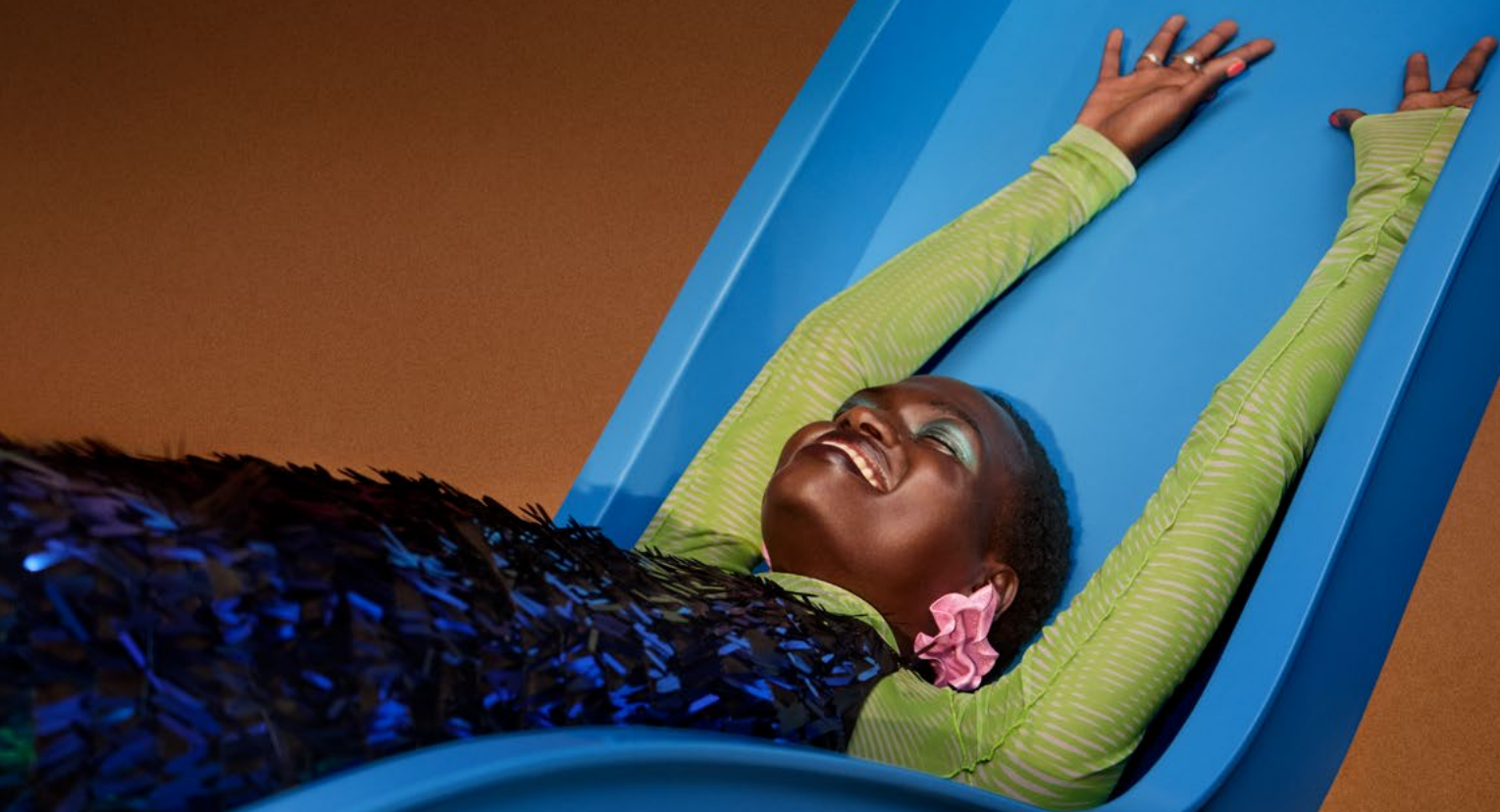


Klarna.

