directly to environmental causes they care about. Since Give One's launch in the Nordics, Germany, Austria, and the

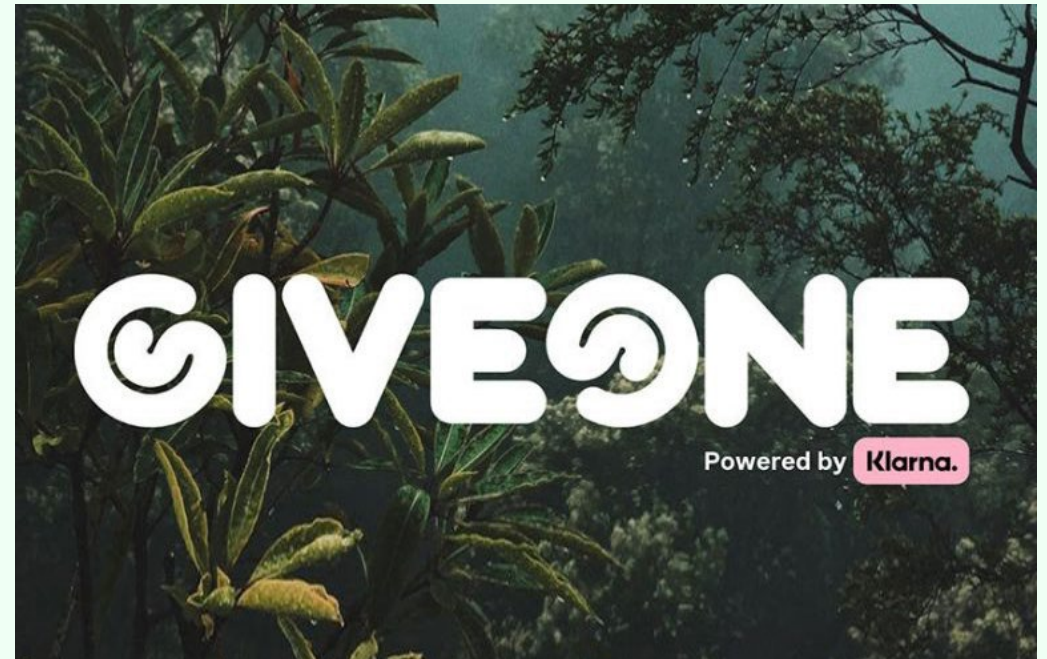
Netherlands, over 16,500 Klarna customers have donated over USD 150k at checkout in the Klarna App.

In order to disburse the funding efficiently and where it is most needed, Klarna and Milkywire have developed the Give One impact framework. In 2021 we evaluated and selected 9 organizations that meet the criteria to receive funding from Give One.

To make sure we select the right organizations, we have established an advisory board, a small group of experts in their fields who provide the initiative with invaluable scientific knowledge and vast experience in environmental development, preservation, and project financing. Final decisions on chosen projects are made by Milkywire but the ambition is to follow the advisory group's guidance as far as possible.

The advisory board members are

- **Linda Engström:** Researcher and senior environmental advisor to the Swedish International Development Cooperation Agency (Sida) at the Swedish University of Agricultural Sciences.
- **Carl Gustaf Lundin:** CEO of Mission Blue, an organization that inspires action to explore and protect the ocean.



- **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.
- **Arjun Gopaldaswamy:** Wildlife and statistical ecologist.

One initiative made possible by Give One was giving funding to the International Cryosphere Climate Initiative (ICCI) to attend COP26 in Glasgow, inviting scientists, activists, and indigenous leaders to discussions so that their voices could be heard by policymakers and those who can enable change, putting Earth's icy regions firmly on the map at COP26.

Give One selected its first initiative for funding - the Hirola Conservation Program in Kenya. Read more on the next page.



© Hirola Conservation Program

Hirola Conservation Program

The Hirola Conservation Program, the first initiative selected to receive Give One funding, reduces the effects of the devastating drought in Kenya. As part of the global climate change crisis, two critical consecutive rain seasons have led to an intense drought situation, resulting in no regeneration of vegetation, dried-up water sources, and increased death of wildlife and livestock - livestock that communities are completely dependent on for survival.

Give One wants to ensure that donations are given to the people that act locally to mitigate the crisis and to causes that create a real impact on our planet. With this disbursement from the 1% pledge, the initiative supports the Hirola Conservation Program that aims to alleviate further effects on the animals from the ravaging drought. With the support of Give One, the organization has a chance to mitigate the short term impact of the situation on wildlife, humans, and their livestock by increasing availability and access to water for wildlife, livestock, and locals; providing high-quality feed to wildlife grazers and livestock for 6 months; giving vaccinations to 30,000 livestock, and providing treatment to injured wildlife caused by human-wildlife conflicts.

Planting trees with Scotch & Soda and Trees for all

In honor of World Rainforest Day in June 2021, Klarna teamed up with Amsterdam-based fashion brand Scotch & Soda and Trees for All, the global foundation committed to reforestation projects in

Central and South America, Africa, and Asia as well as in the Netherlands, to launch a campaign supporting reforestation efforts around the world. Together, Scotch & Soda and Klarna committed to planting 10,000 trees across two initiatives in the Carara National Park in Costa Rica and the Bongo District of Ghana in West Africa. With every first-time purchase made with Klarna on scotch-soda.com, a tree is planted on behalf of each customer, certified by Trees for All.



Environmental sustainability in business operations

Travel

During 2020 and a huge part of 2021 global travel restrictions and quarantine regulations due to Covid-19 in several of our operating markets led to an increase of remote working and a decrease in commuting and business travel. While Klarna employees need to travel occasionally and some relatively regularly, we plan to limit travel to what is truly necessary and already have strong infrastructures for dispersed teams and remote work.

Commuting

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 wellbeing of employees.

Business travel

For shorter business trips, employees can either borrow Klarna’s bicycles or use public transportation tickets. 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.

where Klarnauts spent a week getting excited about environmental protection and recycling through educational sessions.

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 customers and partners.

Klarna strives to ensure sustainable consumption of physical electronic goods as much as possible. We reuse as much of our IT equipment necessary for business operations as possible and ensure that each device has its full life before it is recycled. When recycling, 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 2021, Klarna offered its employees in some locations the opportunity to buy their old hardware for personal use.

Business travel - by train	2021	2020	2019
Total journeys (No.)	1,519	1,053	3,793
Distance (km)	523,300	398,700	1,200,000
Emissions (t CO ₂ e)	12.7	7.3	23.2

Business travel - by air	2021	2020	2019
Total journeys (No.)	4,512	3,006	10,043
Emissions (t CO ₂ e)	1,300	1,200	4,000

Waste management

Klarna produces relatively small amounts of waste. However, we see the need to address the waste issue by focusing on ensuring opportunities for fractional recycling and keeping non-recyclable office waste to a minimum.

Our Global Office Services team continues to promote and facilitate recycling as much as possible and inspire action through events such as our Global Earth Week,

Social

Klarna is one of the fastest growing consumer ecosystems in the world. We are a leading global retail bank, payments, and shopping service that helps consumers save time and money and empowers them to be informed and in control of their finances through sustainable payments.

We believe we have a responsibility to global society, whether that is providing fair, transparent and sustainable payments for consumers, supporting retailers of all sizes to create sustainable businesses or ensuring an inclusive and empowering work environment for our employees.



2021 Highlights:

50%

Reduction of number of late invoice payments after the introduction of Pink Standards in Sweden.



Created global employment opportunities to support our expansion.



A continued commitment to being an even more diverse and inclusive employer.

Financial Wellness

We believe consumers should first and foremost pay with money they have. Period. 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 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.

We strive to earn our customers' trust in every single instance. To create a transparent and fact-based discussion about consumer loans, we launched the [Wikipink](#) site in Sweden in the spring of 2021. The site presents 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. The current lack of transparency hinders consumers' ability to assess their options and can lead them towards unsustainable, and even harmful alternatives. The credit and payments industry needs to do better and we want to be part of driving this change.

Changes to our product offering

We are continuing to expand our immediate settlement option Pay Now across global markets, because we believe consumers should first and foremost pay with money they have. About 40% of our transaction volume is Pay Now. Through our 2014 acquisition of Sofort, we own the world's largest account-to-account based payments infrastructure, which allows us to create a truly unique and cost efficient alternative to the existing payments network.

We have also made a number of changes to make our product offering more sustainable. We have rolled out our Pink Standards in Sweden in September 2021 and are planning to set this standard for our products across all markets. Next are Germany, the United Kingdom, and the United States.

First results in Sweden

After running the program in Sweden for only a few months, we have already seen a reduction of more than 50% of late invoice payments among Swedish customers. In addition, our data indicates that the payment period for installment purchases will be reduced by 20% as a result of the removal of the revolving credit payment option from the check-out.

Pink standards

No revolving credit

We want to be a sustainable and healthy player that offers secure and convenient payments, where no consumer will be stuck in a credit trap with high-interest payments and low installments. We have removed our revolving credit-based product and consumers are only able to pay for their Klarna purchases in installments based on a predetermined time period.

No extra fees

The total cost of credit is often unclear to customers due to all the fees. We wanted to be reasonable and clear. We have eliminated upfront and administration fees, so consumers only have to pay a straightforward, predetermined interest rate on the amount borrowed. In addition, interest on late payments has been removed.

More time to pay

14-days payment time on our invoice wasn't good enough, so we changed it to 30 days to reduce hassle and unnecessary reminder fees. This means a payment period of 30 days for all free invoice purchases and an extension of the payment period over a normal payroll cycle.

