Klarna

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

ESG Report 2023

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About the ESG Report

In accordance with the Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL 1995:1559) chapter 7, 2§, in conjunction with the Annual Accounts Act (1995:1554) chapter 7, 31 b§ and chapter 6, 11§, implementing the EU Directive 2014/95, Klarna Holding AB (publ) is reporting its environmental, social, and governance strategies, progress, activities, and performance for the entire Group in its 2023 Annual Report and Accounts for the year ended 31 December 2023.

In deciding what content to cover in this report, we have considered the double materiality assessment we conducted in November 2021 and the Global Reporting Initiative (GRI) reporting standards.

The information and data contained in this report relate to activities carried out in the 2023 financial year, from January 1, 2023, to December 31, 2023, the same reporting period as the Annual Report and Accounts.

Unless otherwise noted, data is as of and for the year ended December 31, 2023.

About Klarna

Introduction

Klarna's vision is to set the new standard for how people shop and pay. Since 2005, our customers have always been at the heart of how we build smart solutions for their needs. With around 150 million global consumers and 2.5 million transactions per day, Klarna's fair, sustainable and AI-powered payment and shopping service empowers consumers to shop smarter with greater confidence and ease. More than 550,000 global retailers partner with Klarna to drive growth and loyalty, including H&M, Saks, Sephora, Macy's, Ikea, Expedia Group, Nike and Airbnb. For more information, visit **Klarna.com.**

We became the first fintech to join The Climate Pledge and Race to Zero campaign and make annual financial contributions to high-impact climate projects, including carbon removal, reforestation and forest protection, and emission reduction projects.

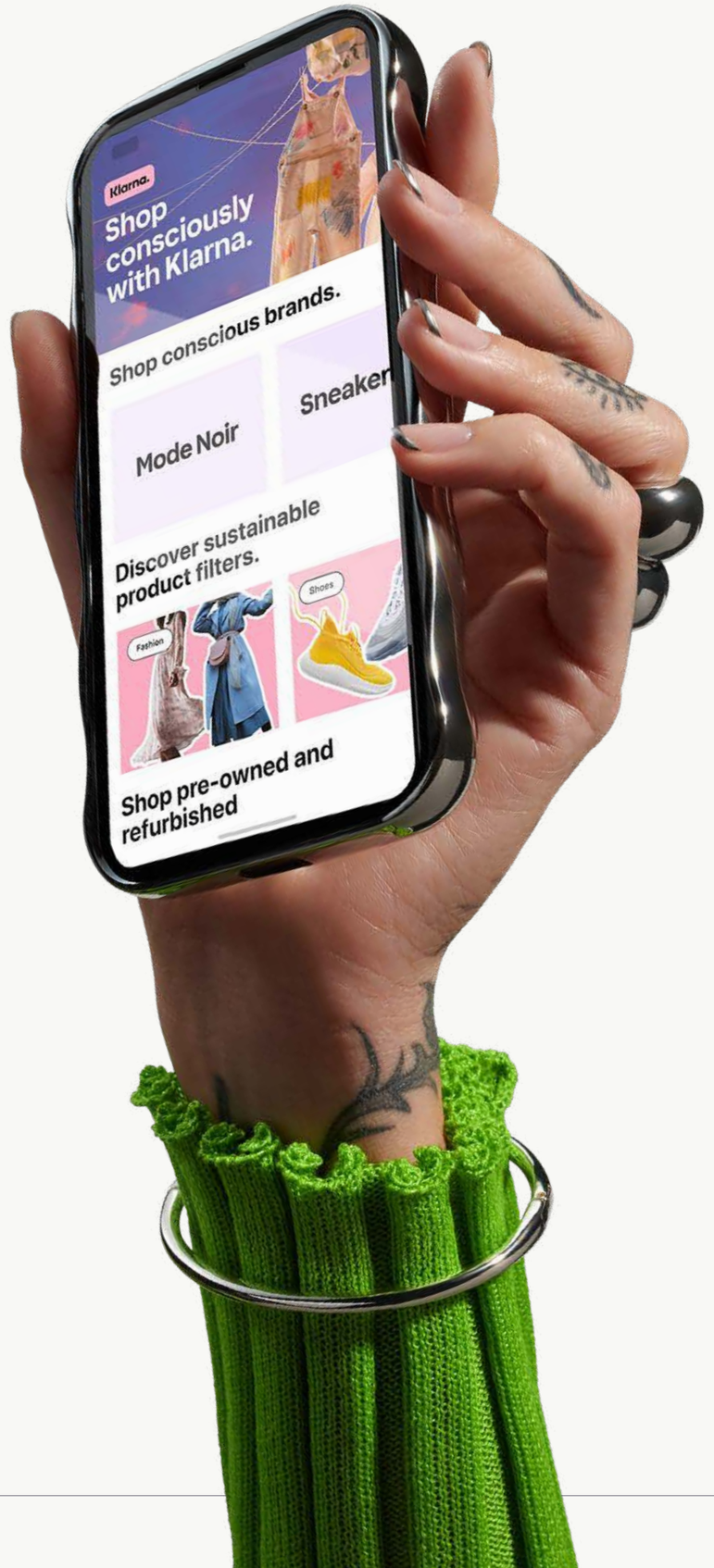
The information herein focuses on the pillars of environmental sustainability, social responsibility, and governance, which are all directly relevant to the integrity of Klarna's business operations.

Business model – value proposition to consumers

Klarna provides spending tools that are affordable, accessible and transparent. By supporting smart everyday money habits and discouraging predatory financial practices, Klarna sets the standard for more ethical, consumer-first services that empower a more inclusive society. As a player in the retail industry, we also have a role to play in driving environmental sustainability. With Klarna's range of sustainability features, customers can make more informed and responsible shopping decisions.

The Klarna app, now available in 25 markets, powers an end to end shopping experience, helping consumers to manage their transactions and offering a smarter shopping experience. It gives people access to our payment products and ways to manage their payments, providing them with an overview of their finances and spending insights, a personalized shopping feed powered by AI, a shopping lens to visually identify items and where to shop them by taking a picture and a search tool comparing thousands of retailer websites. Other features include shoppable videos, wishlist capability, a digital loyalty card wallet, exclusive deals and price drop notifications, friendly reminder push notifications, 24/7 customer service through chat, the option to snooze payments, delivery tracking, return reporting, CO_2e tracking and the ability to resell items.

The in-app shopping feature makes it possible to use Klarna with all online retail partners who have not yet integrated with our powerful platform. Klarna's browser extension enables consumers to shop with Klarna's flexible payment options on their desktop at every online store, even if the retailer is not yet a Klarna partner. Klarna is also increasingly available in physical stores across markets and through the Klarna card.



150M
Global consumers

2.5M+
Transactions per day

550K+
Global retail partners

THE CLIMATE PLEDGE
RACE TO ZERO

First fintech to join The Climate Pledge and Race to Zero

The consumer journey *

Inspiration and discovery

Discovery shopping feed

Powered by AI, gives consumers a feed of personalized product recommendations in the Klarna App to help them find and shop items most relevant to them. The feed updates in real time and becomes increasingly tailored, as it learns more about the user's preferences.

Search and Compare

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

Shoppable Video

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

Exclusive Deals

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

Browser extension

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

At check-out

Flexible, one-click payments

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

Klarna Card

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

Loyalty Cards

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

Automatic Coupons

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

Top Up Donations

Allows shoppers to add a $1 donation to select purchases, supporting planet health initiatives with a focus on climate, people and biodiversity.

Post-purchase

Delivery tracking & Returns

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

CO_2e Emissions Tracker

Giving consumers insights into the CO_2e impact of their purchases, displaying the estimated emissions set free for every step of the product's lifecycle.

Klarna Rewards Club

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

Resell

Enabling consumers to speed up the process of creating listings on secondhand marketplaces by pre-filling product details and images in the Klarna app.

Managing personal finances

Klarna Bank Account

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

Pools

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

Budgeting

Helping consumers to set a monthly allowance for themselves to control how much they spend with Klarna.

Categorization

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

Monthly spending breakdown

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

* Availability of features varies by country.

Value proposition to retailers and partners

Klarna is a preferred growth partner for more than 550,000 retailers of all sizes worldwide. We engage new and existing consumers across the shopping journey and connect them directly to retailers to drive growth as a viable and competitive alternative to global marketplaces.

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

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

Solutions for retailers

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

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

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

Ads Manager
A self-service advertising platform for retailers which harnesses Klarna's first-party data so retailers can reach the right shopper at the right time, while ensuring consumers enjoy a more relevant shopping experience.

Customer Relationship Management (CRM) Campaigns
Highlighting branded content to our shoppers through various channels in Klarna's ecosystem to drive incremental traffic to our brand partners.

Klarna's Open Banking Platform for retailers and partners

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

Klarna's Open Banking platform rapidly reduces the time for new fintech services to reach global scale while providing the essential building blocks for innovation in financial services - from payments and account insights to identification. It equips financial institutions, fintechs, and retailers with the essential connectivity to build the next generation of fintech apps and services by providing simple and secure access to over 11,500 financial institutions in 26 countries around the world through a single API.

Our Open Banking platform enables simple and secure acces to over

11.5K financial institutions in **26** countries

around the world through a single API. Today, our Open Banking platform processes close to

1B information requests

to bank accounts each year.

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 upheld 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.

A global presence

Klarna has 45 offices in 27 countries with its largest office in central Stockholm, Sweden. To ensure flexibility and speed, our overall office strategy is shifting to an increased proportion of flexible office space.

All new offices with less than 200 workstations are serviced by coworking partners.

North America

USA
Austin, TX ☐
Columbus, OH ■
Los Angeles, CA ☐
Las Vegas, NV ☐
New York, NY ☐
Portland, OR ☐
San Francisco, CA ☐

Canada
Montreal ☐*
Toronto ☐

Mexico
Mexico City ☐

Europe

Austria
Vienna ☐

Belgium
Brussels ☐

Czech Republic
Prague ☐

Denmark
Copenhagen ☐
Nykøbing ■

Finland
Helsinki ■

France
Paris ☐

Germany
Berlin ■
Cologne ☐
Giessen ■
Mannheim ☐
Munich ☐

Greece
Athens ☐

Ireland
Dublin ☐

Italy
Milan ☐

Netherlands
Amsterdam ☐

Norway
Oslo ☐

Poland
Warsaw ☐
Wroclaw ☐

Portugal
Lisbon ☐

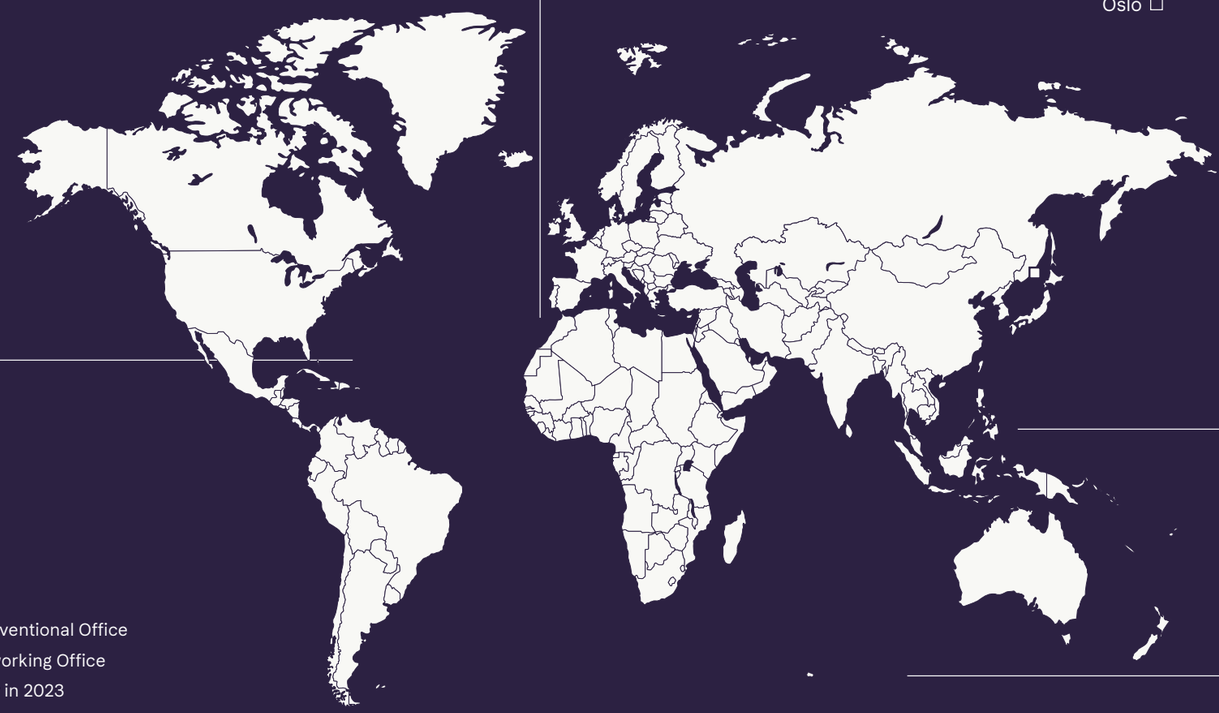
Romania
Bucharest ☐*

Spain
Barcelona ☐
Madrid ☐

Sweden
Gothenburg ☐
Stockholm ■
Uppsala ☐

Switzerland
Zurich ☐

UK
London ☐
Manchester ☐



Asia

China
Shanghai ☐
Shenzen ☐

Japan
Tokyo ☐

South Korea
Seoul ☐

Oceania

Australia
Sydney ☐

New Zealand
Auckland ☐

■ Conventional Office
☐ Coworking Office
* New in 2023

Sustainability

Sustainability at Klarna

As Klarna grows, so does our responsibility to our stakeholders, society and the planet. We recognize our impact on global ESG issues, such as climate change, human rights and combating financial crime, and their effect on our business.

We are tackling climate change by finding innovative ways to make a systemic impact. The intention is for this impact to go beyond our own company and into broader society.

We are tackling climate change by reducing our own greenhouse gas emissions and addressing biodiversity loss through our planet health initiatives. While we do not have complete control over climate issues in our value chain, we support our consumers in finding retailers having made real efforts to reduce their negative environmental impact, and engage with our suppliers on how they can reduce their footprint, to name a few.