Corporate Governance Report 2022



Corporate Governance Report 2022

About Klarna

Klarna Holding AB (corporate registration no. 556676-2356) is a Swedish public limited liability company. Its subsidiary, Klarna Bank AB, is licensed to carry out banking activities under the supervision of the Swedish Financial Supervisory Authority (SFSA). Klarna is categorized by the SFSA as a category 2 institution¹.

Klarna Bank AB 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 in certain jurisdictions. Klarna's corporate governance framework and approach apply to Klarna Holding AB, Klarna Bank AB and all branches and subsidiaries.

The Corporate Governance Report is produced according to the Swedish Annual Accounts Act (SFS 1995:1554). Klarna is not obliged to nor does it comply with the Swedish Corporate Governance Code (SCGC).

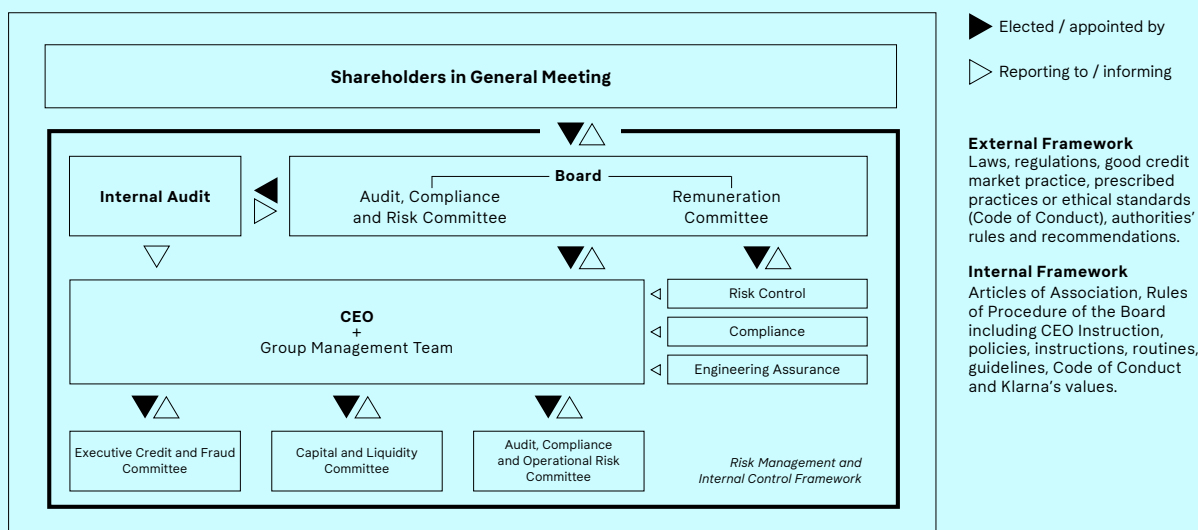
When signing the annual accounts on February 24, 2023, the Board of Directors also approved the Corporate Governance Report.

Governance

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

Corporate Governance Structure

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



¹ The categorization aims to reflect Klarna's systematic importance and is based on its size, complexity and scope of activities.

Framework for corporate governance

External Framework

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

Internal Framework

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

Of primary importance are the Rules of Procedure for the Board (which include how to address conflicts of interest for Board members and instructions for the Board's committees), the Instructions for the CEO, and the Policy for

Suitability, Training and Diversity of the Board, Management and Key Function Holders. These documents have all adopted by Klarna's Board. Additionally, Klarna's Code of Business Conduct provides an ethical framework for the conduct of all members of governing bodies and employees.

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

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

Articles of Association

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

Association are resolved by the General Meeting pursuant to Swedish law and are subject to the approval of the Swedish Financial Supervisory Authority.

Klarna's Articles of Association can be found at: <https://www.klarna.com/international/about-us/corporate-governance/investor-relations/>.

Klarna's organization

Klarna's organization is divided into domains. Each domain is responsible for a subset of Klarna's overall customer offering and is led by a domain lead who reports to a CXO. Each CXO reports to the CEO and the CEO reports to the Board. There are also four independent control functions

outside of the domains: Risk Control, Compliance, Engineering Assurance and Internal Audit. Risk Control, Compliance and Engineering Assurance are all directly subordinated to the CEO and the Board. Internal Audit, which reports directly to the Board, has been outsourced to an external party.