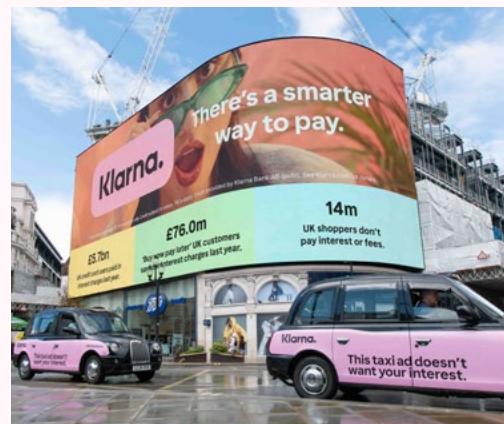
More friendly reminders

To help consumers pay for their purchases on time, we introduced an extra friendly reminder the day after the due date, free of charge. Our consumers already receive a reminder two days before the due date via the app, a method that has proven to be effective in reducing the number of reminder fees.



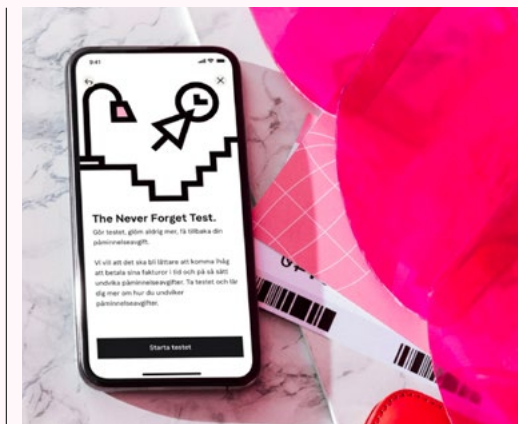
Discover the Truth campaign

In May 2021, we launched a new campaign inviting UK consumers to discover the truth about our brand with famous Spanish contemporary artist Ignasi Monreal. In the past few years, we have seen the rise of a number of misconceptions about us: from the average age of consumers, to our distinctive pink branding making us stand out in the sea of blue from the traditional older banks. With this campaign, we took a bold and unapologetic approach to the commentators, critics, skeptics, and the curious. We commissioned Ignasi to create a series of seven pieces of artwork - each based upon a misconception seen online or in the media. We then invited consumers to enter the mythical world online where they were able to play a myth-buster challenge or visit the murals located in cities around the UK.



#WhyPayInterest campaign

In May 2021, we launched a major nationwide campaign titled #WhyPayInterest in the UK. It highlighted the huge amounts of interest and fees charged by traditional credit providers, how they differ from Klarna's pay later products, and shone the spotlight on traditional finance providers, challenging outdated business models and products that don't serve consumers' best interests. Find out more [here](#).

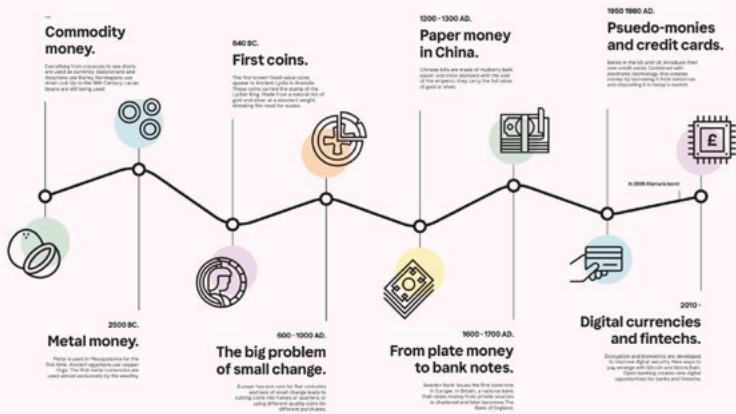


Never Forget Test

In May 2021, we rolled out the Never Forget Test in Sweden, offering consumers the chance to waive their reminder fees once. Germany followed in September. Consumers who have received a first reminder due to a missed payment deadline have the opportunity to take the test in the Klarna app. They can train their understanding of paying with Klarna by answering several questions, which aim to train them to understand how to use the app, Klarna's payment products, and returns management in order to avoid reminder fees in the future. Upon successful completion of the test, the previously incurred reminder fee will expire but the outstanding invoice amount must still be paid. With the introduction of the Never Forget Test, Klarna aims to raise awareness of not forgetting bills in the short term and further promote understanding of the use of the app and all services in the long term.

Raising awareness

In 2021, we launched numerous campaigns in different markets 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 in a responsible and sustainable way.



Old credit is history campaign

In September, we launched our “Old Credit is History” outdoor advertising campaign in the UK, highlighting the outdated credit model that many consumers still use and showing how services like Klarna’s are bringing credit into the modern age - to the benefit of consumers. We looked at the history of money to better understand its evolution over time and, working with a historian, found that money is currently undergoing its fourth revolution, with digital currencies, neobanks, and biometric payment systems opening a new chapter in the history of money, driven by consumer demand and expectations. The campaign brought to light the archaic business models that traditional credit card companies operate under. To celebrate the campaign, Klarna opened the doors to its own three-story “Old Credit is History” museum, Klarna Cave in Soho, London, which created a three-day immersive experience illustrating the evolution of money.



Money talks card game

In August, we launched the Money Talks card game in the UK to spark genuine and meaningful conversations around spending, saving, and shopping to help break the stigma around money. Informed by the Social Vulnerability Scale, which is proven to foster closeness in conversation through mutual vulnerability, our card game facilitates open and honest discussions between players in a positive and fun way.



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 our own programs to help people through financial support and Klarna services.

Here are some of the highlights of our community engagement in 2021:

Small Business Support Package and Accelerator Program (UK)

In July, Klarna launched a GBP 3m Small Business Support Package to help 100 British small and medium enterprises recover from the pandemic. The package provides access to much-needed support: WeWork All Access for 3 months, complimentary use of Klarna’s Pay Later products for one year, and GBP 15k of Klarna advertising services. Together this package equates to over GBP 30k of support for each business. The winning recipients, chosen from 1,135 applicants, are selected across four different categories: Sustainability Champion, Retail Innovator, Pandemic Impact, and Omnichannel Trailblazer. The businesses are based across the UK and operate in a variety of sectors including fashion, beauty, automotive and sports, and homeware. Recipients range from micro-businesses with a GBP 5k turnover to those growing rapidly and turning over GBP 2.5m every year.

Alongside the package, we also launched our Accelerator Program, a ten-part series of masterclasses online with industry experts to provide actionable insight and advice to help boost businesses, these are available for all, not just the winning SMEs. These are all recorded and available on the Small Business Accelerator Program homepage and have already benefited over 17k small business employees.

“SMEs are at the core of our economy and it’s vital that they’re given all the tools they need to survive. At Klarna, we are determined to help small retailers navigate their way back to pre-pandemic levels and we hope that this fund, together with our Accelerator Program, will inspire and boost confidence across the SME sector.”

Alex Marsh, Head of UK at Klarna



© Mive

Small Business Impact Initiative (US)

In honor of Small Business Month in May, Klarna donated USD 4.5m in free services to 100 small and medium-sized enterprises nationwide to aid them in recovery. The businesses were to apply during May to receive one free year of payment services and USD 40k worth of free

media services from us. The first group of selected small businesses to receive funds was announced in mid-July and came from an applicant pool that focused on those that were most impacted by the pandemic, including minority and female-led businesses. The receiving businesses spanned across the health & beauty, home & garden, jewelry & accessories, fashion, food & beverage, electronics, and entertainment industries.



© Angel City Football Club (ACFC)

community. As an expansion of our give-back programs, Klarna and ACFC will work together to support planet health initiatives by helping to create green spaces in areas where that is currently lacking.

“ACFC is a natural fit as we look to support like-minded organizations working to challenge the status quo. Both founded on innovation, the forward-thinking vision of this team aligns with Klarna’s commitment to driving meaningful change for consumers.”

David Sandström, CMO of Klarna

Angel City Football Club (US)

In November, we joined fellow gamechanger Angel City Football Club (ACFC) of the National Women’s Soccer League in Los Angeles, United States, as a founding partner. ACFC is known for pushing the boundaries, which is why the club is a natural fit for Klarna: as an upstart soccer franchise with a majority-women-led ownership group and front office, the ACFC is flipping the traditional sports model on its head.

The multi-year deal aims to bring the best shopping experience to ACFC fans while also making a positive impact on the Los Angeles community at large. We will also collaborate with ACFC to initiate social impact programming in the Los Angeles

Cancerfonden (Sweden)

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 with the goal of modernizing and digitizing 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 gives Cancerfonden the ability 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 and reached around 1m viewers.

This event sparked the interest of other charities in using a similar solution to drive donations. Subsequently, the Swedish chapter of the Worldwide Wildlife Fund (WWF) implemented Klarna Payments and used a QR-code during their first TV gala held in August. Barncancerfonden followed using the same Klarna branded QR-code during their TV gala in September.

McGrath Foundation (Australia)

Klarna partnered with the McGrath Foundation to support the work of their McGrath Breast Care Nurses. The foundation has become one of Australia’s most recognized and respected charities.

It raises money to fund the specialist nurses who help individuals and their families experiencing breast cancer by providing physical, psychological, and emotional support, for free, from the time of diagnosis and throughout treatment. To celebrate that partnership, Klarna drove donations through the Virtual Pink Seat campaign in the lead-up and during the Ashes, an iconic fixture in the Australian sporting calendar. The campaign gave Australian shoppers the opportunity to experience the Pink Test like never before and supported the McGrath Foundation’s work in the process with Klarna making an AUS\$ 20 donation for each of the first 1,500 entrants.

Pride donations

Klarna has supported the LGBTQIA+ community for many years by organizing or participating in Pride events. In 2021, we wanted to get even more involved by engaging our own employees and asking them to suggest LGBTQIA+ organizations to donate to. They sent us a number of great suggestions for organizations they greatly cared about. In making our selection, we focused on organizations that operate in markets where we have the most employees, made sure all continents were represented with a Klarna office and chose organizations that are passionate about helping as many people as possible: [Kaleidoscope Youth Center \(USA\)](#), [Gladt \(Germany\)](#), [Regnbågsfonden \(Sweden\)](#), [AKT \(UK\)](#) and [BlaQ \(Australia\)](#).