We have a direct impact on society by, for example, offering fair, transparent and sustainable payments for consumers, having measures in place to prevent financial crime such as fraud, bribery and corruption or money laundering, ensuring an inclusive and empowering environment for Klarnauts (Klarna employees), and actively engaging in the communities where we have a presence.

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

Recognition

This year Klarna was named as the Most Sustainable Bank in Sweden by the 2023 Sustainable Brand Index.

In addition, we:

- won the Most Disruptive Global Climate Action Initiative in the CSR Excellence Awards 2023, run by The Business Concept;
- secured a finalist spot in the Reuters Responsible Business Awards in the Net Zero Transition Award category for our climate action approach;

  and

- won the Plus x Award in the categories Future Proof and Strategy.

SUSTAINABLE BRAND INDEX

THE BUSINESS CONCEPT.

REUTERS EVENTS™

PLUS X AWARD

Materiality assessment

With the support of independent experts, we conducted our first materiality assessment at the end of 2021.

We applied a double materiality methodology [1] and considered the impact of Klarna's business on global ESG issues and the impact of such issues on Klarna, e.g., climate change and labor rights. As part of the assessment, we conducted qualitative interviews with 15 internal and external stakeholders, a consumer survey in four markets with close to 3,000 respondents, a global employee survey, and internal workshops to analyze and prioritize the results.

As a result of the materiality assessment, three priority areas and five focus areas with greater business relevance and impact on the planet and society were identified:

Priority topics (material topics):

Climate change
Mitigating climate change impact by reducing greenhouse gas (GHG) emissions connected with online shopping.

Financial wellness [2]
Educating consumers about responsible spending, managing personal finances, providing transparency of expenses and payables, and fostering access to new payment solutions and financial products.

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

Other impact areas:

- **Circular economy**
- **Personal data empowerment**
- **Diversity, inclusion and equity**
- **Employee welfare, health, and safety**
- **Natural resources and biodiversity**

The deep understanding we gained from the assessment results reflected our existing ESG focus areas of Climate Action, Financial Wellness, and Diversity and Inclusion and our business focus on data security and privacy. It also identified new areas where we should develop strategic actions, such as the circular economy, which we embedded in our sustainability approach and have developed further during 2023.

We have highlighted the material topics where they are covered in this report.

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

[1] The methodology used in our 2021 Double Materiality Assessment predated the requirements for a double materiality assessment set out in the Corporate Sustainability Reporting Directive 2022/2464/EU (the CSRD). In Q4 2023 we started updating our Double Materiality Assessment to align with the requirements of the CSRD.

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

ESG risk assessment

2023 ESG risk assessment

At Klarna, one of our aims is to achieve sustainable business success by proactively addressing ESG factors. We recognize that these factors play a critical role in ensuring our business remains resilient amidst fast evolving economic and competitive landscapes. Our commitment to ESG is deeply integrated in our Risk Control Management approach, as we understand ESG risk as a potential business risk that can impact our ability to achieve our strategic goals and as a driver of other risks across the business.

Understanding ESG risks

To gain a comprehensive understanding of ESG factors, we conduct an annual ESG risk assessment. This assessment builds upon the work of our central Sustainability team. This process integrates forward-looking insights regarding upcoming regulations, guidelines, and protocols. Notably, it considers the Task Force on Climate-related Financial Disclosures (TCFD) (see Appendix).

Our key ESG risk themes

Based on our extensive research and input from over 24 stakeholders, including discussions with more than 20 teams during workshops, we've identified five primary ESG themes for the period 2022-2023 including their risk areas:

- **Climate Change**
  The risk that transitional or physical factors impact our business model, regulatory compliance, operations, or credit risk exposures to consumers or partners resulting in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through proactive product design, engaging in climate change research assessments, consumer engagement, and regulatory intelligence scanning.
- **Modern slavery and human rights**
  The risk that Klarna or its supply chain does not appropriately manage modern slavery risks that result in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through supply chain due diligence processes and people processes.
- **Diversity, inclusion and equity**
  The risk that Klarna or its supply chain does not implement sufficient diversity and inclusion approaches that result in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through people processes.
- **Data privacy and security**
  The risk that Klarna's information is not managed and secured in an appropriate way resulting in legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed via modern technology and security systems supported by specialist engineering experts.
- **Financial wellness**
  The risk of Klarna's action, or lack of action, leads to poor outcomes for customers and legal, reputational, and financial impacts for Klarna, its staff, and its consumers. Managed through specialist product and consumer servicing design.

This structured ESG risk assessment ensures that Klarna is well-prepared to address significant ESG risks while remaining compliant with regulatory changes. The comprehensive methodology and our commitment to sustainability further enhance our associated ESG risk routines. This approach allows us to respond effectively to stakeholder inquiries and explore new ESG projects to enhance our positive contribution to the society.

The results of the 2022-2023 ESG risk assessment were summarized in a report that identifies the prioritized risks and associated mitigation actions, the timeline for their implementation, and the key risk owners. The list of risks and actions has been integrated into Klarna's risk monitoring system to ensure effective tracking of progress. As an example of these actions, we recently completed a quantitative analysis focused on Climate Change risk.

This analysis aimed to further assess the potential long-term impacts of various climate-related scenarios on our business. The insights gained from this analysis are enabling us to increase our understanding to consider additional initiatives. Our approach to this analysis aligns with international methodologies like the one provided by Network for Greening the Financial System (NGFS).

Sustainability approach

Klarna's sustainability approach is twofold: addressing sustainability within our own operations and having an impact beyond them. Within our operations, we actively work towards reducing our carbon footprint and mitigating biodiversity loss. We combat financial crime while prioritizing cybersecurity and data protection. Moreover, we promote financial wellness and diversity and inclusion, all informed by our materiality assessment. However, our commitment extends beyond our operations. We aim to empower consumers by providing them with unbiased information to make smart, informed and responsible purchasing decisions for example through our in-app CO2e tracker. Further, our efforts to drive sustainable credit practices, such as removing revolving credit and unnecessary fees and offering flexible payment times, assist consumers in paying on time through friendly reminders.

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

Financial wellness

Klarna aims to help consumers save time and money and reduce worry, 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.

Diversity, inclusion and equity

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

Climate change

Klarna has opted to follow the **World Wildlife Fund (WWF) and Boston Consulting Group (BCG)** blueprint for corporate action on climate and nature. It guides how companies measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects.

Vote with your wallet

We understand that not everyone has the same time, commitment or depth of understanding of the complex issues involved to make more sustainable decisions. But we do believe consumers can become empowered to make better-informed decisions with the right information presented at the right moment.

Circular shopping

Klarna is uniquely positioned to help consumers maximize the use of products and to shop for pre-owned items. We incentivize consumers to participate in the circular economy by highlighting retail partners offering circular services, care and repair tips and options for reselling their Klarna-purchased products.

Effortless donations

We have created several touchpoints in our ecosystem where Klarna consumers can donate to causes they care about. We believe that donations should go directly to the cause, choosing grassroots organizations to maximize the impact of each donation.

ESG governance

The integration of ESG principles is fundamental to Klarna's Strategic framework. Our Leadership team handles matters like flexible work, employee engagement, and inclusion. Our Risk Control team upholds stringent ESG risk measures, and our Sustainability teams spearhead measures to make our operations more sustainable and enables other teams to incorporate ESG issues to their work.

All ESG-related teams report to their respective members of the Group Management Team. For instance, the Sustainability teams are led by Klarna's Sustainability Lead, who reports to the Chief Marketing Officer (CMO). The CMO holds overarching accountability for these programs within the Group Management Team. The Group Management Team is formed of the Chief Executive Officer, Chief Product and Design Officer, Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer, Chief Technology Officer, Chief Commercial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Information Security Officer and the Chief Credit Risk Officer.

At least once per quarter, the Group Management Team and Sustainability Lead assess and manage climate-related risks and opportunities alongside those relating to our other products, services, and operations. ESG risks form part of Klarna's business risk reporting, which is presented to the Board on a quarterly basis.

Governing documents

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

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

Klarna has the following ESG-related policies and practices:

Climate Commitment

Klarna's Climate Commitment outlines our climate action strategy, our efforts to reduce Klarna's carbon footprint, and how we promote climate action beyond our own footprint to contribute to a more environmentally sustainable future. You can read about our climate commitments below, or find the Climate Commitment **here**.

Anti-Money Laundering & Counter Terrorist Financing Policy

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

Sanctions Policy

Klarna's Global Sanctions Policy sets standards and procedures to ensure Klarna and its employees conduct business in accordance with applicable sanctions laws and regulations, and mitigate potential compliance, regulatory and reputational risks associated with potential sanctions violations.

Data Privacy Policy

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

Global Work Environment Policy

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

Information Security Policy

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

Supplier Code of Conduct

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

Vulnerable Consumer Policy

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

Code of Business Conduct

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

Compliance Policy

Klarna's Compliance Policy sets out the key principles for how Klarna ensures compliance with laws, regulations and internal governing documents, and describes activities and values to establish a sound risk culture and the main features of the Compliance Program.

Conflict of Interest Policy

Klarna's Conflict of Interest Policy ensures that Klarna has appropriate and effective procedures for actively and continuously identifying, assessing, managing, or preventing actual and potential conflicts of interest that may arise in our day to day activities.

Ethical Instructions for Partners

Klarna has established clear ethical guidelines consisting of some general principles, to prevent our products and services from being used in unethical ways, which are: Unethical Business Methods and Practices (Klarna shall not cooperate with retailers that sell products or carry out services with means and methods that are misleading, deceptive, abusive, or unfair to customers, or otherwise unethical or illegal) and 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). The ethical guidelines apply contractually when onboarding new retailers, and are actively monitored to ensure compliance.

Ethics Policy

Klarna's Ethics Policy describes our high ethical ambitions and clarifies and illustrates our ethical principles and standards.

Internal Governance and Control Policy

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

Whistleblowing Policy

Klarna's Whistleblowing Policy documents Klarna's reporting mechanism for employees, consultants, outsourced partners and other third parties who wish to confidentially report any potential unethical, illegal, or improper conduct.

Compliance training

Our employees play a crucial role in Klarna being a good corporate citizen by creating trust with stakeholders and complying with laws and regulations. All employees must complete mandatory Compliance training (e-learning), which requires annual recertification. Among other things, the training covers Klarna's Code of Business Conduct, whistleblowing, conflicts of interest, sanctions and, anti-money laundering, and countering terrorist financing. Additional tailored training for employees is provided based on the role and responsibilities.

Compliance training	2023	2022	2021
Completion rate of mandatory online compliance training [3] (% of total workforce)	86%	91%	90%

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

Stakeholder engagement

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

Stakeholder groups

Maintaining and nurturing stakeholder relationships is key to driving ESG at Klarna. 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 progress on ESG topics.

Stakeholder group	Ways to engage interest groups
Consumers	Customer satisfaction surveys Self-service portal and app Customer support Dispute management Klarna's Consumer Council Social Media
Retail partners	Customer satisfaction surveys Self-service portal Retailer support
Employees	Workers Council (Germany) Work Environment Committee (Sweden) Unionen (Sweden) Finansförbundet (Sweden) Employee engagement surveys Open Slack culture Performance and development dialogue Leadership program Klarna's Marketing Academy Annual kick-off and monthly All-hands staff meetings Internal events Whistleblowing
Shareholders/investors	Personal meetings Answering investors' ESG questionnaires Participating in investors' ESG roundtables Results Calls Newsletters
Suppliers	Dialogue during the purchasing process
Regulators and supervisory authorities	Supervisory review and evaluation process Regulatory reporting Ongoing discussions Answering inquiries
NGOs	Community engagement activities
Tax authorities	Tax returns Information exchange in relation to account holders Constructive engagement regarding tax law changes
Politicians / Policymakers	Policy events Conference, hearings, & inquiry attendance Policy submissions Direct meetings Ongoing discussions Answering inquiries

Environment

Climate action

MATERIAL TOPIC

Klarna's approach to climate action

At Klarna, our approach to environmental sustainability includes diligently reducing our operational environmental footprint, participating in funding projects that drive environmental initiatives, and empowering consumers to adopt more sustainable shopping habits. Klarna's climate action approach is in line with the leadership practices set out in the **WWF and BCG Blueprint for Corporate Action on Climate and Nature**. We are committed to reducing our carbon emissions. Acknowledging the emissions yet to be mitigated, we've implemented an internal carbon tax which we use to finance impact-focused climate action.

Reducing Klarna's carbon footprint

To ensure a robust foundation for our climate action strategy, Klarna's carbon footprint is calculated annually, following the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard. As is common practice, we distinguish our emissions by three scopes:

- **Scope 1:** Direct emissions from operations that are owned or controlled by Klarna, e.g., the on-site energy consumed through the heating of our offices.
- **Scope 2:** Indirect emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by Klarna, e.g., the electricity used in our offices.
- **Scope 3:** All indirect emissions (not included in scope 2) that occur in Klarna's value chain, including both upstream and downstream emissions (e.g., employees' business travel, energy used to operate cloud or marketing services).

Our 2023 carbon footprint

Klarna's overall 2023 absolute carbon footprint decreased by 25% compared to 2022. This was driven by emission reductions across nearly every emission category, with the exception of Business Travel.

Absolute scope 1 and 2 emissions decreased by 66% year-on-year. This was the result of a strategic shift to flexible office spaces and a corresponding consolidation of Klarna's leased offices (shifting some emissions to scope 3), as well as significant improvements in data quality, such as the collection of primary data for Klarna's two largest offices in Stockholm and Berlin, and the continued procurement of renewable electricity across all Klarna offices.

Procurement-related emissions, which fall under the categories Purchased Goods and Services and Capital Goods and accounted for over 87% of Klarna's overall carbon footprint, decreased by 26% year-on-year. This was the result of an overall businesswide efficiency drive that significantly reduced the volume of carbon-intensive goods and services Klarna purchased in 2023 even as revenue continued to grow.

Emissions from Business Travel increased by 19% year-on-year, primarily due to employee travel to Klarna's first company-wide in-person meeting in Stockholm since 2019.

Overall carbon intensity was significantly reduced by 39% year-on-year to 4.7 tCO2e/mSEK of revenue. This puts Klarna on track to meet our 2030 target of reducing carbon intensity by 50% against a 2019 baseline of 7.0 tCO2e/mSEK.

