



Klarna's Modern Slavery and Human Trafficking Statement 2021-2022

This statement is made in accordance with section 54 of the Modern Slavery Act 2015. It outlines the steps that Klarna has taken, and will continue to take, to ensure neither modern slavery nor human trafficking is practiced within the business or by its suppliers.

The term "modern slavery" is used to describe situations where a person is deprived of their liberty in order to exploit them for personal or commercial gain. It is a criminal offence, a violation of human rights and can take a number of forms, including: slavery, forced or compulsory labour, servitude, human trafficking, and trafficking for prostitution or sexual exploitation. Klarna is committed to ensuring that its 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.

This statement applies to Klarna Bank AB (publ), as well as its branch in the UK (together "Klarna").

About Klarna

Klarna Bank AB (publ) is a Swedish company, committed to conducting its business in an ethical and environmentally responsible way. Headquartered in Stockholm, Klarna Bank AB (publ) is authorised and regulated by the Swedish Financial Supervisory Authority. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. It is in the UK's temporary permissions regime for EEA-based firms that previously passported into the UK. While in the regime, it can continue to undertake new business with new customers and service existing customers, and provide certain financial products or services in the UK.

Klarna has continued its commitment to strengthening controls to identify and mitigate modern slavery risks in our supply chains, through strong internal policies, training and education, and through oversight activities.

Commitment to the Modern Slavery Act

Klarna is committed to the principles and provisions of the Modern Slavery Act, and the eradication of modern slavery. At all times, Klarna conducts its business in compliance with all legislation and regulations, which are relevant to its business within the countries that it operates.

During 2021, Klarna has reviewed and updated internal policies, instructions, and governance, demonstrating Klarna's commitment in requiring employees to raise concerns in relation to any identified or suspected non-compliance, and confirming that employees will not suffer any detriment for raising such concerns.

These internal policies, instructions, and governance include, but are not limited to, the following:

- Modern slavery and human trafficking;
- Anti-money laundering and counter terrorist financing;
- Conflicts of interest;
- Code of business conduct;
- Supplier code of conduct;
- Ethics and environment;
- Whistleblowing; and
- Anti-discrimination, bullying and harassment.

Supply chains

In acknowledging the aims and abiding by the provisions of the Modern Slavery Act, Klarna maintained effective systems and controls to ensure that its supply chains are transparent and free from modern slavery.

The majority of Klarna's financial products and services are technology related and created with the assistance of suppliers throughout the EU, the UK, Australia, and the US, and with Klarna's highly-skilled employees. As a result of using regional suppliers and primarily a local workforce, Klarna faces minimal risk of modern slavery. Notwithstanding this, Klarna adheres to internal policies, instructions, manuals, and processes to ensure Klarna selects suppliers who hold the same high business standards and core values as it does.

Key internal policies, instructions, manuals, and processes in relation to the management of risks associated with procurement, supplier and supply chains include, but are not limited to, the following:

- Supplier Code of Conduct;
- Procurement;
- Outsourcing;
- Authorisation; and
- Supplier due diligence.

Klarna's Procurement, Procurement Legal and Supplier Risk Management teams, during 2021, worked with its plan of activities and met the targets:

- Klarna has made improvements to contract templates to ensure that suppliers, and their affiliates, employees, agents and subcontractors, agree at all times to comply with applicable human trafficking and modern slavery laws and regulations. Suppliers are contractually bound to inform Klarna without undue delay in the event that a breach by the supplier or its affiliates occurs or is suspected to have occurred, or if the supplier and its affiliates are under any form of investigations relating to modern slavery laws or regulation;
- a Supplier Code of Conduct has been developed and implemented to further strengthen

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Klarna's positive impact on sustainability and society through responsible supplier chains. The Supplier Code of Conduct articulates a vision of responsible business behaviour and sets out the principles we expect our suppliers and their subcontractors to adhere to during the course of their business relationship with Klarna. This includes complying with the UK's Modern Slavery Act 2015. The Supplier Code of Conduct is legally binding and has been incorporated into our supplier-related contracts; and

- further training workshops were held for Klarna's Procurement, Procurement Legal and Supplier Risk Management teams to help them understand the Modern Slavery Act, and to recognise the risks and warning signs which are indicative of modern slavery.

As part of Klarna's approach to improving and developing its supply chain management with regards to modern slavery, Klarna's Procurement, Procurement Legal and Supplier Risk Management teams plan in 2022 to:

- develop and implement a new procurement inherent risk assessment to identify and highlight suppliers with a higher risk of modern slavery and human trafficking. This will consider jurisdiction and service related risks; and
- continue to update supplier contracts during contractual renewal across 2022, which will include the Supplier Code of Conduct.

Merchant activities

In supporting Klarna's responsibilities, the Merchant Illegal Activities team also acts to recognise, address, and create processes and procedures to action potential cases of modern slavery.

Key internal governance in relation to merchant activities includes, but is not limited to:

- internal escalation flows are used by the business teams to escalate fraudulent activity or suggest illegal activities for merchants of Klarna. These behaviours can also indicate modern slavery. The escalated reports are investigated by the Merchant Monitoring team. In 2022 the Merchant Illegal Activities team will further enhance the escalation form used to escalate concerns of potential modern slavery for further investigation, to ensure indicators are captured and clear; and
- ethical instructions for merchants to give to their employees, merchants and other external parties guidance on Klarna's Ethical Guidelines. Klarna's aim is to quickly and consistently be able to assess what is in accordance with its values and expectations, and act upon such assessment.

Additional training

Klarna is committed to providing training on the importance of the Modern Slavery Act, and ensuring modern slavery does not occur within the business or by its suppliers.

In 2021, all new staff in Klarna's organisation were onboarded with training, including sessions facilitated by Compliance, on employees' responsibilities in recognising modern slavery. New training was developed and delivered to a number of teams in the form of workshops to help improve knowledge and seek to support teams in strengthening controls to prevent and detect modern slavery behaviours.

Ongoing plans and priorities

During 2022, Klarna will:

- continue to manage its activities, with oversight by Compliance, and collaborate with key stakeholders – to monitor and enhance its approach to tackling modern slavery;
- continue to improve our supplier and outsourcing onboarding, with further development of specific risk assessments for modern slavery to assess the risk during initial procurement and for the ongoing monitoring of suppliers; and
- take a risk based approach and review internal policies, instructions, and governance, to ensure alignment with good practice and ease of use.

Duty to report

It is the responsibility of all those working for and/in Klarna, or under its control, to detect, report and prevent modern slavery from occurring within its business or supply chains. If there are any concerns or suspicions that modern slavery may be present in any part of the business or in supply chains, all are encouraged to report it at the earliest possible stage to the Compliance function.

To whom does this apply

This applies to all persons working for or on behalf of Klarna in any capacity, including all employees, partners, interns, agents, contractors, external consultants, third-party representatives, and business partners, regardless of where they are operating. Any reported non-compliance with the Modern Slavery Act, internal policies, instructions, manuals, processes, and governance will be investigated and may lead to disciplinary action and dismissal (employees) and immediate termination of contract (suppliers and contractors / consultants).



This statement was approved by the Board of Directors on 25 March 2022.

This statement is approved by the Chief Executive Officer

Klarna.

A handwritten signature in black ink, consisting of several fluid, connected strokes that form a stylized representation of the name Sebastian Siemiatkowski.

Signed by Sebastian Siemiatkowski

25 March 2022