Our people

Klarna is organized into hundreds of small teams, each run like a start-up, focused on their problem-space. It's an ambitious environment that gives employees autonomy to steer their own goals and development. Klarna promises an inspiring, challenging, and inclusive work environment with colleagues who bring different skills, perspectives, and backgrounds, enabling a culture where everyone can create, innovate, and disrupt.

Our Work Environment Policy is a key part of our approach to being a responsible employer. It sets out routines such as regular employee engagement surveys and incident reporting. It is also linked to local work environment policies that define conduct in local markets and include instructions on, for example, discrimination, health and well-being, and alcohol and drug use in the workplace.

Global talent management

At Klarna, we hire for a competence such as analytics, engineering or marketing - not for a specific role. The competence structure equips the company with the right skills to deliver the best products and services for our global consumers and retail partners. It allows us to allocate resources to different teams to resource problem space effectively. Our candidates come through various

channels: sourced by recruiters, employee referrals, job post applications, internal moves, consultant conversions, and 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 cultural and professional perspective, which Klarna always strives for an inclusive and unbiased process. The candidate is matched with a role related to a specific team and problem space in the final recruitment steps. With a company that grows by about 40% every year, this may seem like a challenge - and it is - but we make it happen, and it pays off.

2021 was a year of immense growth - for Klarna as a whole and also in terms of recruitment and new employees joining from companies acquired by Klarna during the year. Klarna has branded products in 20 markets, with over 147m consumers in 45 countries through 2021 acquisitions. We are committed to creating employment opportunities in all the markets in which we operate. The focus for 2021 was on building teams to support our rapid expansion to bring sustainable payments to new markets worldwide, creating new tech hubs to support ongoing product innovation and resourcing our expanding suite of products and services that power the end-to-end shopping journey for both consumers and retailers.



Employees	2021	2020	2019
Total	5,783	3,685	2,748
By region⁷ (No. / %)			
Asia	3 / 0.1%	0 / 0	N/A / N/A
Europe	5,024 / 86.9%	3,353 / 91%	N/A / N/A
North America	651 / 11.3%	287 / 7.8%	N/A / N/A
Oceania	105 / 1.8%	45 / 1.2%	N/A / N/A
By gender (No. / %)			
Women	2,509 / 43.4%	1,403 / 38.1%	988 / 36%
Men	3,274 / 56.6%	2,282 / 61.9%	1,760 / 64%
By management level (No. / %)			
CXO	9 / 0.2%	7 / 0.2%	6 / 0.2%
Managers ⁸	155 / 2.7%	136 / 3.7%	109 / 4%
Non-managers ⁹	5,619 / 97.2%	3,542 / 96.1%	2,633 / 95.8%

⁷ Market Expansion: 2019 - Australia; 2020 - Italy, Spain, France, Denmark; 2021 - Canada, Mexico, China, Japan, New Zealand, Ireland, Portugal, Poland

⁸ Management level: 6-8
⁹ Management level: Entry - 5

Onboarding

A great onboarding journey starts long before the first day in the office. To ensure the best possible start for new Klarna employees, 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 as soon as possible.

In their first three days, 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 hires 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 hires.

For new hires within the Service Competence, it is mandatory to attend the onboarding program “Service Competence Check-in” (SCC) that is tailored to the needs of our customer service teams. Being the Service equivalent for KCI, the SCC focuses on the high level of Klarna’s history and future, balanced with a deep dive into leadership principles and development opportunities for those within Service.

Another key element of the Klarna onboarding journey is the buddy program. It consists of a 60-day peer buddy program with the primary purpose of supporting new employees and integrating 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 hires 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. Klarna further enables new starters to kick-start their careers by participating in the internal KCI Dragons Den competition, where new hires get to build their teams and pitch their ideas to top management.

3,584

New hires and employees from companies that joined Klarna completed SCC and KCI in 2021

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, employees 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 both the company’s and employees’ personal goals. Employees 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, Looop, 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, productivity both internally and through partners such as Udemy Business and LinkedIn Learning. 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.

Training ¹⁰	2021
Total number of trainings offered via Looop	1,990
Number of mandatory trainings offered via Looop	34
Number of voluntary trainings offered via Looop	1,956
Number of training resources completed¹¹	338,878
Number of training resources completed per employee a year (average)	56.5

¹⁰ Data from 2020 and 2019 not available due to transition to a new system during 2020.

¹¹ Training resources are either a full training course or a topic (e.g. Anti-Money Laundering within Business Code of Conduct training) within a course.

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. This 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.

Klarna has 8 leadership principles that all employees live by and that build the foundation of the whole company's work culture:

 <p>Customer obsession</p> <p>Leaders see the world from the customer's perspective. They understand that to keep trust, the customer needs to come above anything else.</p>	 <p>Deliver quality results</p> <p>Leaders don't hesitate or make excuses. They deliver value consistently and don't shy away from delivering outside their normal responsibility.</p>	 <p>Courage</p> <p>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.</p>	 <p>Hire and develop exceptional talent</p> <p>Leaders choose, coach, and fight to keep exceptional talent. They recognize others' talents and paths and don't hold them back.</p>	 <p>Challenge the status quo</p> <p>Leaders embrace change and never miss an opportunity to disrupt the industry. They find simple solutions fast and experiment by adapting their ideas.</p>	 <p>Start small and learn fast</p> <p>Leaders test their ideas to learn and improve tomorrow. They understand that constraints breed resourcefulness, self-sufficiency, and innovation.</p>	 <p>Detailed thinkers</p> <p>Leaders know that disrupting the industry requires detailed thinking. They are a unique combination of ambitious, free-thinkers with a meticulous eye for detail.</p>	 <p>Let the team shine</p> <p>Leaders understand the value of differences and build on the strengths of others. Leaders lead by example with integrity, earning trust and respecting others.</p>
---	--	--	---	---	---	--	--

These principles guide what the company values and expectations are. Their purpose is to encourage accountability and continuous growth on both a professional and personal level for all employees, 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 & 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 2021, Klarna facilitated 101 leadership training sessions with a satisfaction score of over 4.8/5.

Mentoring program

Klarna’s mentoring program aims to improve, strengthen, and enhance leadership skills and to increase productivity and capabilities by linking new leads to more experienced, senior leads. The mentors act as a sounding board to the mentees, being present in the background, ready to listen, and providing guidance to help increase the mentee’s confidence in their role and ensure the right actions and decisions are made. Simultaneously, mentors are encouraged to never hesitate in challenging their mentee with the individual’s and Klarna’s best interests in mind. Klarna’s mentor cohort is carefully chosen to ensure senior experience, and they exhibit Klarna’s leadership principles every day.

The six-month-long program starts with a joint kick-off to set the mentoring relationships up for the best possible start. Various resources and support are also

provided to ensure an effective mentoring relationship. Participants are encouraged to continuously exchange tips and information while evaluating progress based on their learnings throughout the year.

In 2021 and 2020, 41 mentees and 28 mentors participated in the program, up from 24 mentees and 24 mentors in 2019.

41

Mentees in 2021

28

Mentors in 2021

Graduate program

Klarna has a competitive graduate program in several markets to hire emerging talent and coach them into becoming the rising stars at Klarna.



Graduate program	2021	2020	2019
Total number of graduates	72	29	9
Number of graduates - by gender (No. / %)			
Women	34 (47%)	10 (34%)	3 (33%)
Men	38 (53%)	19 (66%)	6 (67%)

Diversity and inclusion

With an ever-growing customer base and workforce, 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. With employees of more than 100 nationalities, we are proud of our strong cultural diversity.

Diversity and inclusion in 2021

Everyday we aim to become an even more diverse and inclusive organization. To do this, we have standardized interview procedures, diversified interviewers and provided bias training, and introduced inclusive job descriptions in 2021. While we are seeing early indicators that this approach is having a positive impact, we are planning to continue our efforts to improve our gender balance on all levels of management.

Inclusive language can help create a more productive and safe environment and plays a critical role in creating a diverse and inclusive workplace. In 2021, we implemented inclusive communication guidelines globally and integrated inclusive vocabulary into the company's writing assistance program, Grammarly.

Another focus, as part of our gender-balance efforts, was supporting the LGBTIAQ+ community. Klarna organized Pride events during Pride Month together with its employee resource group dedicated to LGBTIAQ+, which was also launched this year. Furthermore, the company sponsored the MiX International Festival of LGBTQ + Cinema and Queer Culture in Milan and donated to 5 LGBTQIA+ organizations in 5 of our major markets (Sweden, Germany, US, UK & Australia) in celebration of Pride.

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	Dec 31, 2021	Mar 8, 2021
Overall (Women / Men)	43% / 57%	39% / 61%
New hires (Women / Men)	48% / 52%	40% / 60%
Leadership		
Managers ¹² (Women / Men)	30% / 70%	31% / 69%
Non-managers ¹³ (Women / Men)	44% / 56%	39% / 61%

¹² Management level: 6-8 ¹³ Management level: Entry - 5

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 2021 highlights...

Employee resource groups:

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.

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.

LGBTQIA+

The LGBTQIA+ employee resource group was established in 2021 to provide 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.

External initiatives:

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.

Tjejer Kodar

Tjejer Kodar is an educational platform in programming for women in Sweden. Their biggest initiative is the free beginner course “Börjar Koda”. They have trained more than 4,000 women in various technical fields. Klarna has partnered with Tjejer Kodar to sponsor the “Börja Koda” in fall 2021.

Diversity Charter (NL)

Klarna joined the Diversity Charter at the end of October 2021, which is part of an infrastructure of the Dutch Social and Economic Council (SER) that actively supports companies in developing, implementing, and monitoring their diversity plans. The Charter has more than 325 signatories. Joining enables Klarna to act as a catalyst for improving the current state of diversity and inclusion in the Netherlands.

Employee engagement

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

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, development, vision awareness, ways of working, and management expectations. Employees have an opportunity to provide detailed feedback both quantitatively and qualitatively. The response rates in recent years have been remarkably high, e.g., 84% of all employees in 2021, indicating that Klarnauts are engaged and want to drive positive change. Results are reviewed carefully, and each team, domain, and competence are asked to follow up on the results of the employee feedback and make improvements.