Key initiatives that have driven the decrease in our carbon footprint

- Significant reductions in our supply chain carbon footprint due to efficiency initiatives that have streamlined resource use across Klarna's business.
- Ongoing commitment to the procurement of 100% renewable electricity for all Klarna offices.
- Improved data collection methods have increased the use of primary activity data in our carbon footprint calculations, leading to more accurate results.

GHG emission scope	2023	2022	2021	2020	2019
Direct (Scope 1) GHG emissions (tCO_2e)	**67**	**281**	**279**	**341**	**234**
Indirect (Scope 2) GHG emissions (tCO_2e)	**52**	**66**	**6**	**1,420**	**456**
Other indirect (Scope 3) GHG emissions [4] (tCO_2e)	**109,824**	**146,928**	**152,995**	**100,752**	**55,732**
3.1 Purchased goods and services	96,616	128,571	145,028	95,871	47,431
3.2 Capital goods	21	2,471	3,245	1,830	1,805
3.3 Fuel and energy related activities	159	445	241	247	151
3.5 Waste generated in operations	152	718	0	103	424
3.6 Business travel	10,155	8,510	2,423	1,330	4,694
3.7 Employee commuting	2,616	5,833	1,385	1,119	1,172
3.8 Upstream leased assets	105	379	388	252	55
Total GHG emissions (tCO_2e)	**109,943**	**147,275**	**152,710**	**102,513**	**56,422**
GHG emissions intensity (tCO_2e per SEK 1M revenue)	**4.7**	**7.6**	**9.6**	**9.3**	**7.0**
Change in absolute GHG emissions YoY (%)	**-25%**	**-3.7%**	**+49%**	**+87%**	**-**

[4] The breakdown of scope 3 emissions provides an overview of all scope 3 categories that are relevant to Klarna in line with reporting requirements under the GHG Protocol Corporate Value Chain (Scope 3) Accounting & Reporting Standard. Categories not listed here are not relevant.

Our emission reduction targets and initiatives

We have set several milestone targets to guide us on our journey to becoming a net zero business.

Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
By 2025, all our offices will run on 100% renewable electricity. **We will:** ■ Procure certified green electricity tariffs where this option is available ■ Purchase energy attribute certificates to fill any gaps	All of Klarna's offices use 100% renewable electricity since 2022, meeting our target three years early.	All our offices use 100% renewable electricity.	Majority of our leased offices switched to renewable electricity, with 12 of 15 leased offices running on renewable electricity.
By 2030, we will reduce our revenue-based carbon intensity by 50% across scope 1, 2 and 3 from a 2019 baseline. [5] **We will:** ■ Continue to use 100% renewable electricity across global Klarna offices ■ Encourage our suppliers to measure and reduce their emissions ■ Work to establish a zero-carbon cloud infrastructure ■ Continue to reduce emissions from business travel ■ Explore innovative reduction opportunities for our upstream emissions	4.7 tCO_2e per Revenue Intensity - Total GHG emission for Scope 1, 2 & 3 in tCO_2e relative to 1M SEK Revenue.	7.6 tCO_2e per Revenue Intensity - Total GHG emission for Scope 1, 2 & 3 in tCO_2e relative to 1M SEK Revenue	9.6 tCO_2e per Revenue Intensity - Total GHG emission for Scope 1, 2 & 3 in tCO_2e relative to 1M SEK Revenue.
By 2040, we aim to reach net-zero scope 1, 2 and 3 GHG emissions. [6] **We will:** ■ Reduce our our value chain emissions to as close to zero as possible ■ Remove the remaining emissions through permanent carbon sequestration	Klarna's absolute GHG emissions decreased by 25%, primarily driven by reductions of our supply chain emissions.	Steady improvements in the carbon intensity of purchased goods and services resulted in an overall reduction of Klarna's absolute GHG emissions of 3.7%.	Driven by a significant increase in supply chain emissions as a result of strong business growth, Klarna's absolute **GHG emissions increased by 49% in 2021.**

[5] The wording of this commitment has been changed since the previous year to provide additional clarity on its substance. Furthermore, the currency in the intensity metric has been changed to SEK from USD to align with Klarna's overall financial reporting.

[6] The wording of this commitment has been changed since the previous year to provide additional clarity on its substance.

Environmental sustainability in business operations

Waste management

Klarna's waste management strategy across its offices focuses on implementing the waste hierarchy: avoiding and reusing waste where possible, increasing recycling rates, and diverting remaining waste away from landfill.

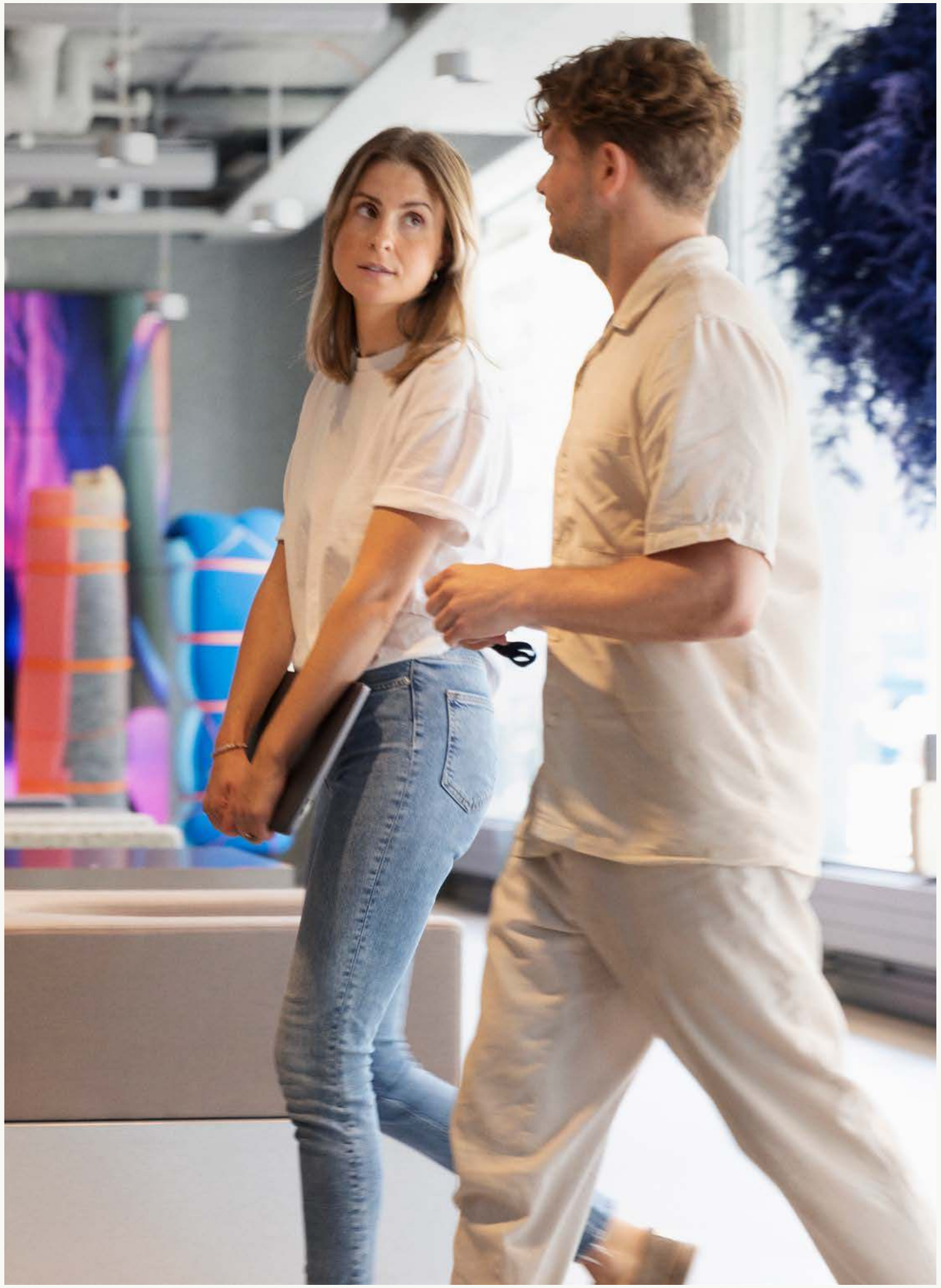
Since Klarna's operations are office-based, with relatively low overall waste volumes, the main focus is to ensure opportunities for fractional recycling in the office spaces and to minimize non-recyclable office waste. Our Global Office Services team promotes and facilitates recycling as much as possible and encourages action through events like our Global Earth Week, where Klarnauts could learn about conservation and recycling through engaging educational events.

The recycling rate across the two primary Klarna-operated offices in Stockholm and Berlin is 16% and recycling rates across nearly all of Klarna's WeWork offices, which account for close to 75% of Klarna's flexible working desks, exceed 40%, with many certified as Zero waste to Landfill.

IT equipment

As a technology-driven company, providing our employees with optimal IT equipment is critical to our success. Having the right tools is a necessity to further develop and maintain the innovative products and services we offer to our consumers and partners. Klarna strives to ensure sustainable consumption of physical electronic goods as much as possible.

We reuse as much of our IT equipment as possible and ensure that each device is fully utilized and depreciated 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.



Klarna's climate contributions

Klarna's internal carbon tax

While we are on our journey to reduce our emissions to net zero by 2040, Klarna will have GHG emissions that are yet to be reduced. Klarna is taking responsibility for these emissions by levying an internal carbon tax on our annual emissions and using these funds to finance climate action.

Notably, Klarna is financing **Beyond Value Chain Mitigation** (BVCM) in a contribution model. In this model, rather than buying carbon credits to "offset" our emissions, we contribute the funds raised through our carbon tax to a portfolio of climate projects focused on maximizing overall climate impact. **Like many experts**, we believe that this approach is a much-needed evolution of the way companies have traditionally financed climate action and Klarna is amongst the first large businesses pioneering it worldwide.

We apply the internal carbon tax annually, based on our annual carbon footprint calculation. Specifically, we price those emissions that are more directly under our control (i.e. Scope 1, 2, and business travel emissions) at USD 100 per metric ton and more indirect emissions (i.e. all other Scope 3 emissions) at USD 10 per metric ton. In the fiscal year 2023, our carbon tax amounted to 2.0M USD, contributing to a total of 7.0M USD of finance for climate projects since 2020.

	Total	2023	2022	2021	2020
Funds raised from our internal carbon tax (USD)	**7.0M**	2.0M	2.3M	1.7M	1.0M

Klarna paid a carbon tax of

USD **100**

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

Klarna paid a carbon tax of

USD **10**

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

Klarna's contribution to the Climate Transformation Fund

The funds generated by the internal carbon tax are donated to projects selected by the **Climate Transformation Fund** (CTF). The CTF is a charitable fund, curated by Milkywire, that enables companies to fund impactful climate solutions to help reach global net zero. Established in 2021 with the collaboration and support from Klarna, the fund has supported 30 projects to date.

To address the climate crisis, a range of solutions is required, including reforestation, renewable energy implementation, carbon capture, and policy changes. The CTF supports three impact pillars: 1) nature protection and restoration, 2) decarbonization, and 3) carbon dioxide removal.

With a focus on maximizing long-term CO_2 reduction or removal per dollar spent, the CTF scales existing nature-based climate solutions, prevents deforestation, and supports socially sustainable re-greening practices. The decarbonization pillar accelerates climate policy ambitions, emphasizing the substitution of fossil fuels. The carbon removal pillar promotes the development and deployment of new technical solutions and scales mature options like biochar. These projects often generate environmental and social co-benefits.

As of 2023, Klarna has contributed over USD 5M to the CTF. From our 2023 contribution, we will receive 8,877 credits for carbon removal, meaning we paid to remove 8,877 tons of CO_2e from the atmosphere.

In this way, we aim to drive catalytic climate action while also supporting those most affected by the impacts of the climate crisis. We believe this approach can inspire other companies to follow our example: to also set ambitious targets, put a price on their emissions, and contribute to the vital climate solutions the planet needs.

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Projects supported by Klarna's contribution to the Climate Transformation Fund in 2023:

Carbon removal

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

USD **250K**

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

USD **300K**

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

USD **50K**

Carbon Capture Scotland utilizes bespoke technology to capture waste biogenic CO2 from whisky distilleries in Scotland, which is then cleaned, liquefied, and geologically stored. Through this process, they explore the largely untapped carbon removal potential of fermentation sources, with future plans to enhance biodiversity in the Scottish Highlands.

USD **100K**

SeaO2 uses electrochemical oceanic carbon capture technology to treat water and capture and store its CO2 content, returning the treated water to the ocean's surface layer where it can continue to absorb more CO2.

USD **100K**

Takachar employs patented technology to convert crop residues into biochar offering multiple benefits: avoiding the burning of those residues, carbon capture through the use of biochar, reduction of the use of synthetic fertilizers, and minimization of wildfire risks.

USD **150K**

Mission Zero Technology employs a direct-air mineralisation technique to capture atmospheric CO2, converting it into rock within three days. This carbon is stored as durable carbonates, useful in construction or responsible landfilling, simplifying the CO2 capture and mineralisation process with lower energy intensity.

USD **100K**

Octavia Carbon designs and constructs Direct Air Carbon Capture (DACC) machines to filter CO2 from the air, which is then permanently stored underground utilizing Kenya's basaltic geology to mineralize CO2.

USD **100K**

Parallel Carbon advances a novel direct air capture (DAC) technology, merging mineral-air reactions, electrochemistry, and clean power to extract atmospheric CO2. This CO2 is then supplied to partners for long-term mineralization or underground geological storage.

USD **100K**

TerraFixing's technology captures carbon dioxide directly from the air using ADsorption technology and stores it permanently through geological sequestration. Their process is designed to operate in cold remote locations where extracting CO2 from the air is easier and cheaper, and where there are high potentials for renewable wind energy to power the units.

USD **100K**

Inplanet focuses on enhancing rock weathering by spreading silicate rock powder on tropical agricultural lands, a method especially promising in these regions for capturing carbon in soil leachates and waters, eventually storing it in ocean sediments. Addressing the knowledge gap on tropical soil weathering processes, Inplanet ensures safety by using certified rock powders.

USD **100K**

Total

USD **1.45M**

Restoring and protecting nature

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

USD **83K**

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

USD **83K**

Planète Urgence is a global conservation organisation, particularly active in Indonesia. The CTF-funded project combats ecological detriments from shrimp farming and deforestation in Borneo's Mahakam Delta and Adang Bay.