General meeting

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

Voting rights

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

Mandate to repurchase and convey own shares

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

Mandate to issue shares and warrants

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

Klarna's qualified shareholders

Klarna Holding shareholders >10% are as follows:

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

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

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 meet expectations, and are implemented effectively throughout the organization.

The Board members are elected by the shareholders at the Annual General Meeting (AGM) for a one-year term of office extending through to the next AGM. Klarna is not required to have a nomination committee and as such the Board has not adopted a nomination policy. In practice, the Board members are proposed and appointed by the shareholders holding a majority of the votes as well as the capital of the company.

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

- deciding on the nature, direction and strategy of the business as well as the framework and objectives of the activities.
- evaluating the effectiveness of operations in relation to the agreed strategy, framework and objectives on a regular basis.
- ensuring that the business is organized in such a way that the accounting, treasury management and financial conditions in all other respects are controlled in a satisfactory manner and that the risks inherent in the business are identified, defined, measured, monitored and controlled in accordance with external and internal framework, including the Articles of Association. The board is also responsible for setting Klarna's risk appetite and policies establishing the principles for risk management.

- deciding on major acquisitions and divestments as well as other major investments,
- selecting, monitoring and planning the succession of the Board members,
- appointment or dismissal of the CEO, the Chief Risk Officer, the Chief Compliance Officer and the Chief Information Security Officer.
- deciding on appointment and dismissal of the Internal Auditor (outsourcing partner and/or individual).
- deciding on remuneration of the CEO, members of the CXO team and the heads of the control functions, Risk Control, Compliance and Engineering Assurance.

Board members

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

Michael Moritz, Chairman of the Board

Michael is a Partner at Sequoia Capital, where he works with investments in the services sector. He founded Technologic Partners and previously held various positions at Time Warner before joining Sequoia Capital in 1986. Sequoia Capital has invested in companies such as Google, Yahoo, and PayPal, and Michael has served on the Boards of these companies.

Sebastian Siemiatkowski, CEO

Sebastian holds a degree from the Stockholm School of Economics and has eight years of experience in sales, including being former Head of Sales at Djuce Uppsala. However, the most noted of Sebastian's accomplishments is that he, along with our two other founders, revolutionized Swedish e-commerce and created the success story we know today as Klarna.

Mikael Walther, Board Member

Mikael is the managing director at Rosfelt Holding AB. He previously led investment company Navos Capital and has broad experience within investment banking and other financial companies. He has previously worked for Cevian Capital and Goldman Sachs.

Lise Kaae, Board member

Lise most recently comes from Svenska Handelsbanken AB where she was a Board member from 2015 to 2020. She has also been a member of that Board's committee for credit, auditing, and risk. In addition to this, Lise has been a member of the Danish Financial Supervisory Authority's board (Finanstilsynet). Lise also joined the board of directors in Pleo Financial Services A/S in November 2022.

Sarah Smith, Board member

Sarah has over 20 years of experience in banking. She worked at Goldman Sachs from 1996 to 2021, having served as Chief Compliance Officer, Controller and Chief Accounting Officer. She serves on the boards of Via Transportation, 98point6 and PCAP.

Omid Kordestani, Board member

Omid was Senior Vice President of Worldwide Sales and Business Development at Google from 1999 to 2009. He held several other positions within the company, including Chief Business Officer and Senior Advisor for Google. He has also been a board member of Spotify and Vodafone, as well as chairman of the board of Twitter Inc., where he has been a board member from 2020 to 2022.

Roger W. Ferguson Jr., Board member

Roger is the Steven A. Tananbaum Distinguished Fellow for International Economics at the Council on Foreign Relations. He was the president and CEO of TIAA and the former Vice Chairman of the Board of Governors of the U.S. Federal Reserve System. He serves on the boards of Alphabet, Corning, and International Flavors & Fragrances.

The Chairman

The Chairman of the Board organizes and leads the work of the Board. According to the Rules of Procedure, the Chairman will maintain regular contact with the CEO, ensuring that the Board receives sufficient information and documentation

to effectively assess Klarna's current position, financial plans, risks and risk management and future development, and deliberate with the CEO on strategic issues.