In 2021, we also conducted a monthly pulse check on all employees and consultants to monitor and prioritize stress levels.

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 and promote equal and fair treatment, but also to ensure that remuneration at Klarna is consistent with efficient risk management and compliant with existing regulations.

We work with both cash and equity-based compensation and perks and benefits to create an attractive total compensation offering. Klarna’s benefits package includes insurance benefits, e.g., pension contributions and health insurance (where

applicable), parental leave benefits, and wellness benefits (e.g., support for wellness activities such as gym membership or sports competitions). Depending on local market practices, Klarna may also offer benefits such as meal vouchers and catered breakfasts, mobility allowance, etc.

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.

Employee engagement	2021	2020	2019
Employees who took the annual employee engagement survey	81%	90%	78%
Overall satisfaction score from the annual employee engagement survey	75%	77%	82%
Number of “What’s cooking” sessions	40	34 ¹⁴	N/A

Compensation & Benefits	2021	2020	2019
Remuneration - Total staff costs (SEK)	3,968m	2,727m	2.057m

¹⁴ Implemented calendar week 12 onwards.

Health and safety

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 employees 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, jogging, and yoga classes at various Klarna locations. The committee also regularly organizes full-day excursions such as skiing trips and diving courses. As part of Covid-19, the team expanded its

activities to include virtual events, such as weekly virtual yoga sessions.

COVID-19 response

As a result of Covid-19, Klarna has focused heavily on global wellness initiatives in 2020 and 2021. These include access to resources such as work-from-home and antibody testing tools, vaccinations, external workshops focused on employee mental health and wellbeing, access to the meditation app Headspace, and virtual conferences and events to maintain engagement and social

contact with colleagues. In 2021, we also conducted a monthly pulse check on all employees and consultants to monitor and prioritize stress levels.

In 2022, the focus will be on a safe return to the office, and Klarna will implement a Flexible Working Policy where employees will work two days in the office and three days flexibly. To support the flexible working arrangements, Klarna provides employees with an annual contribution to set up a productive home office, which was paid out for the first time in late 2021.



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 (ILO) 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 2021, we reviewed and updated 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 engage in political activity or support political parties in any country it operates in.

Governance

Klarna is one of the fastest growing consumer ecosystems in the world. We are a leading global retail bank, payments, and shopping service that helps consumers save time and money and empowers them to be informed and in control of their finances through sustainable payments.

We believe that good corporate governance means that companies are managed sustainably, responsibly and as efficiently as possible. Our corporate and sustainability governance processes help to grow and maintain the trust of all our stakeholders.



2021 Highlights:



Revisited our sustainability governance framework.



Launched the developer training program Security Academy as the training program for our Security Champion community.

Corporate governance

Regulatory status

Klarna Bank AB (corporate registration no. 556737-0431) ("Klarna"), headquartered in Stockholm, is a Swedish public limited liability company licensed to carry out banking activities under the supervision of the Swedish Financial Supervisory Authority (SFSA). The immediate parent company of Klarna Bank AB (publ) and the ultimate holding company of Klarna Group is Klarna Holding AB (publ).

Klarna is categorized by the SFSA as a category 2 institution and is thus subject to more frequent and granular supervision.¹⁵ Klarna provides its financial services in other EEA countries through passporting its license in accordance with EU directive 2013/36/EU and by establishing local branches. Klarna also offers its financial services outside the EEA through the establishment of local subsidiaries.

Klarna's personal data protection officer is responsible for ensuring that all personal details are handled in accordance with the General Data Protection Regulation (GDPR).

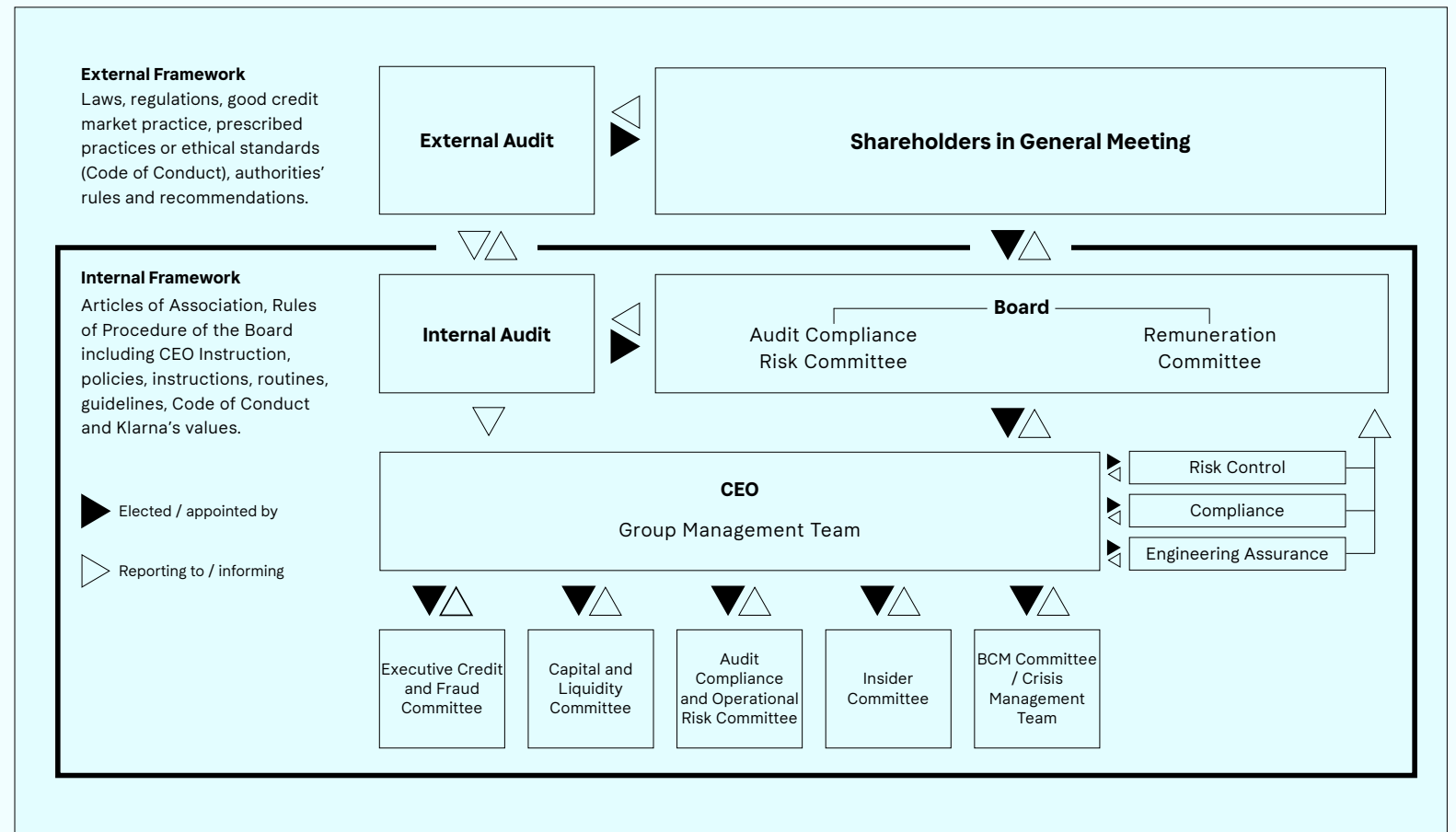
Klarna has listed corporate bonds on Nasdaq Stockholm.

¹⁵ The categorization aims to reflect Klarna's systematic importance and is based on its size, complexity and scope of activities.

Corporate Governance Structure

The corporate governance structure distributes rights and responsibilities between the shareholders, the Board and the CEO according to applicable laws, rules and processes. Well defined reporting lines and distribution of distinct

responsibilities are essential. High ethical and professional standards and a sound risk culture is vital. The image below provides a summary of how governance and control are organized at Klarna.



Framework for corporate governance

In addition to general laws, rules and industry practices, Klarna also needs to comply with the detailed regulations specific to banks and payment service providers. These are, inter alia, 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 also complies with the Nasdaq Rulebook for Issuers of Fixed Income Instruments.

In order to ensure compliance with external regulations Klarna has developed an internal framework which among other things incorporates the external requirements on corporate governance. The internal framework includes, among other things, the Articles of Association, which have been adopted by the Shareholders in the General Meeting. Policies and instructions that have been drawn up to define the division of responsibility within the Klarna are important tools for the Board and the CEO in their governing and controlling roles. Of special importance are the Rules of Procedure for the Board also addressing how to handle conflicts of interest for Board members, the Instructions for the CEO, the Risk Policy, the

Credit Policy, the Conflicts of Interest Policy, the Code of Business Conduct, the Anti-Money Laundering and Counter Terrorist Financing Policy, the Remuneration Policy and the Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders.

Operating model

As of 2017, Klarna has a team-based and agile operating model that optimizes for high speed, flow, quality and accountability. The operating model 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 stakeholders, whether internal or external, 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. Within the framework of the regulations and guidelines, Klarna adheres to as a bank, team autonomy and flexibility are at the core of how we operate.



A growing global presence

Klarna has 36 offices in 19 countries with its headquarters in central Stockholm, Sweden.

To ensure flexibility and speed in response to Klarna’s high pace of growth, our overall office strategy is shifting to a larger 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.