USD **74K**

The Ceibo Alliance, an Indigenous-led organization operating in the Upper Amazon (Ecuador, Colombia, and Peru), empowers Indigenous communities to combat deforestation and preserve these vital carbon sinks. They map and monitor forests, assisting community patrols in detecting and deterring rainforest-harming activities.

USD **74K**

Landesa aims to protect and restore mangrove forests in the Bay of Bengal and Southeast Asia, benefiting coastal communities' livelihoods and mangrove health. This project includes securing forest tenure, sustainable land management, reforestation, and afforestation. Landesa collaborates with six regional governments to advance sustainable mangrove management, blending on-the-ground restoration efforts with advocacy for secure tenure rights.

USD **74K**

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

USD **46K**

Total

USD **434K**

Decarbonisation and advocacy

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

USD **55K**

Human Rights Watch is a NGO advocating for human rights and sustainability. They actively engage in initiatives to combat the impact of fossil fuels, for example in Bosnia, they halted a coal-fired power plant and promoted renewable energy laws. In the US, they supported a lawsuit against new fossil fuel facilities in "Cancer Alley." HRW plans to continue these initiatives in oil-producing countries like the UAE and Iraq.

USD **74K**

Industrious Labs is a new organization dedicated to decarbonizing heavy industries, with a specific focus on the cement and aluminum sectors. Shifting from carbon-intensive Portland cement to existing, low-carbon technologies can significantly reduce emissions in this sector. Their aluminum campaign aims to decarbonize the U.S. primary aluminum industry, leading to a substantial reduction in its CO2 footprint.

USD **87K**

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

USD **26K**

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

USD **74K**

Carbon Market Watch is a prominent organization striving to influence EU carbon removal policies. CMW proposes a novel approach to monitor the EU's carbon removal targets, preventing the risk of discouraging mitigation efforts due to the absence of distinct reduction and removal targets. This approach aims to achieve near-zero emissions for the benefit of both the climate and society.

USD **66K**

The Bungin Island Decarbonization Project is an ambitious initiative aimed at transforming the traditional fishing practices of Indonesia's most densely populated island. Through the introduction of electric boat motors and solar-powered cold storage, this project seeks to significantly reduce carbon emissions, setting a sustainable example for fishing communities worldwide.

USD **87K**

Total

USD **469K**

Find out more about the projects we are supporting **here**.

Impact partnerships

Collaboration is a crucial ingredient for successful climate action.
That is why we partner with corporate climate leadership initiatives to go further, faster. As of 2023, we:

are committed to **The Climate Pledge**

RACE TO ZERO

have joined the **Race to Zero**

are active members of **Leaders for Climate Action**

CDP DISCLOSER 2022

continue to disclose our climate governance, initiatives and performance in the **CDP** Climate Change Questionnaire

Our planet health initiative

Give One

In April 2021, Klarna pledged 1% of all future funding rounds to Give One, our planet health initiative. Based on three investment rounds, this commitment now totals USD 24.5 million by the end of 2023. Together with our strategic sustainability partner, Milkywire, we support change-makers on the frontlines of environmental challenges and showcase their work being done on the ground. We strongly believe that the growth of our business needs to support conservation, mitigation, and restoration efforts for climate and biodiversity.

To make sure we select the right organizations, Give One has an Advisory Board, a group of experts in their fields who provide the initiative with invaluable scientific knowledge and extensive experience in environmental development, conservation, and project financing. We have summarized the progress Give One has made in the **Give One Progress Report 22/23**, where we have documented in detail how the funds pooled by our Give One initiative have been used.

Employee donations

During 2023, we launched several employee engagement formats, including internal climate competitions and hackathons on planetary health and climate change education. As part of this engagement, we donated an additional SEK 1,212,921 to various Give One projects.

Give One supports over 50 organizations throughout North America, South America, Africa, Europe, and Asia. Some highlights include:

43,000 people
benefitted in livelihood improvement activities relating to forest conservation in Kenya and Ghana in 2022 alone

61,000 people
have engaged in activities through Give One to restore and protect our planet – including government officials, schools, and community members

900,000 hectares
2.2 million acres of habitat across the globe have seen positive impact thanks to Give One-supported organizations

3.4 million trees
have been planted to restore and reforest important ecosystems by organizations supported by Give One

Vote with your wallet

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

Consumers are actively seeking information to guide their purchasing decisions. According to Klarna's latest **Shopping Pulse Survey** nearly 1 in 3 consumers state the importance of brands and retailers to act in an environmentally sustainable way.

Klarna carries out

2.5M

transactions per day. By providing

150M

global consumers with better information as they shop with Klarna, we can make an impact on environmental and social aspects.

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

We are committed to increasing sustainability awareness amongst our consumers by providing them information at both brand and product level. At the brand level, we provide our consumers with pre-purchase insights into the sustainability performance of retail partners on various sustainability achievements based on vetted 3rd party data including Good On You and Clarity AI. This information allows shoppers to make informed decisions, helping them to discover brands that align with their values.

On the product level, consumers have the opportunity to access pre-purchase information and choose products based on third-party sustainability certifications, such as Global Organic Textile Standard (GOTS), People for Ethical Treatment of Animals (PETA), and Cradle to Cradle. Additionally they can access post-purchase information, including insights into the CO_2 emissions data of the products they purchased and learn more through sustainability tips about how to take care of their products.

Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
Empowering our consumers to make better-informed decisions by providing them with easy-to-understand information at the right time.	● Upgraded the CO_2 Emissions Tracker to include insights into the environmental impact of 150 million products within Home & Garden, Jewelry & Accessories, Health & Beauty and Electronic categories. ● Launched new touchpoints and features in the shopping experience in-app to highlight sustainability information about brands to consumers. In 2023 we had 4.75 million purchases from conscious brands. ● Launched a conscious shopping touchpoint on klarna.com to serve as the main access point to Klarna's wide range of sustainability related information and services. ● Launched new sustainability search filters to enable shoppers to discover products that received third-party sustainability certifications.	● Upgraded CO_2e Emissions Tracker to provide shoppers worldwide with CO_2e emissions data at a product level for nearly 60 million fashion items. ● Launched Conscious Collections highlighting 105 fashion brands in 18 markets, enabling consumers to find conscious brands in the fashion category. ● Highlighted environmentally conscious brands, showcasing the outstanding environmental efforts of electronics brands. ● Launched sustainability campaigns that showcase the sustainability efforts of our retail partners to consumers.	● Launched CO_2e Emissions Tracker in all markets, offering consumers CO_2e insights for shopping purchases. ● Highlighted more sustainable products, emphasizing reuse and upcycling through in-app lists to consumers. ● We highlighted the sustainable efforts of our retailers and encouraged consumers to shop consciously through our Vibes program. As a result, our consumers received twice as many Vibes for conscious shopping in April.

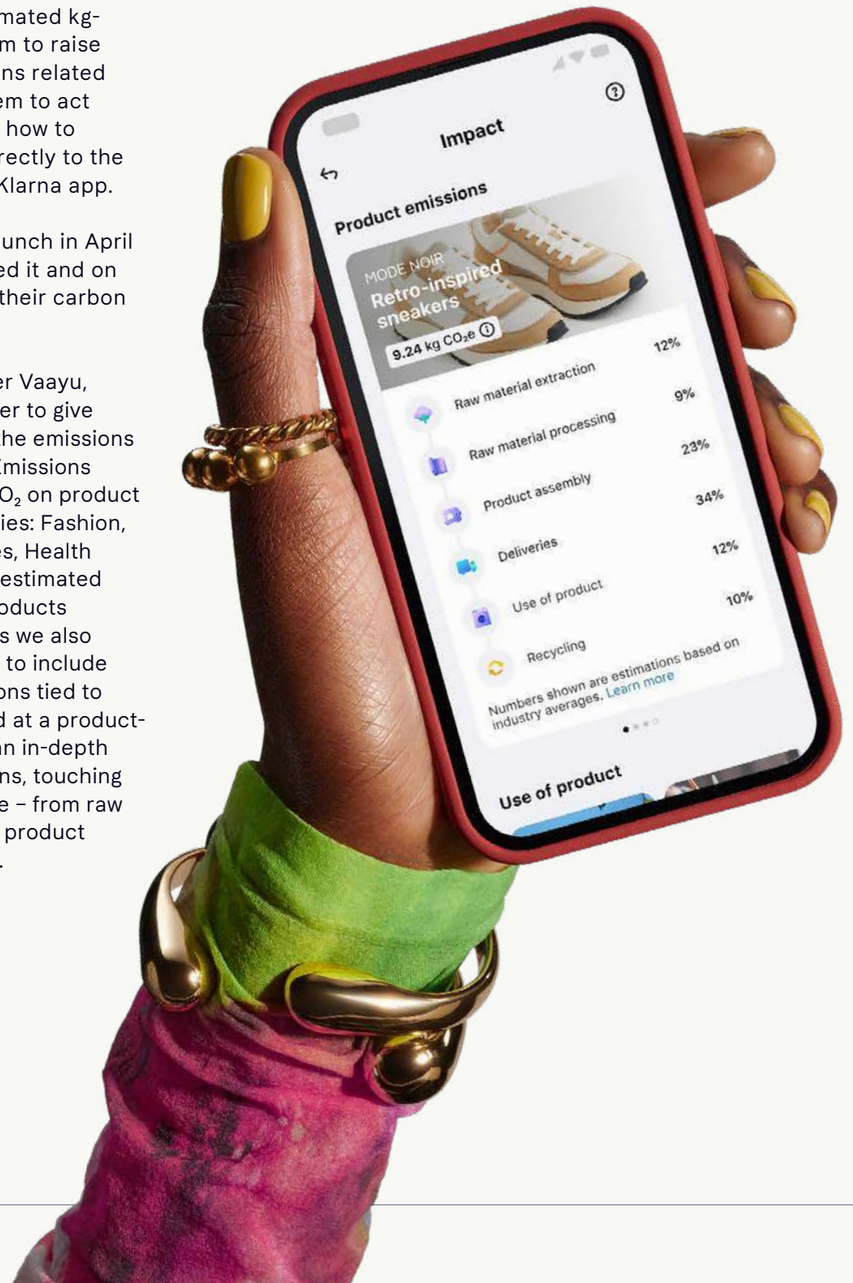
Product Level Sustainability information

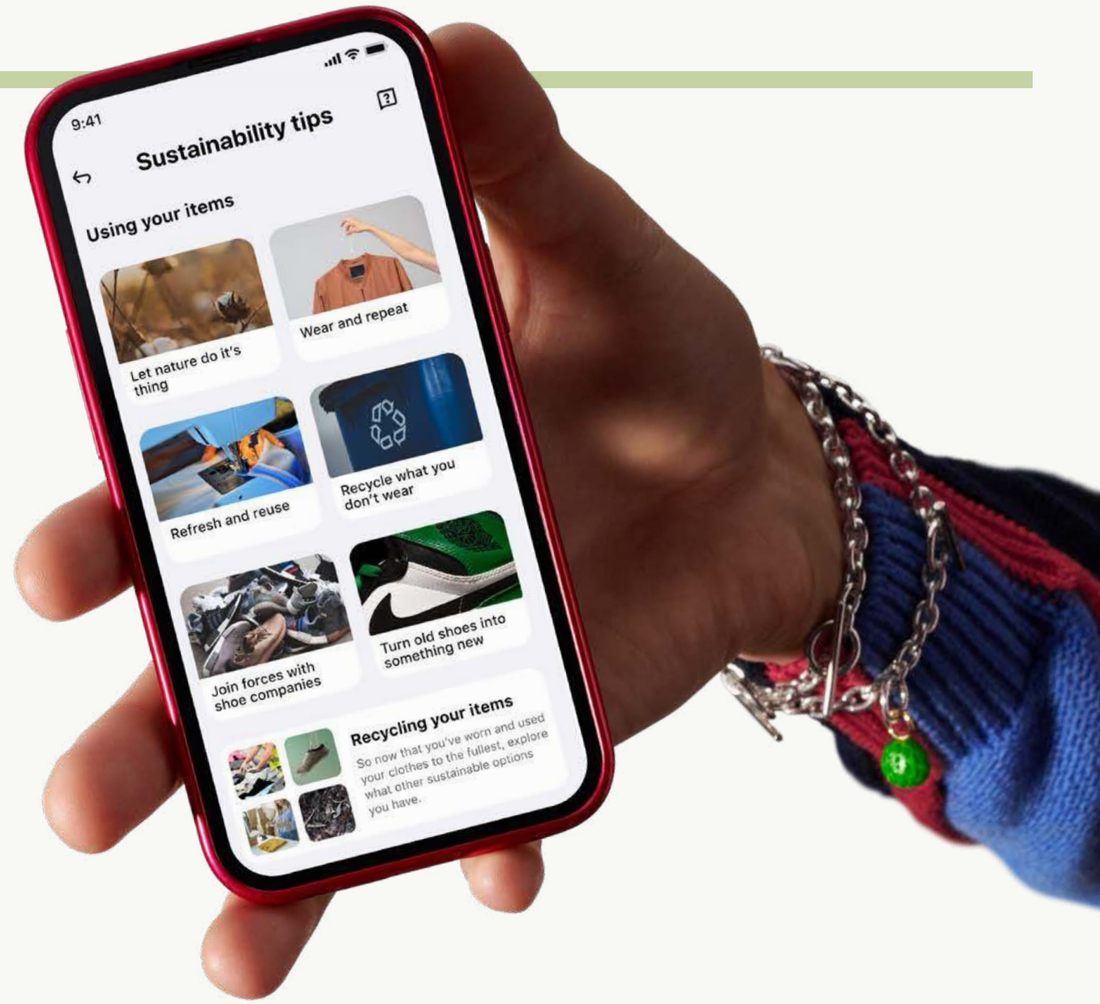
CO_2e Emissions Tracker

Consumers are taking brands to task and demanding tools that help them shop more sustainably. In response to that growing demand for a better understanding of the impact of their purchases, in 2021 we introduced Klarna's CO_2e Emissions Tracker. The CO_2e Emissions Tracker provides insights into the estimated CO_2e emissions of purchases made by consumers via the Klarna app. By displaying the estimated kg-CO_2e value of each transaction, we aim to raise consumers' awareness of the emissions related to their purchases and encourage them to act on these emissions by either learning how to shop more sustainably or donating directly to the Climate Transformation Fund via the Klarna app.