Chief Executive Officer

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

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

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

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

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

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

Suitability assessment

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

The Chief Operating Officer is responsible for the assessment at appointment and then subsequently at least every two years or sooner if events observed through the ongoing monitoring process suggest a review would be prudent. When a new Board member or a new CEO assumes their duties, they are also externally assessed by the SFSA. The CEO's performance and qualifications will be evaluated the same way as Board members. According to the Rules of Procedure of the Board, the Board ensures that the CEO fulfills his duties. The Board is responsible for appointing and retains the authority to dismiss the CEO of Klarna.

Diversity

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

The Suitability, Training and Diversity Policy

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

Number of assignments

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

A detailed presentation of the members' background and other assignments can be found on www.klarna.com/international/corporate-governance/the-board/.

Training

The Board sets a training plan every year, and it is the responsibility of the Compliance function to implement the plan for the Board. The training plan includes an orientation program for new Board members and ongoing training on important topics

for individual members and the Board as a whole in matters that have been considered important by the Board itself. This is to ensure that the Board is continuously informed and updated on the relevant matters that affect the company.

Board committees

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

Remuneration Committee

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

The Rem Co makes a competent and independent evaluation of the Remuneration Policy and Klarna's remuneration system, and presents to the Board on at least an annual basis, together with the

suitable control function(s). The Rem Co handles matters within its responsibility on an ongoing basis through correspondence between the committee members. Any formal decisions not covered by its delegation authority are reported to and documented by the Board at the closest following Board meeting. Under the oversight of Rem Co, Klarna has established a Remuneration Policy and processes, securing sound and standardized remuneration structures throughout the organization.

Members during 2022: Omid Kordestani (Chair), Michael Moritz and Sarah Smith

Audit, Compliance & Risk Committee

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

Members during 2022: Sarah Smith (Chair), Mikael Walther and Lise Kaae

Meetings and attendance

The table shows the number of meetings held in 2022 by the Board of Directors and its committees as well as the attendance of the individual Board members:

	KHAB Board of directors	KBAB Board of directors	Audit, Compliance and Risk Committee	Remuneration Committee	Independence in relation to the Company	Independence in relation to significant shareholders
2022						
Number of meetings	30	12	9	2		
(of which are email resolutions)	22	5	0	2		
Michael Moritz	30	12	-	2	Y	N
Sebastian Siemiatkowski*	30	12	-	-	N	N
Sarah Smith	30	12	9	2	Y	Y
Lise Kaae	30	12	9	-	Y	N
Mikael Walther	30	12	9	-	Y	N
Omid Kordestani	30	12	-	2	Y	Y
Roger W. Ferguson Jr.	30	12	-	-	Y	Y

CXO team

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

The CXO Team² consists of:

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

Management committees

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

Executive Credit and Fraud Committee, which is responsible for reviewing credit risk results and trends as well as steering the company's overall generation of credit risk.

Capital and Liquidity Committee, which is responsible for assessment and decision within the internal capital assessment process.

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

Risk management, risk reporting, and control functions

Risk management is central to Klarna's operating model and underpins all activities conducted throughout the organization. The purpose of risk management is to safeguard Klarna's long-term viability, mitigate volatility in financial performance, enhance operational resilience and performance, and facilitate informed decision-making. Klarna's risk management governance model encourages a risk-aware culture combined with control structures which are monitored and enforced by independent control functions. Key controls are documented and assessed on a regular basis, with assessments considering both

effectiveness of design and operation. The risk strategy is a natural extension of the business model that focuses on identification, assessment, management and monitoring of the material risks that Klarna is exposed to.

Risk Governance

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

Board and Executive Management Overall Responsibilities

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

² During 2022 Knut Frängsmyr, Linda Höglund, Koen Koppen and Luke Griffiths stepped down from the CXO team.

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

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

Business Line Management, in the first line of defense, are responsible for the risks, and the management of these, within their respective area of responsibility. They are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

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

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

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

Risk Strategy and Appetite

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

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

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

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

Risks

Klarna categorizes the key risks it is exposed to into six types. These categories are subsequently further refined and managed within the organization. These risk categories form the basis of how Klarna identifies, assesses, manages, and reports against risk.