North America

- Canada**
Toronto □ *
- US**
Columbus, OH ■ ■
Los Angeles, CA □
Las Vegas, NV □
New York, NY □
San Francisco, CA □ *

Europe

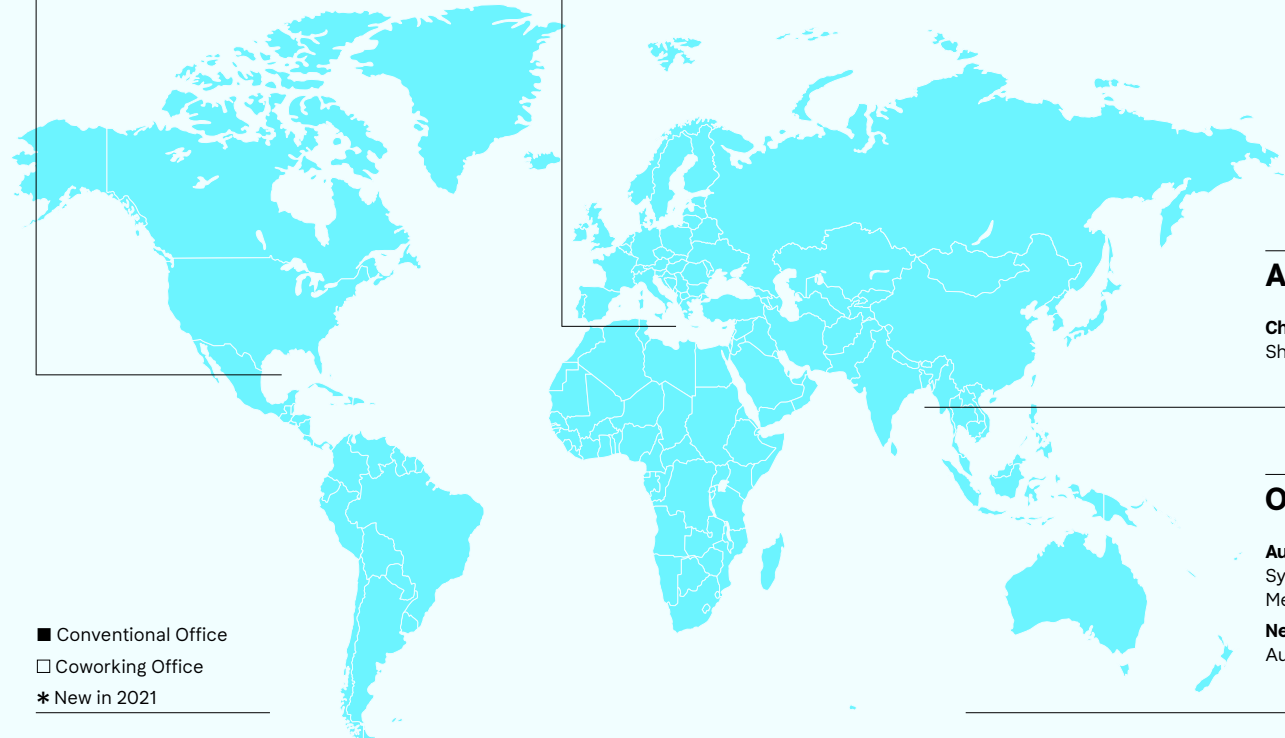
- Austria**
Vienna ■
- Belgium**
Brussels ■
- Denmark**
Copenhagen □ *
- Finland**
Helsinki ■
- France**
Paris □
- Germany**
Berlin ■ ■ □
Cologne □ *
Giessen ■
Munich ■
Mannheim ■
- Ireland**
Dublin □ *
- Italy**
Milan □
- Netherlands**
Amsterdam ■
- Norway**
Oslo ■
- Poland**
Warsaw □ *
- Spain**
Madrid □ *
- Barcelona □ *
- Sweden**
Stockholm ■ ■ □
Uppsala ■
- UK**
London □
Manchester □ *

Asia

- China**
Shanghai □ *

Oceania

- Australia**
Sydney □
Melbourne □ *
- New Zealand**
Auckland □ *



■ Conventional Office
□ Coworking Office
* New in 2021

The Board

The Board is the highest decision-making body in Klarna's structure for management and control. The Board is responsible for the company's 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 are adequate and feasible, and that they have been sufficiently implemented 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 the next AGM. The external framework does not require Klarna to have a nomination committee. The Board has not adopted a recruitment policy, and in practice Board members are proposed and appointed by the shareholders holding a majority of the votes as well as the capital of the company.

The Board has adopted Rules of Procedure that regulate the Board's role and ways of working as well as special instructions for the Board's committees. The Board has overall responsibility for the activities carried out within Klarna and has the following duties, among others:

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

Board members

The Board consists of the following members elected by the annual general meeting 2021:

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

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

The Board members have many years of professional experience from various capacities which are all of relevance for Klarna. The Board comprises solid knowledge and experience e.g. within banking and finance, e-commerce, IT- and technology business, payment cards, capital procurement, risk control, accounting, international sales activities, small and

medium sized business, venture capital, entrepreneurship and leadership. The Board composition also meets the need for knowledge and insight regarding the conditions and prerequisites for business in the various geographic markets where Klarna operates. A detailed presentation of the Board members' background and other assignments are found [here](#).

Suitability assessment

In order to ensure that the Board, the Board members and the CEO meet the requirements for sufficient knowledge, insight, experience and suitability, Klarna has established a policy for suitability assessment and diversity. The suitability is assessed according to criteria for the person's experience and reputation. The ability of each of the Board members to dedicate the commitment, diligence and time required is also evaluated. The Chief Operating Officer is responsible for the assessment. 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 knowledge, insight, experience and suitability is evaluated in the corresponding way. According to the Rules of Procedure of the Board, the Board shall ensure that the CEO fulfills his duties. The Board is responsible for appointing and retains the authority to dismiss the CEO of Klarna.

Diversity

The Suitability, Training and Diversity Policy also serves to promote diversity of the Board. According to the policy, all board

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

Number of assignments

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

Training

The Board annually adopts a Board training plan and has assigned it to the Compliance Function to plan and carry through the training activities. These shall consist of an introductory program for new Board members; on-going training of individual members and the Board as a whole in matters that have been considered important by the Board itself; and the Board is also provided access to all e-learning launched by Klarna.

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 submits at each board meeting a report on the performance of the business in relation to decisions made by the Board, among other things. 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 and the

Chief Compliance Officer appointment and replacement is also approved by the Board. The CEO is Sebastian Siemiatkowski. If you want to know more about him you find more information [here](#).

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.

- Sebastian Siemiatkowski, CEO
- David Fock, Chief Product Officer
- Koen Köppen, Chief Technical Officer (leaving in 2022; new CTO: Yaron Shaer)
- Niclas Neglén, Chief Financial Officer (joined in 2021)
- David Sandström, Chief Marketing Officer
- Luke Griffiths, Chief Commercial Officer
- Linda Höglund, Chief Operating Officer (rejoined in 2021)
- Camille Giesecke, Chief Expansion Officer

You can find more detailed information in the 2021 Corporate Governance Report 2021, which you can find [here](#).

Risk management, risk reporting, and control functions

Risk is defined as the possibility of a negative deviation from an expected financial outcome. Klarna is through its business activities subject to a number of different risks, the main ones being credit risk, market risk, liquidity risk and operational risk. Other risks include concentration risk, business risk, strategic risk, reputational risk and remuneration risk.

Klarna has a risk appetite framework in place, set by the Board, and supported by limits for specific risk areas.

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

Risk Management

The external framework¹⁶ requires good internal control, identification and management of risks and requirements for internal control functions (Risk Control Function, Compliance Function, Engineering Assurance and Internal Audit Function).

The Board has the ultimate responsibility for Klarna’s risk organization and for ensuring satisfactory internal control. The Board and the CEO adopt policies and instructions for controlling all perceived risks and these are supplemented by detailed routines and guidelines within the organization.

Audit, Risk and Compliance Committee (ACRC) supports the Board in this work by discussing, steering and monitoring these issues and preparing for decisions by the Board.

The CEO has the overall responsibility for managing all of the Group’s risks in accordance with the Board’s policies and instructions. The CEO shall ensure that Klarna’s organization and administration are appropriate and that the Group’s operations are in compliance with the external and internal framework. In particular, the CEO shall ensure that the Board has all necessary information to make risk related decisions.

Like all financial institutions, the basis for the risk management and internal control framework in Klarna is the three lines of defense model. This is laid down in Klarna’s Risk Policy.

The first line of defense refers to all risk management activities carried out by line management and staff. All accountable leads are fully responsible for the risks, and the management of these, within their respective area of responsibility.

The second line of defense refers to Klarna’s independent Risk Control and Compliance Functions, as well as Engineering Assurance which report directly to the CEO and the Board. To ensure independence, these functions are not involved in business

operations. These functions set the framework and principles for the work on risk management and compliance, and carry out independent follow-up. The second line of defense should also promote a sound culture of risk management and compliance by supporting and training leads and employees in different areas of the business.

Third line of defense refers to the Internal Audit Function which performs independent periodic reviews of the governance structure and the system of internal controls.

Board and Executive Management Overall Responsibilities

Business Line Management

“Risk ownership” 1st line of defence

Owns risk and risk management activities

Performs necessary controls to secure acceptable risk exposure

Risk Control, Compliance and Engineering Assurance Functions

“Risk control” 2nd line of defence

Establishes policies and framework, provides advice, facilitates risk assessment and independent control including reporting of adherence to risk appetites, limits and frameworks

Internal Audit

“Risk assurance” 3rd line of defence

Tests, validates and assess efficiency in governance, risk management and internal control processes and activities

¹⁶ For example CRD (Capital Requirements Directives), the Banking and Financing Business Act (2004:297), and any subsequent regulations from Financial Supervisory Authorities.

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 is designed to provide reliable, current, complete and timely information to the recipients, 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. Klarna's Risk Control Function shall provide a risk report quarterly, which among other things include a comprehensive and objective presentation of the major risks Klarna faces as well as a follow-up of risk appetite and the level of risk management in order to enable the Board to ensure that Klarna's risk management and control is satisfactory. The Compliance Function shall also provide a quarterly report to the Board which among other things includes Klarna's compliance risks.

Any breach of the appetite limits requiring immediate escalation according to the Risk Policy or the Credit Policy shall be reported directly to the CEO, ACRC and the Chairman of the Board or the CEO and the Board, depending on the defined escalation process.

Internal Control and Financial Reporting

Klarna maintains a framework for operational risk management including a process for risk assessment and internal control. Operational risks are assessed at least yearly and controls are put in place to mitigate the risk exposure. These controls are then continuously performed during the year.