Since the CO_2e Emissions Tracker's launch in April 2021, 7.26 million consumers have used it and on average, over 280K consumers track their carbon footprint every month.

In 2023, in conjunction with our partner Vaayu, we elevated the CO_2e Emissions Tracker to give consumers even deeper insights into the emissions related to their purchases. The CO_2e Emissions Tracker now provides the estimated CO_2 on product level for the following product categories: Fashion, Home & Garden, Jewelry & Accessories, Health & Beauty and Electronics. We provide estimated CO_2e emissions data for 150 million products across all categories. In addition to this we also enhanced the CO_2e Emissions Tracker to include advanced insights into the CO_2 emissions tied to past purchases, meticulously analyzed at a product-level. The improved version provides an in-depth breakdown of a product's CO_2 emissions, touching on every step of the product's lifecycle – from raw material extraction and processing, to product assembly and delivery to the end user.





Sustainability Tips

We are continuously working towards adding new features to our product offering to help those consumers who want to adopt a more conscious lifestyle.

In addition to the CO_2e Emissions Tracker, in 2023 we have included an educational section to inform consumers on best practices around how to take care of their products while using them. The aim is to help consumers understand how they can maintain the value of their products and keep them in use. Consumers can learn about how to extend the life of their products after the purchase, minimize the CO_2e emissions during usage and find practical steps such as adhering to care labels and repairing well-worn items.

Sustainability Search Filters

In our latest **Klarna Pulse Survey Q2 2023**, 42% of our consumers globally think it's important that brands use sustainable materials in their products. We believe that third-party sustainability certifications can enable consumers to make purchases in line with third party certifications that matter to them.

In 2023 Klarna introduced new sustainability certification filters enabling consumers to identify products by third-party sustainability certifications such as Global Organic Textile Standard (GOTS), People for Ethical Treatment of Animals (PETA), and Cradle to Cradle. The feature is available in our search and compare tool online and in the Klarna App. In the future we aim to enhance and extend the filters to cover more product categories.

Brand Level Sustainability information

Consumers are increasingly looking for brands that share their values[7]. Our goal is to empower consumers to shop more consciously by providing the right information at the right time. Our approach is to be facilitative - helping people to make smart choices, without restricting those choices. We remain a neutral platform that helps consumers shop based on their values.

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

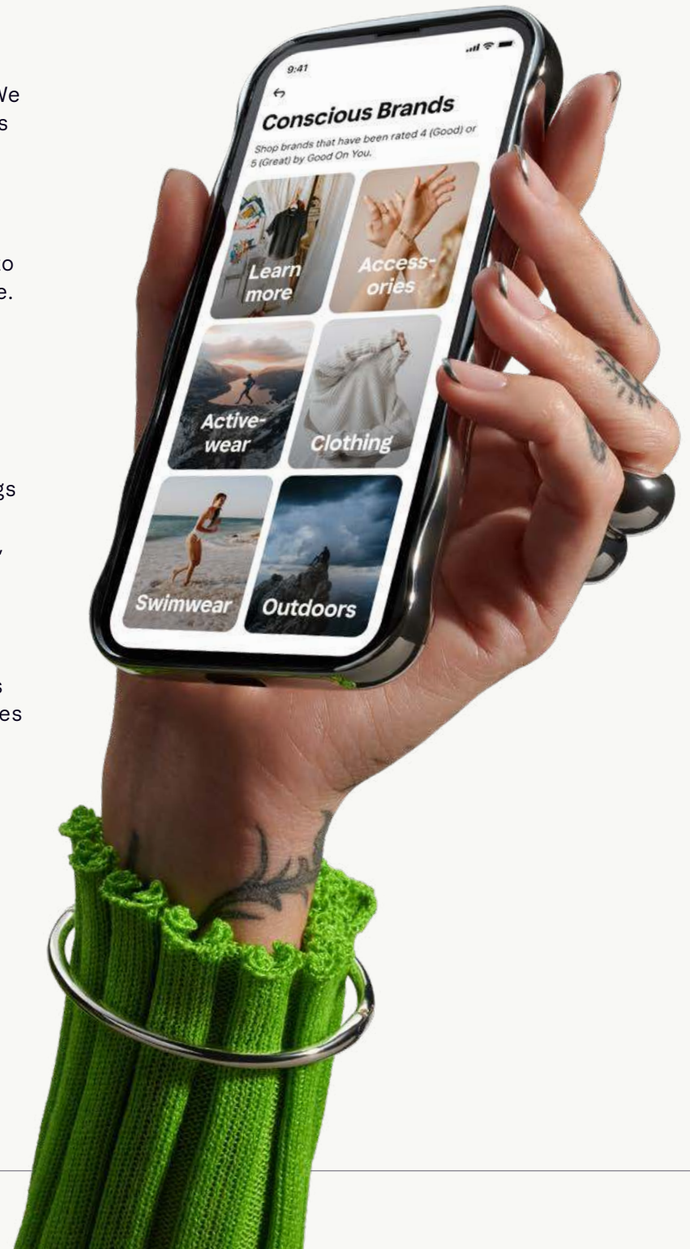
In 2023 we worked on integrating sustainability information at the brand level more seamlessly into the consumer journey, both pre and post purchase.

Conscious fashion brands with Good On You

In February 2022, we officially launched our partnership with **Good On You**. Good On You ratings enable consumers to understand the impact of fashion brands on people, the planet, and animals, and examines more than 1,000 data points to determine a brand's rating from 1 "We Avoid" to 5 "Great". Good On You scores brands based on the brand's own external reporting, independent certifications, and other standards-based systems (e.g., Fair Trade), and third-party reports and indices (e.g., the Fashion Transparency Index).

Brands rated 4 (Good) or 5 (Great) by Good On You are highlighted in various touch points in the Klarna App, in 18 markets.

In 2023 we were able to increase the number of Klarna brands assessed by Good On You and highlighted in the App. We also started a pilot with some fashion brands to help them improve their Good On You ratings.



Conscious electronics brands with Clarity AI

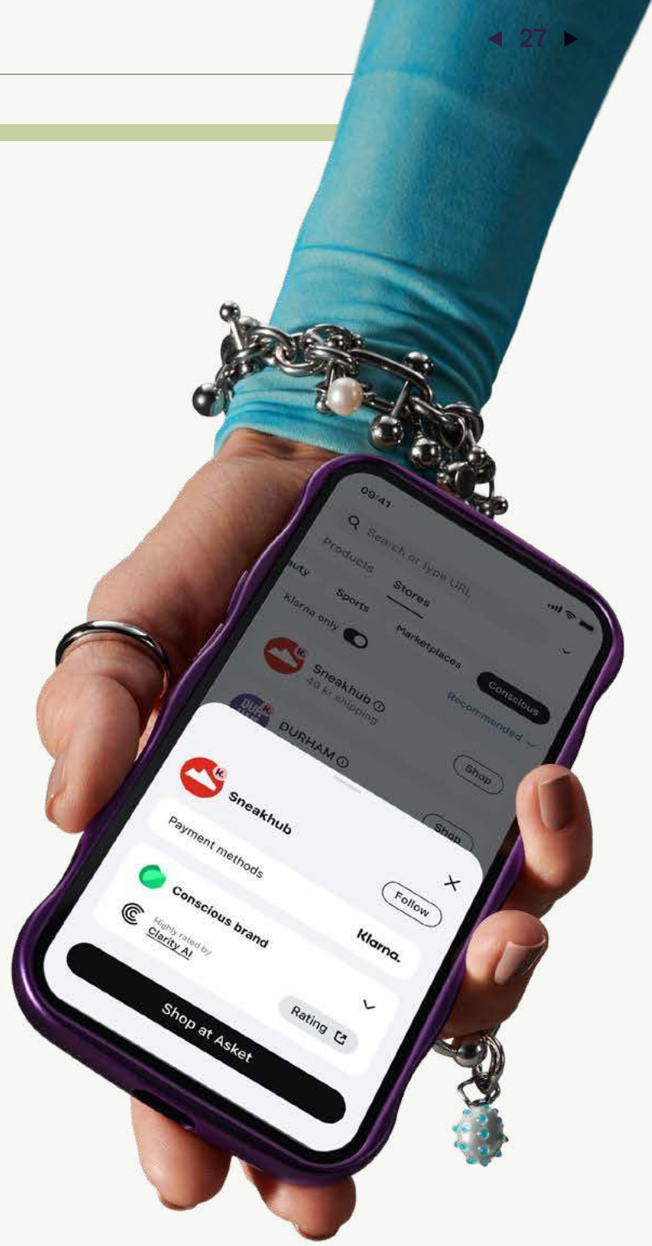
According to the Q3 2023 **Klarna Shopping Pulse** Survey, 39% of our global shoppers say that sustainability when shopping for electronics is important to them.

In December 2022, we launched our partnership with **Clarity AI** to enable consumers to **explore electronics brands** and learn more about their environmental efforts. Clarity AI is an independent sustainability technology platform that recognize specific achievements and targets of brands within environmental sustainability. This information provides consumers with a simple and reliable way to identify brands that are proactively addressing climate change and indicate when a company, based on publicly reported data, has lower greenhouse gas emissions than comparable companies, sources more than 90% percent of its energy from renewable sources, has a climate change policy and roadmap to positively impact climate change, and when a company is transparent in reporting climate-related information. In 2024 we plan to expand our partnership with Clarity AI and broaden the assessment of brands to additional categories such as Health & Beauty, Home & Garden.

Earth Week Initiative 2023: Buy It For Life

As part of our Earth Week Initiative in 2023, we partnered with Reddit to compile a list of the most popular durable products. This was based on consumer insights gathered from the r/BuyItForLife community.

We employed ChatGPT and manual analysis to scan r/BuyItForLife for the most frequently mentioned products during 2022. This initiative led to substantial media exposure, with key results including close to 140 million press coverage impressions and a total of almost 223 million impressions. With this awareness campaign we wanted to help our consumers make smarter shopping decisions considering durability and also highlight our other related initiatives like circular shopping and resell. Learn more about the campaign **here**.



[7] Q2 2023 Klarna's Shopping Pulse

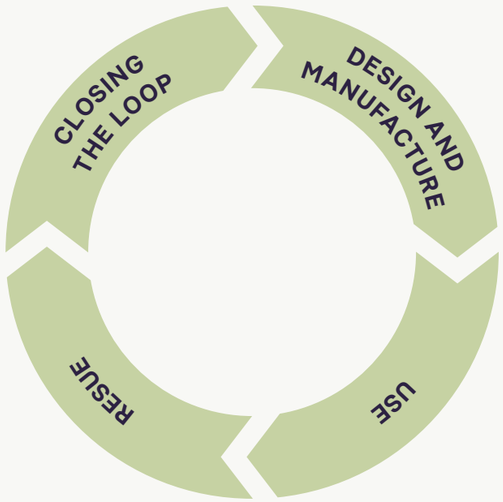
Circular shopping

The circular economy is a system designed from the outset to restore and regenerate resources. It ensures that materials and products never become waste but maintain their integrity and retain their highest value for as long as possible.

At Klarna, we are well positioned to help consumers maximize the use of products, and we can help them purchase pre-owned items. Our goal is to enable consumers to resell, donate or recycle pre-owned items, and empower them to minimize waste and extend the life of products through circular services.

There are four phases of the circular economy:

We have identified two phases in the circular economy process flow where Klarna can help the industry transition to a circular economy: the 'Use' and 'Reuse' phases. Using a T-shirt as an example, the 'Use' phase examines how we can take care of the product through measures such as maintenance, repair, and redesign. This is where we see the greatest potential to influence consumer behavior. In the 'Reuse' phase, consumers have already lost their love for their favorite T-shirt, so we need to look for ways to resell, donate, or otherwise extend the life of the product. At this stage, we not only have the opportunity to engage the consumer, but also our retail partners.



Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
To incentivize our consumers to participate in the circular economy, we will add pre-owned products throughout the shopping journey and make it convenient for them to maximize the lifespan of their items by providing options and insights on how to reuse products they have previously purchased through Klarna.	● We expanded the "Shop Circular" Collection to more markets, to 19 in total. ● We continued to offer edutainment content to consumers about the circular economy through different campaigns and activities. ● We launched our first Resell feature in Sweden, enabling consumers to resell products from past purchases with Klarna.	● We launched the "Shop Circular" collection in 12 markets, which showcase our retailers' circular services to consumers. ● We launched several circular economy campaigns for our consumers, highlighting secondhand products and educating consumers on how to care for their products. ● We launched a sustainability tips section in our CO_2e Emission Tracker giving consumers tips on how to extend the life of the fashion and electronics products purchased via Klarna.	● We introduced shopping lists for secondhand purchases of luxury items for our consumers. ● We partnered with a number of retailers that sell pre-owned goods, such as Sellpy and Vestiaire Collective. In 2021, consumers placed more than 540,000 orders with these two retailers through Klarna.