Credit risk is defined as: the risk of loss due to a counterparty failing to meet its contractual obligations or concentrations of exposures.

Credit is fundamental to Klarna's mission of providing consumers a smooth payment experience, better financial management and supporting partners' growth. It is a risk that Klarna takes to achieve its business objectives.

Klarna ensures that the consumer credit portfolio is resilient to volatile economic conditions by offering short duration credits and low average order value. Klarna limits the concentration of non-performing loans and large single exposures in the consumer credit portfolio. This, together with the dispersion of millions of customers across multiple countries and continents and low average order value, ensures that the consumer portfolio is diversified. Klarna takes precautions to ensure that approved consumers have the ability to pay their obligations.

Exposures and losses stemming from partners, payment and bank counterparties are managed by limiting single exposures based on the risk class of the counterparty as well as the aggregated exposure and concentration to different segments. Exposures to partners are managed using several mitigation tools to increase Klarna's collateral, such as payment delays, rolling reserves, insurances and withholding payments.

Klarna uses financial guarantees to provide protection for part of its portfolio of consumer exposures. The guarantee can reduce the regulatory capital the bank is required to hold for unexpected losses and the guarantee is fully funded with eligible collateral.

Market Risk is defined as: the risk of impacts on earnings or capital as a result of market price movements.

Klarna does not actively take market risk but due to its multi-currency business and different duration of its assets and liabilities is exposed to it. Klarna's exposure to interest rate risk is via a mismatch of terms in assets and liabilities. The risk arises where Klarna's funding has a different duration than the credits granted to consumers. Klarna seeks to mitigate this risk by matching assets and liabilities to reduce the risk to economic value and earnings.

Currency risk is mitigated by entering into offsetting currency transactions in order to minimize the impact that changes in currency rates may have on Klarna's realized earnings.

Klarna does not invest in financial instruments other than for liquidity, interest rate and currency risk management purposes. From time to time Klarna makes strategic investments in other companies to accelerate innovation and/or expand and improve its product offering. Equity risk, the risk that the value of these investments may increase or decrease, is a natural consequence of this activity. The risk of losses arises due to the potential for adverse price changes of an investment. This exposure is limited through Board mandates.

Liquidity Risk is defined as: the risk of being unable to meet financial obligations as they fall due, or unable to fund operational needs without incurring unacceptable costs.

Klarna is dependent upon the effective management of liquidity risk to realize the company's strategy. The risk of insufficient funding being available would have implications on future growth, the company's ability to meet financial obligations, and in an extreme scenario, the breach of regulatory limits.

Klarna is primarily exposed to liquidity risk due to the potential for unexpected increased demand for credits. There is a risk that Klarna does not have a sufficient capacity to acquire additional funding at a reasonable cost, or does not have sufficient levels of liquid assets to convert to cash during such times. Klarna keeps sufficient levels of liquidity at hand at all times, ensuring that sufficient funds are available to support the business and that regulatory requirements are adhered to.

Klarna actively manages its liquidity risk exposure and sources of liquidity on a daily basis to ensure that Klarna always has the ability to fulfill its commitments as they fall due and meet regulatory requirements. Klarna invests in financial instruments for liquidity management purposes, and mostly in high credit quality sovereign and municipal government securities.

Operational Risk is defined as: the risk of inadequate or failed processes, personnel, products or third parties.

Operational risk is a natural consequence of Klarna's business model and operations. The continued delivery of Klarna's services to customers (partners and consumers) relies on resilience and stability in how processes, personnel, products and third parties are managed. To manage these inherent risks Klarna operates a robust operational risk management framework.

Klarna maintains an operational risk management framework as outlined in the Operational Risk Policy. This is supported by more detailed risk specific approaches. On an annual basis, business critical products and services are identified and a risk assessment completed, including review of internal controls and identification of any additional mitigation activities required. This includes maintaining a business continuity plan to ensure continuation of services during a business continuity event.

To sustain operational delivery, outside of business continuity, a mandatory Incident management process provides a structured approach for continuous learning and improvement through analysis of past incidents.