A risk based testing is performed annually by Risk Control and Compliance. When issues are identified in the risk assessment or in the control testing, these are reported to management and the Board and mitigating actions are implemented. The internal control and risk management regarding financial reporting is integrated in the

framework for operational risk management. The above framework is reviewed annually by the Internal Audit Function.

Risk Control

The Risk Control team is independent from the business. The Board is ultimately responsible for the risk management framework and has adopted a Policy on Risk Control which is updated and approved on an annual basis.

The Risk Control team has the responsibility to monitor, control, analyze and report risks in Klarna's business. This includes facilitating assessment of risks, performing testing of internal controls that have been implemented to reduce Klarna's operational risk, and an evaluation of the appropriateness of the controls. Furthermore, the function is responsible for analyzing the different risk measures that are being used, and to propose changes to these if deemed necessary.

The Chief Risk Officer (head of Risk Control), who is appointed by the CEO after approval of the Board, reports on the risks on an ongoing basis to the CEO, CXOs, ACRC and presents to the Board.

Compliance

The Compliance team is independent from the business. The Board is ultimately responsible for the internal governance and control and has adopted a Compliance Policy which is updated and approved on an annual basis.

The Compliance team is responsible for supporting the business and management in compliance matters and for assisting in identifying, for following-up and reporting on compliance risks, which refers to the risk of Klarna not complying with external and internal rules. Furthermore, Compliance is responsible for promoting a sound compliance culture across the business by helping to ensure quality, integrity and ethical practices within the business.

The Chief Compliance Officer, who is appointed by the CEO after approval of the Board, reports on an ongoing basis to the CEO, CXOs, ACRC and presents to the Board regarding compliance risks and compliance matters.

Engineering Assurance

The Engineering Assurance domain and the Chief Information Security Office (CISO) serve as a second line of defense, and are responsible for managing and overseeing the area of ICT (Information and Communication Technology) & Security risk as a control function. The independence and objectivity of a control function is ensured by maintaining appropriate segregation from the ICT operations processes it controls.

The Board has adopted a Policy on ICT & Security Risk Management. Engineering Assurance shall, via the Chief Information Security Officer, report to the CEO and presents to the Board.

Internal Audit

Klarna's Internal Audit Function is independent from 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 of 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 2021 AGM as external auditor for the period up to the 2022 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.

ESG risk management

The management of risks from ESG factors is part of Klarna's overall risk management approach. We consider ESG as both a risk in itself, as a part of business risk, and a driver of existing risks.

The risks arising from direct impacts are assessed via risk assessments using the central expertise of our Sustainability team, and owners across the organization are engaged as a secondary step. Consideration of ESG as a risk driver is being rolled out into the Klarna-wide risk assessment to more specifically assess the impact. Through these mechanisms, Klarna has an overarching view of ESG risks.

For more information about risk management at Klarna, please visit our [website](#).

Sustainability governance

In April 2021, Klarna announced that it is intensifying its sustainability efforts. To ensure that sustainability is embedded across the company, teams receive guidance from a dedicated sustainability team on how to incorporate sustainable business practices into their daily activities.

In addition to the sustainability team, Klarna has three teams that are also solely focused on sustainability, taking care of Give One, the CO₂ emissions tracker, and in-app top-up donations. All four teams report directly to the CMO and hold bi-weekly progress meetings with the CMO and a broader group of stakeholders and quarterly meetings with the CXOs.

Governing ESG-related documents

We conduct our activities credibly and ethically and always aim to comply with applicable laws and business practices. It is not enough to simply follow the rules and we actively strive to ensure our actions are not or cannot be seen as harmful to others. If illegal behavior or activities are detected, we work closely with law enforcement in all markets to ensure they have all the information they need as far as banking secrecy permits. Klarna has the following ESG-related governing documents in place:

Ethics and Environmental Policy

The Ethics and Environmental Policy describes Klarna’s ambitions regarding ethics and how Klarna and its employees 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 (e.g., Anti-Corruption Instructions, Code of Business Conduct, Data Protection Policy, Insider Policy, and Whistleblowing Instruction), which form the basis of Klarna’s reputation as a safe business partner with good ethical standards and consideration for the environment.

Code of Business Conduct

Trust is the foundation of our business. Only through maintaining that trust can we continue to be a successful company. Our job is to listen, share our knowledge, simplify things, provide exceptional products and services, and always conduct ourselves responsibly and professionally.

Our 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 and helps us in our work to build long-lasting relationships.

The purpose of the Code of Business Conduct is to make it easier to do the right thing, which is done by describing our responsibilities as employees or consultants of Klarna, guiding us in business relationships and how to solve difficult situations, giving us information on how we should provide our ideas to improve Klarna or to report irregularities (e.g., whistleblowing), and describing to others how we act.

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. These principles are embedded in our procurement processes, and we are planning to implement the necessary infrastructure to monitor suppliers’ compliance with our Code. Many of the applied principles are about complying with laws, regulations, and industry best practices.

Suppliers must maintain and demonstrate their commitment and compliance to our Supplier Code of Conduct, have adequate remedial mechanisms, and work to improve its ethical standards continuously. The Code requires legal compliance through essential training, awareness, operational control, and monitoring. The purpose of the Code is to make it easier for our suppliers to do the right thing by promoting lawful, professional, and fair practices that integrate respect for human rights, business ethics, and the environment.

Ethical Instructions for Partners

At Klarna, we always consider the ethical aspects of a retailer’s business. As a major player, we want to impact consumers’ lives positively. 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, 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 products, 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 that ensures that the ethical guidelines of Klarna are followed once onboarding is

completed. The Merchant Illegal Activities team recognizes, addresses, and prevents any illegal activities on behalf of retailers. Key internal governance in relation to retailer activities includes but is not limited to:

- Ethical instructions for retailers to give employees, retailers, and other external parties guidance on Klarna’s ethical standards. We aim to quickly and consistently assess what is in accordance with our values and expectations and communicate this to retailers.
- Internal escalation flows allow for behaviors indicating illegality to be identified and investigated.
- Employees undertake internal training to identify, investigate, report to relevant authorities and take proactive mitigation actions.
- The sale of any illegal or illegally-acquired item is prohibited – this is monitored throughout the retailer’s lifecycle.

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, find our Modern Slavery and Human Trafficking Statement [here](#).

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 have to complete a 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, anti-corruption and bribery, anti-money laundering, and countering terrorist financing.

Code of conduct	2021	2020	2019 ¹⁷
Completion rate of mandatory online compliance training ¹⁸ (% of total workforce)	90%	94.5%	N/A

Additional tailored training for employees is provided based on the role and responsibilities.

¹⁷ Klarna transitioned to a new training/e-learning system in 2020.

Reliable and comparable data for 2019 is not available.

¹⁸ 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. To us, this means:

- We want to save consumers time and money and free them from worry by building products that give them control of their finances in a convenient, transparent, and intuitive way.
- 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 actor in society. 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 within 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 Retailer Advisory Board Klarna's Growth Council
Employees	Employee engagement surveys Open Slack culture Performance and development dialogue Leadership program Mentorship program Klarna's Marketing Academy Annual kick-off and monthly All-hands staff meetings Internal events Whistleblowing
Shareholders/investors	Personal meetings Answering survey requests
Suppliers	Site visits Dialogue during the purchasing process
Supervisory authority	Supervisory review and evaluation process Regulatory reporting Ongoing discussions Answering inquiries

Fighting financial and cyber crime

The financial sector has a key role to play in society’s prevention of – and fight against – financial crime. Strong financial crime prevention practices can prevent illicit 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
- Cyber crime

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 has the overall responsibility 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 also forms part of the Klarna Check-In training which is mandatory for all.

Anti-money laundering and 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 not sufficient 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 minimize this risk.

Relevant Klarna teams are responsible for monitoring the performance of Klarna’s efforts to combat ML/TF and to always take 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 ^{19 20}	2021	2020	2019 ²¹
Completion rate (% of total workforce)	90%	94.5%	N/A

¹⁹ The ML/TF employee training is part of the mandatory Compliance online training.

²⁰ The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

²¹ Klarna transitioned to a new training/e-learning system in 2020. Reliable and comparable data for 2019 is not available.

Data protection

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

We always strive to comply with data protection regulations that apply to our business, whether it concerns the personal data of consumers using Klarna's services,

Klarna's employees, or representatives of retailers, suppliers, and other business partners.

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

During 2021, we have closely followed the legal developments under the GDPR, and

other data protection legislation applicable to our business - existing and proposed - and we see the legislation as an opportunity to build trust in offering consumers transparency, flexibility, and choice when it comes to how their data is used. We continuously strive to improve and further develop the processes and tools available to support consumers' 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,

- providing data protection and privacy-specific training to Klarna customer service agents, to ensure that Klarna's customer representatives are aware of individuals' rights.

In 2020, we added a [privacy page](#) to our website to explain privacy to our consumers and introduced a new data request form that simplifies the process for people who want to obtain their data from us. In 2021, we continued to enhance this page to further raise awareness about data privacy.

Data protection employee training ²²	2021	2020	2019
Completion rate (% of total workforce)	96%	92%	95%

²² The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

Cyber crime and security

Trust is core to our business. Klarna is committed to the security of our services and protecting our customers from cyber crime and fraud. Our aim is to have the best security in the industry, and are focused on protecting the confidentiality of customers' information, as well as ensuring the availability and integrity of our services.

The threat of cyber attacks continues to be a concern for financial institutions, with the volume and sophistication continuing to evolve and increase. To prevent fraud and protect our customers, we have implemented robust processes to detect and respond to

preemptive cyber attacks, risks, and threats. This includes 24/7 monitoring through our expert Security Operations Center as well as 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](#), the [UK fraud prevention agency](#), and the [Merchant Risk Council](#). Klarna also supports and participates in special interest organizations to promote and encourage the security of the internet and society as a whole.