Shop circular collection

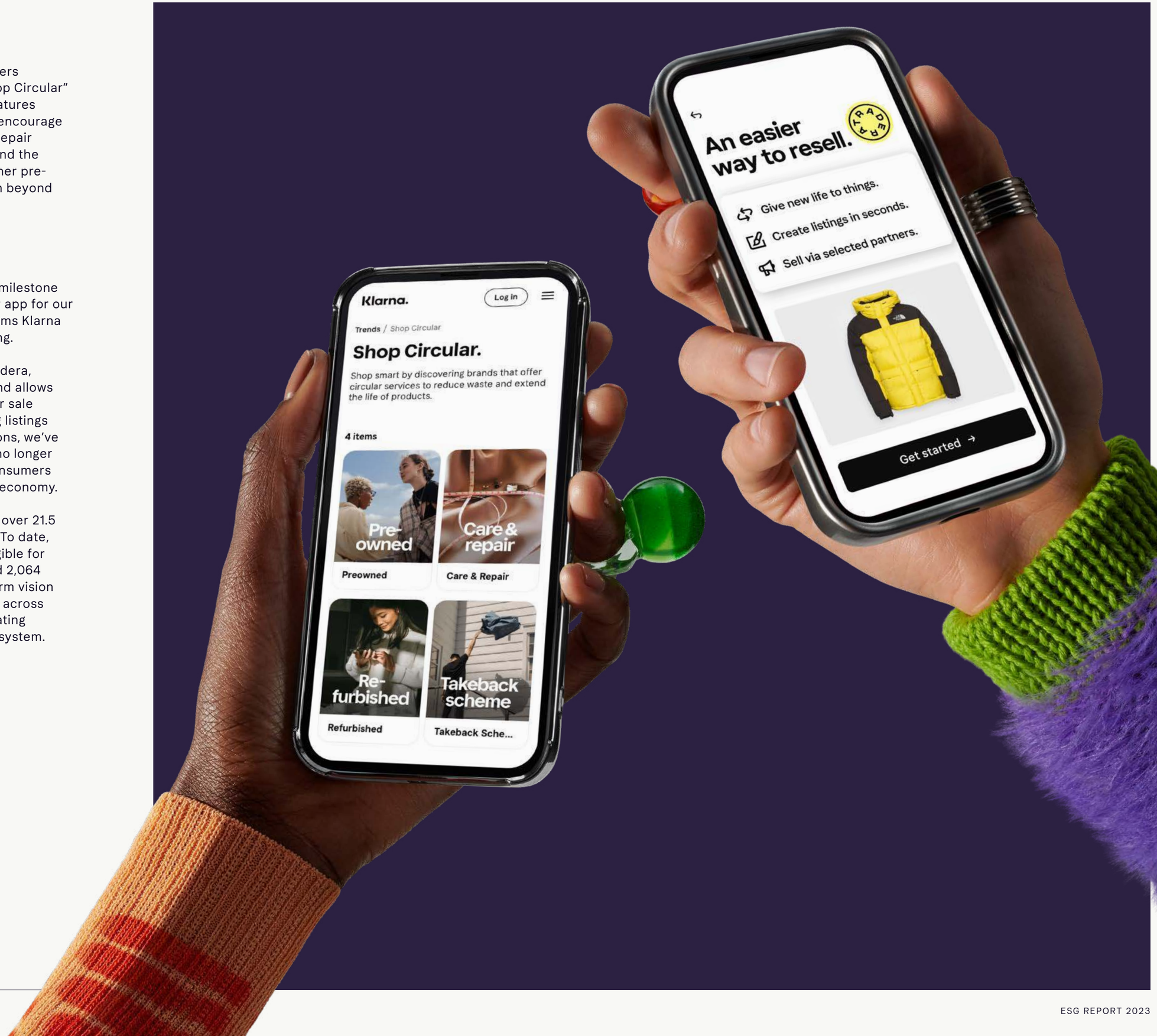
In 2023 we continued to highlight Klarna partners contributing to the circular economy. The “Shop Circular” collection was expanded to 19 markets and features products and services from our partners that encourage consumers to buy secondhand, use care and repair services as well as take-back schemes to extend the lifespan of their products. We will explore further pre-purchase touchpoints to show this information beyond shopping lists in our app home feed.

Resell feature

In January 2023 Klarna achieved a significant milestone as we launched a new resell feature within our app for our Swedish consumers. This new feature transforms Klarna into a one-stop-shop for both selling and buying.

The feature launched in collaboration with Tradera, Sweden’s leading secondhand marketplace, and allows users to list purchases bought using Klarna, for sale directly via the Klarna App. By auto-populating listings on Tradera with images and product descriptions, we’ve made it effortless for consumers to list items no longer wanted for sale. This initiative provides our consumers with an easy way to participate in the circular economy.

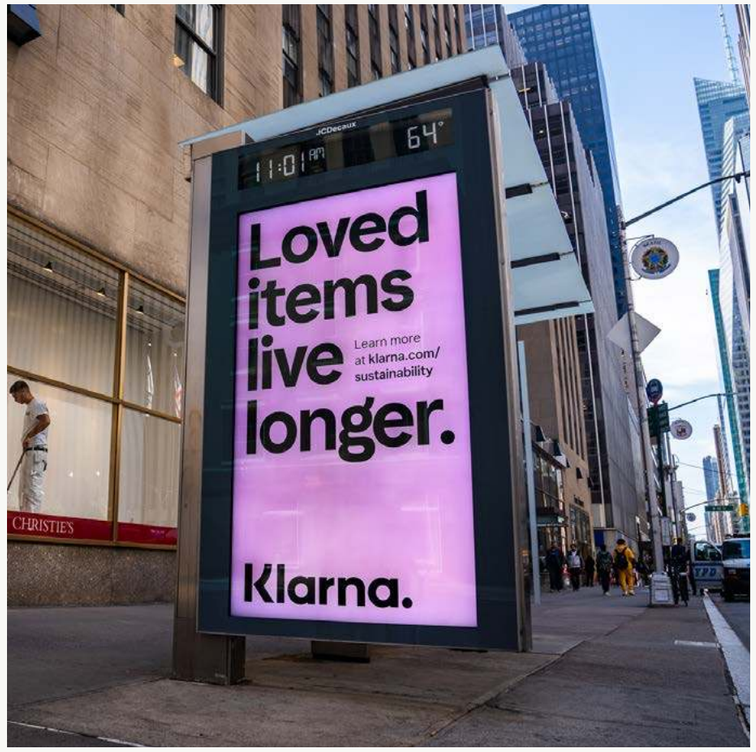
The launch received significant exposure with over 21.5 million impressions in paid and earned media. To date, 24.5 million products in the Klarna app are eligible for reselling. Since the launch the feature enabled 2,064 listings on Tradera. Looking ahead, our long term vision is to make Resell available to more consumers across different markets as well as continually integrating circularity features throughout the Klarna ecosystem.



Climate Week NYC 2023

During Climate Week NYC in September 2023, we took part in various events and panel discussions to spotlight our latest **sustainability-focused products**. Alongside this, we rolled out an educational circular shopping campaign across New York City.

The campaign also introduced a conscious shopping touchpoint on klarna.com to serve as the main access point to Klarna's wide range of sustainability related information and services. On the dashboard shoppers can try our conscious shopping tools and read our tips on how to extend the life of their items. This engagement led to substantial visibility, with over 285 million total impressions.



Effortless donations

We want to help our consumers to take action for the planet so have created several touchpoints in our ecosystem where Klarna consumers can donate to environmental projects they care about, and also receive more information about what their donations contribute to.

Our strategic sustainability partner **Milkywire**, supports us in finding and evaluating organizations to ensure quality and impact and provides transparent reporting on the impact of Klarna's and our consumers' donations.

Targets and Progress

Target	Progress 2023	Progress 2022	Progress 2021
By 2025, we aim to reach SEK 2 billion worth of consumer donations through our channels.	● 4.5M total consumer donations this year. ● Made by 202K consumers.	● SEK 1.8M total consumer donations this year. ● Made by 10K consumers.	● SEK 1.5M total consumer donations this year. ● Made by 17K consumers.

Consumer donations

Since the launch in 2020, 230K Klarna consumers have donated more than SEK 7.8 million through our donation touchpoints to planet health. The donations have been distributed between our five main causes: Protecting wildlife, restoring forests and landscapes, fighting climate change, saving oceans and seas, and supporting environmental defenders.

Add $1 to your purchase

In 2023, we introduced a feature allowing our shoppers to add a $1 donation whenever they choose to pay with 'Pay in 4'. This new initiative, available currently in the US, enables shoppers to support non-profit organizations while making their purchases with Klarna.

Having launched in June, this initiative has been met with a powerful response: over 193K consumers have seized the opportunity to contribute, raising an impressive total of SEK 2.2M so far. This accomplishment not only underscores our commitment to sustainability and ethical practices, but also reflects our customers' increasing interest in making a positive difference.

Klarna Checkout donations

With the launch of Klarna's Give One initiative in April 2021, we have introduced several donation touchpoints across the Klarna ecosystem. One of the most prominent donation touchpoints for consumers is the donation banner we display on the purchase confirmation screen in Klarna Checkout. During 2023, 7.5K consumers donated more than SEK 950K. The feature is available in Sweden, Norway, Finland, Denmark, Germany, Austria, and the Netherlands.

Season of Giving campaign

As part of Klarna's Holiday Campaign, Season of Giving, we let Klarnauts and Klarna consumers vote on how USD 1.5 million from our 1% pledge should be allocated. Klarnauts and Klarna consumers could choose between two different causes - restoring forests and landscapes, or supporting environmental defenders. Once they completed their vote, we offered them the chance to also support the planet by donating to their chosen charity. The campaign reached 2.5M shoppers and more than 58.9K cast their vote on their preferred cause and the funds were split between the two causes based on the voting proportions.

230K
Klarna consumers have donated more than
SEK **7.8M**

193K
Klarna consumers have donated more than
SEK **2.2M**

7.5K
Klarna consumers have donated more than
SEK **950K**

58.9K
Klarna consumers voted on how to allocate
USD **1.5M**
from our 1% pledge

Social

Financial wellness

MATERIAL TOPIC

We exist to help people spend their money in a smarter way by offering alternative, fair, and flexible payment options, money-saving hacks, valuable rewards, and effortless money management. All in all, we help customers make the most of every dollar, enabling smart purchases and sustainable spending habits. From detailed spending overviews, and in-app budgeting tools to auto discounts and our AI powered unbiased search tool, we allow consumers to find the best products at the best price and offer flexibility with a choice of ways to pay, including delaying payment or spreading the cost interest-free over a short period of time.

Products supporting consumers' financial wellness

We want to be part of driving change in the credit and payments industry by making our product offering more sustainable. We rolled out several improved consumer-friendly products in 2023.

Klarna's Financial Overview dashboard in the Klarna App makes it easy for consumers to understand their spending habits and manage their budgets. It offers a set of tools that gives them transparency and control over their personal finances, such tools include:

Budgeting

● LIVE GLOBALLY

Consumers can set a monthly allowance for themselves to track how much they are spending. The bar graph indicates to the user how much is left of the set limit and the user is notified when they are reaching or have passed their set limit.

Categorization

● LIVE GLOBALLY

All transactions in the Klarna app are automatically categorized based on product category so it's easy for users to understand exactly what they are spending their money on.

Monthly spending breakdown "Money Out"

● LIVE GLOBALLY

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

Money In

● LIVE GLOBALLY

Consumers can track all their incoming payments month over month - especially useful for Klarna Card users and consumers who have connected external accounts in the Klarna app - and compare them to their average received money via an intuitive and interactive bar chart, making it easy to see how much money they've received over time.

Money Story

● LIVE IN GERMANY, SWEDEN AND THE UK

In January 2023, Klarna **launched** a personal spending summary in Germany, Sweden and the UK that provides consumers with useful insights into their spending habits for the preceding year and helps them be informed and in control of their finances. In order to help consumers translate the insights from their Money Story into smart spending habits and financial goals, each user's Money Story also includes nudges to discover and test Klarna's free money management tools, such as the budget tracker and the monthly spending breakdown.

Spending Deviation Insights

● LIVE IN SWEDEN AND GERMANY

We offer consumers a fun and engaging way to get insights into their spending habits, by receiving a monthly push notification if their spending has increased or decreased more than 10% compared to their average spending.

Connected Accounts

● LIVE IN AUSTRIA, BELGIUM, FRANCE, GERMANY, NETHERLANDS, SWEDEN AND THE UK

Through our aggregation feature, consumers can connect external bank accounts in the Klarna app, so that they can see all their account information such as balances and transactions in one place.

Saving Calculator

● LIVE IN GERMANY

This tool allows users to select a potential amount they wish to put aside in their Klarna's savings account. Once the amount is determined, the tool will display projected savings over a specific term - 6 months, 1 year, 3 years - with clear views of both monthly and yearly returns. By providing these explicit saving forecasts, we want to encourage our customers to manage their finances more intentionally, with an eye on future growth.

UK Credit Opt-out

● LIVE IN THE UK

An in-app tool to give consumers more choice over how and when they access Klarna's credit products, helping them save time and money, and worry less about their finances. First launched in the UK, the tool gives consumers the ability to 'switch off' Klarna's credit products without losing access to Klarna's shopping features or 'Pay Now'.

Saving Accounts

● LIVE IN SWEDEN AND GERMANY

In Sweden and Germany, our consumers can save money with our fixed and flexible saving accounts with competitive interest rates. In Germany, we have taken the flexible savings accounts one step further, allowing consumers using the Klarna Bank Account to organize their savings goals through our "Pools" feature. Pools are sub-accounts in your Klarna Bank Account that help you build a saving habit with automated saving "Rituals" and goal setting. The "Goal Getter" ritual allows users to select a specific amount to be deposited into the pool weekly, while the "Roundup" ritual rounds up each card payment to the nearest euro and deposits the excess change into the pool, allowing users to save continuously and conveniently on the side.

Financial wellness initiatives

Money Management Pulse survey
The quarterly consumer survey assesses consumer spending habits and preferences. It is conducted across 18 countries and includes a minimum of 1,000 respondents per country.

UK Financial Literacy event
In December 2023, Klarna headline sponsored and hosted a panel in the 'New Year, Wealthier You' event hosted by UK financial literacy platform Pennies to Pounds, discussing money management tools and how to use credit responsibly to help attendees make a plan and better manage their finances ahead of the new year.

Money Talks
With the purpose of helping break the stigma around money and sparking genuine and meaningful conversations around spending, saving and shopping, in 2023 Klarna relaunched the Money Talks card game that was first launched in 2021. Informed by the Social Vulnerability Scale, which is proven to foster closeness in conversation through mutual vulnerability, the game comprises three levels and a wildcard round, with each level touching on a different theme including relationships, personal habits, mindsets and financial basics. Money Talks is live in Germany and the UK.

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

Sustainable payment research project
Klarna has an ongoing partnership with the Sustainable Finance Lab in Sweden to conduct a research project that aims to improve understanding of the Swedish consumer credit market and propose concrete solutions to address the existing problems.

Behavioral characteristics will be identified that lead borrowers to take on too much debt, choose costly credit, and other factors that may run counter to borrowers' interests. On the supply side, researchers will examine, for example, how product design can influence borrowers' negative decisions and the extent to which lenders engage in underpricing of lending.

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

Fighting financial crime

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

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

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

How we prevent financial crime

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

Employee training is key to fighting financial crime. Our mandatory e-learning modules on Code of Business Conduct, Whistleblowing, Conflicts of Interest, Anti-money Laundering, Countering Terrorist Financing, and Sanctions ensure all employees understand the importance and the detail of the processes we have in place. Completion of the annual training is monitored to ensure it is completed by all employees.