A driver of operational risk is non-controlled major change. Klarna operates a change management approval process (the NPA process) to ensure a sound understanding of the business change and capture associated risks. All major changes undergo a risk assessment led by the owner of the change to identify and assess the risks associated with the change, and to implement adequate controls and/or mitigation actions.

Klarna has no appetite for any activity that may result in facilitating financial crime. Such risks are managed through customer due diligence, the use of customer risk scoring models, automated transaction monitoring and screening solutions. There are financial crime experts across the first and second-lines of defense.

ICT and Security Risk is defined as: the risk of insufficient protection of information and information systems, from unauthorized access, use, disclosure, disruption, modification, or destruction, leading to loss of confidentiality, integrity or availability. The risk also includes the risk of external events including cyber-attacks.

Klarna is subject to ICT and security risk as a consequence of its business and operational processes. This risk can occur in several ways that can impact on one or more of the confidentiality, integrity or availability of data and systems such as stemming from human actions, system or technology failures or processes not operating as expected as well as adjusting to the continuous changing of Cyber threat landscape.

Klarna uses many automated and standardized security measures in a layered approach to protect systems. To manage ICT and Security risks, Klarna maintains a specific ICT management framework. This includes regular IT security/vulnerability assessments and testing,

ongoing system monitoring, software change management controls, strict access management controls and regular ICT and employee training, including security awareness training and exercises. Key ICT and Security risk controls are tested and measured at least annually through an independent assurance reporting audit as well as through the use of compliance as code.

Business Risk is defined as: the risk of suboptimal strategy selection or ESG factors impacting the achievement of Klarna's business objectives or altering the long term valuation or viability of the business.

Klarna's strategy is delivered through its business plan, which enables an informed decision making process for assessing business risks. The business plan defines Klarna's objectives and the steps needed to reach those objectives and is designed to be resilient to changes in external economic and competitive conditions. Klarna aims for a sustainable strategy and business model and therefore expects to achieve the business plan with minimal variation.

As a part of the business planning cycle, Klarna assesses the up and down-side risks of the plan and assesses the impact of competitor and market conditions to test the plans achievability under different circumstances. The achievement of the business plan is then reviewed monthly by the executive with updates on key financial and business metrics. Where Klarna sees opportunities or risks, it adjusts approaches as appropriate to preserve achievement of the plan.

ESG risks are identified through a periodic materiality assessment to determine the key themes that could impact Klarna. [For 2023 these themes are Planet Health (Climate Change), Financial Wellness, and Diversity & Inclusion.] Action plans are developed to further manage the individual risks.

To deliver its sustainable, global growth strategy in an efficient way, Klarna starts small with lower risk products that it can quickly test, iterate and scale. Launches of new products or markets go through a structured assessment and decision making process to ensure risks have been captured.

More information on Klarna's approach to Environmental, Social and Governance, including ESG risks is included in Klarna's ESG report, published on Klarna's sustainability website <https://www.klarna.com/international/sustainability/> and in the Risk Management in the Notes with Accounting Principles, Note 3.

Risk reporting

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

Internal Control and Financial Reporting

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

Internal Audit

Klarna's Internal Audit Function is independent of the business, directly reporting to the Board. The Board has adopted a Policy on Internal Audit.

The responsibility of Internal Audit is to provide reliable and objective assurance to the Board and the CEO regarding the effectiveness of controls, risk management, and governance processes by performing independent periodic

reviews of the governance structure and the system of internal controls.

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

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

External Audit

Klarna's external auditors are formally elected at the General Meeting on an annual basis in line with Swedish Company law. Ernst & Young AB was re-elected at the 2022 AGM as external auditor for the period up to the 2023 AGM. The ACRC receives reports from the auditor, which include details of significant internal control matters that they have identified, and meets with the auditor on a regular basis. The ACRC oversees appropriate procedures to maintain the independence of the external auditor, this includes Klarna's non-audit services policy which sets out those services that the auditor is permitted to provide and the requirements for pre-approval by ACRC in advance of provision of non-audit services.

Insider administration

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

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

As Klarna's shares are not admitted to trading on a regulated market, Klarna's obligations under the EU Market Abuse Regulation No 596/2014

(MAR) relate only to its corporate bonds listed on Nasdaq Stockholm. Klarna does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR).

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