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). In 2021, a developer training program, the Security Academy, was established as the training program for our Security Champion community. 97% of high-security footprint teams have at least one participant enrolled in the program.

To verify ongoing security, our offensive security team conducts regular penetration tests and red team exercises, and 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 to invest in internal resources and capabilities for both proactive and reactive measures to better respond to fraud and cyber crime attempts.

While Klarna is under the supervision of relevant financial supervisory authorities and ensures compliance with all applicable regulations, when it comes to trust, we know that our word is not enough. 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.

Security awareness employee training ²³	2021	2020	2019
Completion rate (% of total workforce)	96%	97%	97%

²³ The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

Political advocacy

As a leading global business, we have a clear responsibility to engage 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 we 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

In order to continue to improve our business in the best interest of consumers, we engage with a number of trade associations.

EU:

- European Payment Institutions Federation
- European Third Party Providers Association
- Fintech Belgium
- European Tech Alliance
- Ecommerce Europe
- European Fintech Association
- Swedish FinTech Association
- Swedish Digital Commerce
- Stockholm's Chamber of Commerce
- Nordic Payments Council

- Danish Chamber of Commerce
- Vereniging van Financieringsondernemingen in Nederland
- Fédération Bancaire Française

UK:

- UK Finance
- Innovate Finance
- Swedish Chamber of Commerce

USA:

- Financial Technology Association

CANADA:

- Canadian Lenders Association (Participation)

AUSTRALIA:

- Australian Finance Industry Association

Spend on public affairs activities	2021
Total (SEK)	9.34m

Taxes

Klarna’s Tax Policy, adopted by the Board of Directors and updated annually, has the objective to align the tax position of the group with its global business footprint, in line with both the spirit and the letter of the law, thus achieving a fair tax level compliant with international and domestic laws, regulations and standards where business is carried out. Klarna does not and will not engage in any aggressive tax planning or arrangements seeking avoidance of taxes.

Klarna shall make best efforts to comply with local requirements in line with the values and principles of Klarna. We are committed to having an open, honest, and constructive working relationship with all relevant tax authorities, ensuring prompt disclosure and transparency in all tax matters, and avoiding unnecessary disputes.

Corporate taxes	2021	2020	2019
Cash taxes paid (SEK)	229m	150m	310m

Appendix



Klarna Holding AB - ESG datasheet

Key business figures	2021	2020	2019
Number of retail partners	400k+	250k+	200k+
Number of consumers	147m ²⁴	87m	85m
Number of monthly active app users	51m	37m	24m
Number of monthly active app users (YoY growth)	39%	55%	45%
Total net operating income (SEK)	13,948m	10,094m	7,202m
Total net operating income (YoY growth)	38%	40%	32%
Cash taxes paid (SEK)	229m	150m	310m

Environment	2021	2020	2019
Carbon emissions²⁵			
Direct (Scope 1) GHG emissions (tCO ₂ e)	279	341	234
Indirect (Scope 2) GHG emissions (tCO ₂ e)	806	1,420	456
Other indirect (Scope 3) GHG emissions (tCO ₂ e)	135,131	100,752	54,231
GHG emissions intensity (tCO ₂ e per USD 1m revenue)	74	81	57
Energy use			
Total energy use (MWh)	3,560	2,157	1,851
Renewable energy (% of total energy use)	80%	N/A	N/A
Investments			
Internal carbon tax invested in high-impact climate transformation projects (USD)	1.67m	1.05m	-
1% of Klarna funding rounds pledged to Give One initiative (USD)	16.5m+	-	-

²⁴ 47 million customers through acquisitions.

²⁵ We have updated the 2019 and 2020 figures compared to the figures we published in our Climate Report 2020/2021, due to changes in the way the emissions were calculated.

We are now accounting for full Scope 3 emissions of our cloud service providers and updated the emission factors associated with payment processing activity.

²⁶ These figures do not include consultants.

²⁷ Market Expansion: 2019 - Australia; 2020 - Italy, Spain, France, Denmark; 2021 - Canada, Mexico, China, Japan, New Zealand, Ireland, Portugal, Poland

²⁸ Management level: 6-8

²⁹ Management level: Entry - 5

³⁰ Management level: 6-8

³¹ Management level: Entry - 5

People	2021	2020	2019
Employees²⁶			
Total	5,783	3,685	2,748
By region²⁷ (No. / %)			
Asia	3 / 0.1%	0 / 0%	N/A / N/A
Europe	5,024 / 86.9%	3,353 / 91%	N/A / N/A
North America	651 / 11.3%	287 / 7.8%	N/A / N/A
Oceania	105 / 1.8%	45 / 1.2%	N/A / N/A
By gender (No. / %)			
Women	2,509 / 43.4%	1,403 / 38.1%	988 / 36%
Men	3,274 / 56.6%	2,282 / 61.9%	1,760 / 64%
By management level - Managers²⁸			
Women / Men	30 / 70%	- / -	- / -
By management level - Non-Managers²⁹			
Women / Men	44% / 56%	- / -	- / -
By management level (No. / %)			
CXO	9 / 0.2%	7 / 0.2%	6 / 0.2%
Managers ³⁰	155 / 2.7%	136 / 3.7%	109 / 4%
Non-managers ³¹	5,619 / 97.2%	3,542 / 96.1%	2,633 / 95.8%
Training			
Average training resources completed per employee	56.5	-	-
Employee engagement			
Employees who took the annual employee engagement survey	81%	90%	78%
Overall satisfaction score from employee engagement survey	75%	77%	82%
Compensation and benefits			
Remuneration - Total staff costs (SEK)	3,968m	2,727m	2,057m

Meaningful partnerships

[Climate Pledge](#)

[Race to Zero](#)

[Leaders for Climate Action](#)

[CDP](#)

Additional information

[2021 Annual Report](#)

[2021 Modern Slavery and Human Trafficking statement](#)

[2021 Corporate Governance Report](#)

[Supplier Code of Conduct](#)

EU Taxonomy Compliance Report

The EU Taxonomy Regulation

The EU Taxonomy Regulation (Regulation (EU) 2020/852; hereinafter “Taxonomy”) is a key component of the EU Sustainable Finance Action Plan, which in turn supports the financing of the EU Green Deal and its commitments.

The Taxonomy is a classification system for sustainable activities and aims to direct investments to activities that are classified as sustainable by the Taxonomy. Its goal is to boost the financing of the transition to a more sustainable economy by indicating what activities contribute to environmental objectives and should be considered for sustainable investments. Transparency is key to this, and disclosure requirements have therefore been established.

Financial and non-financial institutions that fall within the scope of the Non-Financial Reporting Directive (NFRD) (Directive 2014/95/EU) must report in or alongside their annual report in accordance with the Taxonomy. As a licensed credit institution

with more than 500 employees, Klarna Bank AB falls under the scope of the NFRD. To report in line with the annual ESG report, and as the parent company of Klarna Bank AB is Klarna Holding AB, it has been decided to report on the EU Taxonomy on the level of Klarna Holding AB (hereinafter “Klarna”).

Regulatory reporting metrics

To outline the reporting requirements, the Commission has adopted the Disclosures Delegated Act in support of Article 8 of the EU Taxonomy Regulation (Regulation (EU) 2020/852). This year, companies are not yet required to report on their Taxonomy-alignment, but only on what proportion of their exposures could potentially be aligned with the EU Taxonomy, i.e., exposures directed towards Taxonomy-eligible activities.

The Disclosure Delegated Act specifies in Article 10 what qualitative and quantitative information the various entities must report on and when. From January 1, 2022 to

December 31, 2023, financial undertakings must report on the following:

- The proportion of their total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities;
- The proportion of their trading portfolio and on demand inter-bank loans in their total assets;
- Their total exposure to central governments, central banks and supranational users;
- Their total exposure to derivatives;
- Their total exposure to non-NFRD companies, referring to companies that do not fall under the scope of the Non-Financial Reporting Directive (Directive 2014/95/EU).

Alongside the above metrics, a financial institution shall also report on qualitative disclosures outlined in Annex XI of the Disclosures Delegated Act, including:

- contextual information to support the quantitative indicators, including the scope of assets and activities covered by the KPIs, information on data sources and limitations;

- description of compliance with the EU Taxonomy Regulation (Regulation (EU) 2020/852) in the financial undertaking’s business strategy, product design processes and engagement with clients and counterparties;
- for credit institutions that are not required to disclose quantitative information on trading exposures, qualitative information on the alignment of trading portfolios with Regulation (EU) 2020/852, including overall composition, observed trends, objectives and policies;
- additional or complementary information to support the strategy of the financial undertaking and the weight of the financing of Taxonomy-aligned economic activities in their overall activity.

Because the Taxonomy only applies to the climate change mitigation and adaptation this year, eligibility only applies to activities that fall under these two objectives. Reporting on eligibility this year for the climate objectives and all environmental objectives next year will prepare Klarna for the more extensive mandatory reporting that will be required from 2024.

Future reporting requirements

Next year, credit institutions will have to provide the same quantitative and qualitative information as this year. The difference is that all six objectives, not just the first two climate change objectives, will be included in the eligibility.

Starting in 2024, credit institutions will have to report on which of the Taxonomy-eligible exposures meet the technical screening criteria and can be considered Taxonomy-aligned, and thus sustainable as defined by the EU Taxonomy. The most important KPI in this context is the Green Asset Ratio, which will be a mandatory KPI for reporting from 2024.

The timeline below outlines the future reporting requirements for the coming years.

2022	2023	2024	2025	2026
Reporting on the eligibility of the total assets of exposures and contextual information for climate change mitigation and adaptation .	Reporting on the eligibility of the total assets of exposures and contextual information for all 6 objectives .	Reporting on the alignment KPI's and contextual information for all 6 objectives .	Reporting on the alignment KPI's and contextual information for all 6 objectives .	Reporting on the alignment KPI's, contextual information and KPI's for fees and commissions and trading portfolio for all 6 objectives .