Anti-money laundering, countering terrorist financing and sanctions

Klarna has no tolerance for establishing or maintaining business relationships if there is suspicion of a customer using, or intending to use, Klarna's products or services for money laundering (ML) or terrorist financing (TF). The same applies if there is insufficient knowledge of the customer to manage the risk of ML/TF or to monitor and assess the customer's activities. In all, Klarna has the aim to, within reasonable bounds and as required by the relevant regulations and rules, minimize the risk of being used for all types of money laundering or terrorist financing.

Additionally, Klarna has no tolerance for sanctions evasion, as such, in accordance with our internal governing documents, we utilize a number of different measures to comply with applicable sanctions regulations including screening customers against the appropriate sanctions lists, conducting a periodic review of our sanctions exposure through a sanctions risk assessment, and providing periodic training on relevant sanctions topics to Klarna employees.

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 for both anti-money laundering and sanctions compliance. Where applicable, and as required by anti-money laundering and countering terrorist financing laws and regulations, Klarna has systems and routines in place to perform "Know Your Customer" where measures such as risk assessment, customer due diligence, and transaction monitoring are used. Klarna has no tolerance towards facilitating transactions for individuals or entities that have been identified as being listed in relevant sanctions regimes and takes required measures to mitigate against this risk.

Klarna is committed to conducting business using ethical practices. Klarna stands against all forms of corruption, including offering or accepting bribes, kickbacks and other improper payments. Employee acceptance of monetary gifts, gift cards, or cash equivalents are never allowed. Klarna employees need to be particularly cautious when engaging with authorities and government officials. Klarna has systems in place to escalate potential issues and conflicts related to accepting or providing gifts and entertainment.

Moreover, Klarna has Anti-Money Laundering controls in place to identify customers who are Politically Exposed Persons, monitor their activity to identify suspicious activity, and file the appropriate reports with authorities. Relevant Klarna teams are responsible for monitoring the performance of Klarna's efforts to combat ML/TF and sanctions non-compliance and always taking action when required. Further, Klarna has periodic reporting, including standardized key performance indicators, that enable senior management and the Board to track the performance of Klarna's efforts within this area.

ML/TF employee training [8, 9]	2023	2022	2021
Completion rate *(% of total workforce)*	86%	91%	90%

[8] The ML/TF employee training is part of the mandatory Compliance online training.

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

Data privacy

MATERIAL TOPIC

At Klarna, we place a high priority on consumer privacy. As a financial institution, we understand the immense responsibility that comes with handling personal data daily. We aim to use this data to enhance our customers' shopping experiences, while ensuring their privacy is not compromised. Our approach to data privacy is geared towards striving for compliance with all applicable regulations, whether they pertain to our consumers, our employees, or our business associates.

Our commitment to data privacy goes beyond compliance. We view evolving legislation as an opportunity to build trust with our consumers by offering transparency, flexibility, and choice in how their data is used. At Klarna, data privacy is not just a regulatory requirement—it's an integral part of our product and system development process.

In 2023, we have made significant strides in our data privacy initiatives. These include:

- Redesigning and updating our data privacy training material to make it more practical and relatable for our employees.
- Streamlining our privacy governance into a single, dedicated team for a more coherent and effective implementation of our privacy policies.
- Proactively monitoring the rapidly evolving regulatory landscape in the U.S. and swiftly updating our policies to reflect new regulations.
- Continuing our journey towards a data-driven approach to governance, facilitating informed decisions that benefit our customers.

We are committed to continuously improving our processes and tools to support consumer rights, ensuring that data privacy remains a cornerstone of our operations.

Data privacy employee training [10]	2023	2022	2021
Completion rate *(% of total workforce)*	92%	91%	96%

Cybercrime and security

MATERIAL TOPIC

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

To prevent fraud and protect our customers, we:

- have robust processes to detect and respond to preemptive cyberattacks, risks, and threats including 24/7 monitoring to detect and respond to security incidents.
- actively push for collaboration on the topics of fraud and consumer protection across the financial industry. We hold membership with and are active participants in fraud prevention collaboration discussions with organizations such as **Cifas** as well as with local governments including the **UK fraud prevention agency** and the Bedrägeriforum organized by the Swedish Ministry of Finance.
- require all employees to complete annual security awareness training to ensure that they understand their role in helping combat security breaches and ensure their knowledge keeps pace with the ever-evolving cyber threat landscape.
- strive to ensure that products are secure by design by following a Secure Software Development Life Cycle (SSDLC).
- perform security testing through our dedicated in-house team, through a community of security researchers as part of our vulnerability disclosure policy and private bug bounty program delivered through HackerOne, and through independent third-party testing.
- continue investing in internal resources and capabilities for proactive and reactive measures to better respond to fraud and cybercrime attempts.

While Klarna is under the supervision of relevant financial supervisory authorities and ensures compliance with all applicable regulations, we recognize it takes more than words to establish trust. We regularly conduct security audits and certifications based on globally recognized frameworks and certification bodies for third-party assurance of security, including ISAE 3402 and 3000 assurance reporting and PCI DSS certification.

Security awareness employee training [11]	2023	2022	2021
Completion rate *(% of total workforce)*	88%	92%	96%

[10, 11] The completion rate also includes employees on leave (e.g., parental leave, long-term sick leave).

Our people

2023 has been a year of both challenges and accomplishments for Klarna. At the outset, our primary focus was on improving profitability, which led us to a thorough review of business operations to ensure cost efficiency. By summer, our collective efforts paid off as we achieved profitability, meeting a challenging goal that brought all teams together in a shared achievement. This experience highlighted Klarna's adaptability and collaborative spirit, demonstrating how our people are willing to step up and contribute wholeheartedly when it matters most.

In September, we celebrated our achievements during the Smoooth week, a valued Klarna tradition, where we all gathered in Stockholm. Over two days, we engaged in team building activities, knowledge sharing and personal development, which significantly boosted engagement and enriched our organizational culture. This was a new and enriching experience for many of our employees, who hadn't had this opportunity before due to the pandemic and prior economic constraints.

In November 2023, after discussions and negotiations, we decided to join the Employers of the Financial Sector (BAO), by January 1st, 2024, and reached an agreement with Finansförbundet to sign the Collective Bargaining Agreement (CBA), also including Swedish Confederation of Professional Associations (Saco). We believe that this action focuses on our employees' best interests, and allows us to continue our work, to serve consumers better than any bank has ever done.

Klarna's Global Work Environment Policy

Our Global Work Environment Policy provides a proactive framework for maintaining a healthy and safe work environment for all Klarnauts. It contains routines and descriptions for all work activities related to the work environment and provides Klarnauts with knowledge and awareness of the applicable legislation, risks in the workplace, and how they can contribute to a healthy work environment. It also establishes important routines, such as regular employee engagement surveys and incident reporting. The policy is linked to local work environment policies, which set our conduct in local markets and include instructions on issues such as discrimination, health and well-being, and alcohol and drug use in the workplace.

In order to maintain compliance with our Global Work Environment policy, Klarna conducts an annual review of the policy in collaboration with the Work Environment Group (composed of Klarna employer representatives and employees). To ensure adherence to the policy by all employees, new hires are required to partake in work environment training. Additionally, all leaders undergo mandatory work environment training. Furthermore, Klarna organizes various annual initiatives, including lectures and the provision of tools, to address topics related to the work environment.

Global talent management

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

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

Performance

Klarna promotes a healthy feedback culture from the very beginning of each Klarnaut's journey. We celebrate and recognize continuous feedback and have more proactive and standardized processes across competences. Every Klarnaut is responsible for both giving and seeking feedback.

Klarnauts have the opportunity to reflect on their own performance based on the feedback they receive throughout the year. Going forward, there will be increased focus on feedback in different forms to further improve and standardize feedback.

Onboarding

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

In their first two days, all new hires are assigned a "Klarna Check-In" anytime self-study pathway on Looop, our digital learning platform, that dives deeper into topics such as Klarna's vision and mission, workplace and security rules, operating model, products, marketing and leadership principles. It is tailored to prepare new Klarnauts for the company's fast-paced and ever-changing environment and it is mandatory for all new employees.

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

#	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees by level									
Group Management Team	1	10	11	1	6	7	2	7	9
Manager	523	824	1,347	221	376	597	235	412	647
Non-Manager	1,116	1,727	2,843	2,126	2,711	4,837	2,272	2,855	5,127
Employees by type									
Permanent	1,632	2,550	4,182	2,331	3,068	5,399	2,460	3,230	5,690
Temporary	8	11	19	17	25	42	49	44	93
Employees by region									
Asia	0	2	2		4	4		3	3
Europe	1,411	2,356	3,767	1,986	2,804	4,790	2,090	2,934	5,024
North America	220	193	413	324	262	586	364	287	651
Oceania	9	10	19	38	23	61	55	50	105
Employees by age									
<30	554	726	1,280	1,139	1,132	2,271	1,375	1,350	2,725
31-50	1,073	1,788	2,861	1,188	1,913	3,101	1,118	1,866	2,984
>50	13	47	60	21	48	69	16	58	74
Total	**1,640**	**2,561**	**4,201**	**2,348**	**3,093**	**5,441**	**2,509**	**3,2749**	**5,783**

%	2023			2022			2021		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees by level									
Group Management Team	0.1%	0.4%	0.3%	0.0%	0.2%	0.1%	0.1%	0.2%	0.2%
Manager	31.9%	32.2%	32.1%	9.4%	12.2%	11.0%	9.4%	12.6%	11.2%
Non-Manager	68.0%	67.4%	67.7%	90.5%	87.6%	88.9%	90.6%	87.2%	88.7%
Employees by type									
Permanent	99.5%	99.6%	99.5%	99.3%	99.2%	99.2%	98.0%	98.7%	98.4%
Temporary	0.5%	0.4%	0.5%	0.7%	0.8%	0.8%	2.0%	1.3%	1.6%
Employees by region									
Asia	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%
Europe	86.0%	92.0%	89.7%	84.6%	90.7%	88.0%	83.3%	89.6%	86.9%
North America	13.4%	7.5%	9.8%	13.8%	8.5%	10.8%	14.5%	8.8%	11.3%
Oceania	0.5%	0.4%	0.5%	1.6%	0.7%	1.1%	2.2%	1.5%	1.8%
Employees by age									
<30	33.8%	28.3%	30.5%	48.5%	36.6%	41.7%	54.8%	41.2%	47.1%
31-50	65.4%	69.8%	68.1%	50.6%	61.8%	57.0%	44.6%	57.0%	51.6%
>50	0.8%	1.8%	1.4%	0.9%	1.6%	1.3%	0.6%	1.8%	1.3%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Operating model

As of 2017, Klarna has a team-based and agile operating model that optimizes for high speed, flow, quality, and accountability. It evolved from a more traditional organizational structure to instead working in cross-functional teams of up to eight employees to maintain the agility and innovation found in start-ups. Each team consists of members from different competences who own and work on a specific business purpose within Klarna, which we call a 'problem space.' Teams take full accountability for creating and delivering value propositions to their main internal or external stakeholders, aligned with Klarna's overall vision and strategy. For this to work smoothly, Klarna's workplace culture embraces change and continuous improvement.

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

Flexible working

Klarna genuinely believes in the power of regular face-to-face interactions to build close connections with team members. At the same time, we believe that remote teams work effectively, and combining both is key to success.

Therefore, Domain leads can decide on office days - it is up to each Domain and Domain Lead how they want to apply the flexible policy, and in some cases, some teams and domains have a best practice of coming to the office 1-3 days a week. While flexibility is key, we still ask Klarnauts to follow a number of recommended ways of working:

Upholding the operating model and team practices

Our operating model is core to how we operate and work, and includes daily stand-ups, weekly planning, team retros, and demos.

Have regular physical meetups

Teams not located in the same office are encouraged to regularly meet their team physically to enable brainstorming, creative problem-solving, and strengthening team spirit.

Teams in different time zones/ geographies

For teams that are spread across different time zones, the best practice is to have a workday that overlaps at least 4 hours.

Travel time to the office

Employees can work flexibly in their employment country (or State or Province in the case of US and Canada employees). Employees have to cover their travel costs to and from their main Klarna office themselves. The best practice is normally to live close to the office to enable employees to come in on office days.

Working abroad

At Klarna, we boast a dynamic and diverse global workforce. To accommodate our international context, we provide the flexibility for our employees to work abroad as part of the Klarna Work Policy. This policy allows for up to 20 workdays per calendar year for working in a location outside the country of employment.

Leadership

Klarna operates in a 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.

Klarna has eight leadership principles that all Klarnauts live by and that are together with the operating model part of the foundation of Klarna's culture:

Customer obsession

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

Deliver quality results

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

Courage

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

Hire and develop exceptional talent

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

Challenge the status quo

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

Start small and learn fast

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

Detailed thinkers

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

Let the team shine

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

The purpose of these principles is to encourage accountability and continuous professional and personal growth for all Klarnauts. It is pivotal that first and foremost all leaders inspire, act as role models, and create conditions that enable employees and teams to thrive. This is especially important as Klarna operates in a unique way with having an accountable and competence line in place that requires different types of leaders.

To support those types of leaders each new lead must take the mandatory "Leading at Klarna" training that is delivered online for self-paced learning and offers role specific content, and covers topics such as how to run a development talk, good practices for leading remotely, and an introduction to diversity and inclusion.

Furthermore, leads have on-demand access to online resources that support them in their role, addressing a range of topics, including the art of feedback or creating and sustaining high-performing teams. In addition, the competences offer their leads tailored learning opportunities such as e.g. the Engineering onboarding series for leads.

In 2023, Klarna also ran the Leadership Mentoring program twice, which pairs up less experienced and more experienced leads and offers a guided 5 months growth journey for mentor and mentee, supported by recorded keynotes on topics of interest, i.e. coaching, decision making.

Employee engagement

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

Internal communication

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

In 2023, Klarnauts were invited to dial into 11 "What's cooking" sessions hosted by Klarna's CEO Sebastian Siemiatkowski and other members of the Group Management Team. We have restructured our approach to company wide All Hands meetings, now organizing them on a bi-monthly basis under the title of 'The Forge.' To date, Klarnauts have participated in 14 of these engaging sessions.

Employee engagement survey

In September 2023, we revamped our approach to measuring employee engagement by adopting a more interactive and nuanced methodology through the deployment of AI-driven chatbot. This tool involves a 20-minute dialog, entailing around 20 (open-ended and scaling) questions, with the ability to pose follow-up questions based on the employee's preliminary responses.