Quantitative information

In Table 1 the KPIs for Klarna are shown in compliance with the Disclosures Delegated Act Article 10. The metrics have been obtained based on a best-effort approach and available data. The table and its content are based on the template recommended by the EU Platform on Sustainable Finance for KPI disclosure of credit institutions.³²

The KPI calculations are based on the same data as Klarna’s financial reporting under Regulation (EU) 2021/451 (FINREP), ensuring consistency between the financials in the annual report and the Taxonomy KPIs.

The percentage coverage indicates the proportion of each KPI of the total assets. The total assets are defined as the total on-balance sheet exposures excluding exposures to central governments, central banks and supranational issuers. For this reason, the percentage coverage for this KPI is not included in the table.

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

Reference to Disclosures Delegated Act	KPI	Taxonomy eligible [SEKm]	Taxonomy non-eligible [SEKm]	% coverage (over total assets) ³³
Art 10, 2a ³⁴	Total assets	0	83,009	78%
Art 10, 2	Trading portfolio		0	0%
Art 10, 2	On demand inter-bank loans		3,533	3%
Art 10, 2b	Derivatives		67	0%
Art 10, 2c	Non-NFRD companies		5,318	5%
-	Other assets		11,133	10%
Art 10, 2b	Central governments, central banks and supranational issuers		23,451	22%
-	Total on-balance sheet asset		106,460	100%

³² 'Platform considerations on voluntary information as part of Taxonomy eligibility reporting'

³³ Proportion of the KPI over the total on-balance sheet assets.

³⁴ The total on-balance sheet assets excluding the exposures towards central governments, central banks and supranational issuers.

Qualitative information

To provide transparency and understanding of the reported metrics, the financial institution 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”.

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 2021 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 the Directive 2006/49/EC.
On demand inter-bank loans	Exposures in the on demand inter-bank market (credit institutions).
Derivatives	The definition of derivatives are 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 counterparties, and other non-financial companies that fall out of the scope of the NFRD.
Other assets	Other assets that cover cash, tangible assets, intangible assets, prepaid expenses and accrued income.
Central governments, central banks and supranational users	Exposures to central governments, central bank and supranational users. These exposures are not included in the total 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 2021 for Klarna Holding AB.

Data sources and limitation

The total assets that should be assessed for eligibility include exposures to financial and non-financial corporations, households and local governments. Klarna is a global payments and shopping service targeting retail consumers, which means that the majority of their total assets are derived from what is referred to as “households” in the Taxonomy. Assets related to households can be defined as all retail exposures or loans to private customers.

The European Banking Authority (EBA) conducted a survey on the disclosure of ESG risks information by credit institutions³⁵ and concluded that the Taxonomy is hardly applicable to retail exposures and that KPIs for retail exposures are the most challenging overall. However, as a retail portfolio can make a significant contribution to promoting a more sustainable economy, it was decided to include it to some extent. Since only the climate change mitigation and adaptation objectives need to be reported this year, three types of retail exposures were identified as important with respect to these objectives and are to be included under eligibility. These include exposures for the renovation of buildings and for motor vehicles, and loans collateralized by residential immovable property.

Klarna’s exposures consist primarily of household exposures. No motor vehicle loans or loans collateralized by residential immovable property are granted. There is a possibility that Klarna finances products that could be used for building renovations, e.g., from retailers such as Bauhaus, which offers home improvement products. However, Klarna does not have product-level data and cannot assess whether the product is actually used for building renovations. Therefore, exposures among households that may be related to building renovations have not been included due to data limitations.

Besides households, the second, third and fourth largest share of the total assets is ‘Other Assets’, outstanding balances to non-NFRD companies and on demand inter-bank loans. It is not required to consider the eligibility of these exposures. Further, because of data limitations for companies that do fall under the NFRD, these exposures have been considered as non-eligible as well.

For the reasons stated above, Klarna’s eligibility this year is zero percent. Next year, when the remaining objectives and their activities are known, it is expected that the scope of what can be considered as eligible exposures³⁶ among households

will be expanded to include more activities that are also relevant under the remaining four objectives. This will likely cover a larger portion of Klarna’s household exposures and increase their eligible exposures

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

Klarna recognizes that it can have a significant impact on sustainability by providing its customers with better and more comprehensive information on how to make more sustainable purchasing decisions. For this reason, Klarna is engaged in several sustainability initiatives that are described in more detail in the ESG report, such as the Sustainable Collections initiative, the CO2 emissions tracker providing insights into all consumer purchases and the promotion of circular shopping.

Synergies between these sustainability efforts and the Taxonomy will be explored for future reporting. For example, when collecting data and information for the Sustainable Collections or the CO2 emissions tracker, Klarna will explore whether the data required for the Taxonomy can also be collected at the same time.

Klarna also recognizes that it has an impact on its retail partners and has several processes and dialog tools in place to encourage them to pursue sustainable e-commerce and sustainability goals. This existing dialogue can be used to talk about the Taxonomy with retail partners as well.

Klarna is aware that the efforts to adopt and comply with the Taxonomy will only increase in the coming years. Therefore, Klarna will explore how best to integrate the Taxonomy into Klarna’s business and processes.

Materiality

Klarna extends loans to merchants that are reported in the EU Taxonomy as exposures to non-financial companies. However, due to materiality considerations, these exposures have been excluded from the eligibility analysis. The loans are a legacy product that is no longer offered and not part of Klarna’s future strategy. In addition, the revenue from these loans currently represents an insignificant share of the total revenue. For these reasons, it was decided not to further assess the eligibility of these loans and to classify them as non-eligible.

³⁵ ‘Survey on credit institutions’ disclosure of information related to ESG risks’

³⁶ These exposures are excluded from the numerator of the Green Asset Ratio calculation, and therefore eligibility of these exposures does not have to be considered. See Annex 6 of the Delegated Act to Article 8 of the EU Taxonomy Regulation.

Task Force on Climate-related Financial Disclosures (TCFD)

Core elements	TCFD Disclosure Recommendation	Disclosure
Governance	<p>a) Describe the Board's oversight of climate-related risks and opportunities</p> <p>b) Describe management's role in assessing and managing climate-related risks and opportunities</p>	<p>To ensure success, Klarna's actions regarding the climate change crisis are dependent on effective and engaged 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.</p> <p>To drive the implementation and further development of our sustainability strategy and assess potential risks and opportunities, Klarna has established a solid corporate governance structure, which outlines well-defined reporting lines and the distribution of clear responsibilities.</p> <p>Each quarter, the Board discussed ESG and climate as a subset of updates, 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.</p> <p>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.</p>
Strategy	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term</p>	<p>Policy & legal</p> <p>As a company, we are exposed to transition risks that stem from increased carbon emission pricing and emission reporting obligations. Carbon pricing mechanisms 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 operation costs. Given our carbon footprint today, this is heavily weighted towards Scope 3.</p>

Core elements	TCFD Disclosure Recommendation	Disclosure
	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning (N/A)</p> <p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degree or lower scenario (N/A)</p>	<p>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, which could result in price increases being passed on through to Klarna and onto our customers.</p> <p>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, which could result in greater costs for Klarna and our supply chain.</p> <p>We consider that this risk could materially impact Klarna 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.</p> <p>Market</p> <p>As customer 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. Our business enables customers to buy more smoothly online. If they decide to purchase fewer products to reduce their consumption behavior or reduce their shipping emissions, this directly impacts our business metrics.</p> <p>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 believe these steps will help mitigate this risk for Klarna. We continue to monitor our planned activities and how this risk crystallizes over time.</p> <p>Acute Physical</p> <p>Klarna's business relies on us having customers that buy products from merchants around the world - we currently have 400k+ retail partners in 20 markets across three continents. As climate change worsens, extreme weather patterns could impact our operations</p>

Core elements	TCFD Disclosure Recommendation	Disclosure
		<p>or our retailer’s production and delivery capabilities, especially 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.</p> <p>We are a globally diversified business, and to a large extent, we expect that will limit the acute physical impact to certain geographies and markets. Based on Klarna’s risk assessment methodology, this risk level is also considered to be low.</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 carbon marketplaces (e.g. carbon removals) and reduces its 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.</p> <p>Klarna’s platform brings together retailers worldwide, 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 retail partners that choose to accept Klarna’s payments.</p>
Risk management	<p>a) Describe the organization’s processes for identifying and assessing climate-related risks</p> <p>b) Describe the organization’s processes for managing climate-related risks</p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization’s overall risk management</p>	<p>Klarna manages risk within its risk appetite. The maximum risk is acceptable to achieve its objectives. The Board decides this risk appetite and these risk limits and reviews and updates 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 focus on the impact of changing weather conditions on our operations and Klarna retailers’ industries. 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 a 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.

Core elements	TCFD Disclosure Recommendation	Disclosure
		<p>3. Internal Audit: “Risk assurance”; 3rd line of defense; Tests, validates and assesses efficiency in governance, risk management, and internal control processes and activities.</p> <p>Klarna manages risk within its risk appetite, and the maximum risk is acceptable to achieve its objectives. The Board decides this risk appetite and these risk limits and reviews and updates regularly, at least once per year. Our approach identifies, assesses, manages, and monitors Klarna’s key risks.</p> <p>In 2021, we strengthened the connection between our ESG governance and risk management approaches. Klarna’s main climate risks focus on the impact of changing weather conditions on our own operations, and Klarna retailers’ industries.</p>
Metrics and targets	<p>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> <p>b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p> <p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets</p>	<p>See performance metrics.</p> <p>Klarna has opted to follow the WWF and BCG blueprint for corporate climate action. It guides how companies measure and display their emissions, set targets to reduce them, what is remaining, and then financially contribute to effective climate projects.</p> <p>Our commitment has three broad components: By 2030, we will reduce 50% of our carbon-intensity-based emissions according to the Paris Agreement. This includes ensuring that all our locations reach 100% green electricity usage by 2025. 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 25 mars 2022

Ernst & Young AB

A handwritten signature in blue ink, appearing to read 'Jesper Nilsson', is written over the printed name.

Jesper Nilsson
Auktoriserad revisor