This first version we focused on the following topics:

- overall experience
- overall engagement
- motivation (including feeling challenged)
- leads' performance (AL and CL)

This transformation in our engagement survey method comes as a response to the recognized limitations of the static question format which often glosses over the depth of employees' feelings and motivations. Our previous approach (traditional survey), despite having notable response rates, sometimes missed out on garnering precise insights due to its rigid format. This conversational format, paves the way for a more organic disclosure of employees' thoughts, thus promising a more authentic understanding of their needs, motivations, and concerns. The objective remains to traverse beyond mere numerical scores and delve into the subtleties of employee engagement which can act as drivers for tangible organizational improvements.

As this is a significant deviation from our previous engagement survey methodology, the results garnered from the new tool are not directly comparable to the past data. While we will still present last year's results for reference, we believe the findings from our new tool provide a more accurate representation of the current engagement landscape within Klarna.

In the tables below, we have displayed the engagement scores extracted from our new tool alongside the scores from last year's survey. Through this evolved approach, we aspire to maintain an environment where Klarnauts feel heard and motivated, thus propelling a culture of continuous improvement and high engagement across the organization.

Employee engagement survey[12]	2023	2022	2021
Employees who took the annual employee engagement survey	68%	86%	81%
Overall satisfaction score from employee engagement survey	71%	64%	75%

Learning and development

Klarnauts can grow in different ways at Klarna, for example, through learning in their role, participation in change projects, internal and external learning programs, and network participation. Klarna offers a wide range of learning available through our digital learning platform, Looop. Here, various subjects, such as leadership, presentation skills, communication, diversity and inclusion, and productivity are covered in courses for Klarnauts to take.

To enhance our learning culture, Klarna acknowledges the essence of transparency for our employees, and has heavily invested in building a comprehensive Klarna Wiki, where all information about Klarna is housed in one accessible location for all employees. Through open collaboration and by utilizing a wiki-based editing system, all Klarnauts can contribute to, edit, and provide input for our collective knowledge base.

Moreover, we provide several methods and tools to facilitate learning, i.e. use of educational budget for taking up formal learning and continued education. We also believe internal mobility is key to professional development, making it simple for employees to apply for new roles and tackle new problem spaces and challenges.

Training	2023	2022	2021
Number of mandatory trainings on Looop	31	36	34

[12] As this is a significant deviation from our previous engagement survey methodology, the results garnered from the new tool are not directly comparable to the past data.

Diversity, inclusion and equity

Klarna believes that diversity, inclusion and equity 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, inclusion and equity. With employees of more than 100 nationalities, we are proud of our strong cultural diversity.

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

Klarna fosters an inclusive work environment where everyone has equal access to opportunities, resources and rights. It values diversity and ensures fair treatment, irrespective of background, role, or level within the organization.

Klarna emphasizes equitable pay structures, ensuring that employees are fairly compensated for their work.

We continuously strive to improve our gender balance at all management levels, focusing on senior leadership positions where the gender balance is significantly skewed in favor of men. That includes a monthly review of our gender data, which not only looks at Klarna's gender balance as a whole but also highlights the balance in all domains and competencies and at all career levels, from entry to management. The frequent data reviews allow us to focus our efforts where they are most needed to ensure that we achieve gender balance in all areas of the company.

Parental leave

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

Gender split	2023		2022		2021	
	Women	Men	Women	Men	Women	Men
Overall gender split	39.0%	61.0%	43.2%	56.8%	43.4%	56.6%
New hires	34.5%	65.4%	42.6%	57.4%	47.4%	52.6%
Group Management Team	9.1%	90.9%	14.3%	85.7%	22.2%	77.8%
Managers	38.8%	61.2%	37.0%	63.0%	36.3%	63.7%
Non-Managers	39.3%	60.7%	44.0%	56.0%	44.3%	55.7%

Employees who took parental leave	2023		
	Women	Men	Total
Total employees [13]	2,577	3,532	6,109
Of which took parental leave	420 (16.30%)	392 (11.10%)	812 (13.29%)

[13] This statistic is higher than other figures in this report since it includes all employees who at some point during 2023 worked at Klarna.

We aim to ensure that no one is financially disadvantaged when taking parental leave by including them in salary reviews and promotion cycles during their absence. We also know that returning to work can be daunting, especially in a company as fast-paced as Klarna, where the constant pace of change can leave you feeling overwhelmed or left behind. We have put in place a number of support mechanisms that our returning parents say have really eased the transition back to work. One example is for our employees in the US, we provide a child support subsidy, a reimbursement up to $250 per month for six months on child care expenses such as daycare.

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 Instruction which is based on national and international law governing discrimination. 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.

Internal and external initiatives

To promote diversity, inclusion and equity 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 2023 highlights:

- **Employee resource group: "Be you"**
  "Be you" was the first employee resource group of its kind at Klarna, founded by employees in late 2017 to promote diversity and inclusion from the grassroots. Since then, the group has evolved into a community that provides a safe space for marginalized groups and allies and promotes diversity to ensure that all employees can be their authentic selves.
- **Employee resource group: "LGBTQIA+"**
  The LGBTQIA+ employee resource group provides an opportunity for the community to come together on a professional level and build a support network. The goal is to support each other and discuss the issues and experiences faced in the workplace and how this impacts career development and workplace inclusion.
- **Employee resource group: "Women in Tech"**
  Women in Tech 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. In 2023 they hosted two "Klarna Women @ Work" panels.
- **Initiative: "Women in Tech Stockholm"**
  Klarna supports and collaborates with Women in Tech in Stockholm. This organization strives to inspire and educate women already in the tech industry to stay in the field by providing them with the network and experience of successful people from the wonderful world of technology and media.
- **Initiative: Collaboration with Kodcentrum**
  In 2023, Klarna teamed up with Kodcentrum, a non-profit that introduces young people — primarily girls and those from socio-economically challenged areas — to programming and digital creation, with the aim of giving them the opportunity to explore the exciting world of engineering through a hands-on coding course at our headquarters in Stockholm.
- **Initiative: "Diversity Charter (NL)"**
  To act as a catalyst for improving the current state of diversity and inclusion in the Netherlands, Klarna has been a signatory to the Diversity Charter since 2021. The charter is part of the Dutch Social and Economic Council (SER) infrastructure that actively supports companies in developing, implementing, and monitoring their diversity plans.

Health and safety

People

A healthy work environment leads to healthy employees and increased well-being and forms successful business results. For that reason, Klarna prioritizes employees' health and safety by creating a safe, healthy, and productive workplace. We aim to enable a healthy lifestyle for all Klarnauts and offer various health benefits, such as wellness allowances, flexible working hours, parental benefits, and health and rehabilitation insurance. Locally adapted health and safety training is available in Klarna's internal training program in several countries, covering local rules and routines.

Offices

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

Some Klarna offices provide indoor parking for bicycles, this is depending on the landlord and the offering in the property.

Compensation and benefits

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

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

Gender pay gap

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

Restricted stock units (RSUs)

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

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

Compensation and benefits	2023	2022	2021
Number of employees participating in RSU program	3,956 (94.17%)	4,678 (85.98%)	3,773 (67.40%)

Commitment to human rights

Human rights are basic rights for individuals. They form the foundations for freedom, justice, and peace. They apply equally and universally in all countries, irrespective of the legal framework.

As a global company, we have a clear responsibility to support governments and civil society groups in ensuring human rights are upheld and respected in all the countries we operate in. Klarna firmly believes that, although governments have the primary duty to protect and ensure the fulfillment of human rights, business entities have a responsibility to respect human rights and can play a positive role in the communities where they operate.

Klarna complies with all relevant international legal obligations and all relevant local legal obligations in the countries in which it operates. We also work to protect human rights in our own operations through our internal policies and procedures regarding the treatment of employees, as well as by ensuring compliance from both retail partners and suppliers.

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

During 2023, we reviewed and updated internal policies, instructions, and governance, which requires employees to raise concerns regarding any identified or suspected non-compliance, as well as confirms that employees will not suffer any detriment for raising such concerns.

Modern slavery and human trafficking

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

The Finance Coalition

Klarna is part of the Finance Coalition in Sweden (Finanskoalitionen), led by ECPAT Sweden, a children's rights organization working to combat the sexual exploitation of children. The Finance Coalition is made up of banks and payment providers in Sweden with the specific aim of preventing and stopping payments that facilitate the sexual exploitation of children in Sweden.

Supply chain

In 2023, Klarna purchased goods and services worth SEK 10B from 2,161 suppliers. We recognize that our purchasing activities not only have an impact on the environment but also on people within our supply chain and communities in the suppliers' markets. To ensure that our suppliers share Klarna's values and the common goal of operating in an ethical and law-abiding manner, we introduced our Supplier Code of Conduct in 2021 and started a supplier risk identification process in 2022, which is an iterative process that continued in 2023.

Supplier Code of Conduct

Klarna's **Supplier Code of Conduct** articulates a vision of responsible business behavior. It sets forth the principles that we expect our suppliers and their subcontractors to abide by in their business relationship with Klarna and promotes lawful, professional, and fair practices that integrate respect for human rights, business ethics, and the environment. Klarna supports adherence to the supplier code of conduct principles through essential training, awareness, and operational control.

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

Supplier risk assessment

Climate change and modern slavery were identified as two key supply chain risks in our 2022-2023 ESG risk assessment. Climate change, especially acute physical risks such as extreme weather events, can disrupt Klarna's value chain by impacting our suppliers and subcontractors, for example in the transportation and distribution of goods. Modern slavery risks may, but are not expected to, appear in Klarna's indirect supply chain.

As a result of the ESG risk assessment, we have developed a supplier risk assessment that examines the inherent risk of modern slavery and climate change based on publicly available information. We used the following sources as inputs to assign a supplier risk rating (low, medium, or high) depending on the product or service being procured:

- **Modern slavery**
  Global Slavery Index, US Bureau of International Labor Affairs (ILAB) List of Goods Produced by Child Labor or Forced Labor, and guidelines from Walkfree Foundation, International Labor Organization, Anti-Slavery International, and Anti-Slavery Australia.
- **Climate change**
  Climatewatchdata.org for absolute country emissions (or "total CO2e") and **Worldbank.org** for CO2e emissions per capita.

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

Community engagement

We strive to bring about positive change in the communities where we operate by supporting organizations that represent both Klarna's values and those of our employees. We have and created programs to help people through financial support and using Klarna services. Here are some of the highlights of our community engagement in 2023:

Angel City Football Club

This year, Klarna continues its **partnership** with Angel City FC (ACFC) of the National Women's Soccer League in Los Angeles, United States. The partnership is rooted in making the ACFC fan experience smooother while also positively impacting the Los Angeles community at large. In 2023, ACFC and Klarna created their second exclusive merchandise collection. The collection, made in collaboration with Suay Sew Shop, features items made entirely from upcycled and recycled materials - a windbreaker, bucket hat and fanny pack - with each item incorporating fabric from a custom tifo (large banner created by the club's supporters) displayed by ACFC supporters at their inaugural game.

ACFC and Klarna continue their commitment to clothing donations to the Downtown Women's Center. Building on last year's community partnership, 10% of the merchandise sales will go to supporting the Downtown Women's Center's social enterprise, MADE by DWC Resale Boutique, which focuses on promoting a circular economy of sustainable fashion while empowering women in Los Angeles to combat homelessness through employment. Klarna further supported the LA community and sustainable shopping habits by matching this donation of sales.

In addition, in order to promote the circular economy, Klarna hosted two clothing donation events during games, and during the last game of the season collected 8,783 items.

Chicago Bulls

In 2023, we worked with the Chicago Bulls and G.E.A.R. to show up in the local community to upcycle Bulls jerseys and pink basketballs to members of Marshall High School thereby giving them a second life and promoting a circular economy. Bulls legend Kendall Gill and Bulls Youth coaches led a clinic at the school for the players to practice in the off-season.

Cancerfonden

Cancerfonden and Klarna agreed to a long-term strategic collaboration that began in the first quarter of 2020. The main driver for Cancerfonden was to explore new technologies and alternative tech platforms to modernize and digitize the donor experience. To support Cancerfonden in their important work, Klarna applied a not-for-profit pricing model to cover the structural costs of each transaction. Cancerfonden has integrated Klarna for its gift shop and all donation touchpoints on its website, simplifying the process for people to donate online and even become monthly donors. Further, since 2021, Klarna's QR-code has facilitated donations at Cancerfonden's annual fundraiser "Tillsammans mot Cancer". In connection with this annual event, Klarna has provided Cancerfonden with marketing placements in the Klarna app pro bono to engage with potential donors through articles, push notifications, and social channel advertising.

Mighty Hoopla 2023

In 2023, Klarna sponsored Mighty Hoopla Festival, a pop festival in the UK that is a flagship event in the LGBTQ+ calendar uniting the community through music, fashion and inclusivity. As the official payments partner for the festival for a third year, Klarna added value to the community with free face painting and giveaways for Mighty Hoopla festival go-ers, as well as at Brockwell Bounce, London's biggest free festival for children, in the days leading up to Mighty Hoopla. Paid media strategies in the run up and during the festival supported local LGBTQ+ creators and publishers (Attitude Magazine).

Political advocacy

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

In our day-to-day processes and the engagement we do, we make sure to always operate according to the highest ethical standards and Klarna's **core values**. We put our customers and their interests at the heart of everything we do and constantly strive to inspire innovation and transparency.

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

Spend on public affairs activities	2023	2022	2021
Total (SEK)	12.95M	34.1M	19.1M

Political contributions

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

Memberships

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

EU:

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

UK:

- UK Finance
- Innovate Finance
- Swedish Chamber of Commerce for the UK

USA:

- Financial Technology Association
- Financial Health Network

Canada:

- Canadian Lenders Association

Australia:

- Australian Finance Industry Association

Global tax commitment

Klarna is committed to paying its fair share of taxes and we will always strive to pay and report what is fair and reasonable. Achieving a fair tax level means that Klarna's tax positions are aligned with our business operations and support genuine commercial activity that complies with applicable tax law and Klarna's ethics and policies.

Our commitments

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

Our business

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

Low-tax territories

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

Transparency and reporting compliance

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

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

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

Corporate Governance

Corporate Governance

About Klarna

Klarna Holding AB ('Klarna') (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 institution. [14]

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 27, 2024, the Board of Directors also approved the Corporate Governance Report.

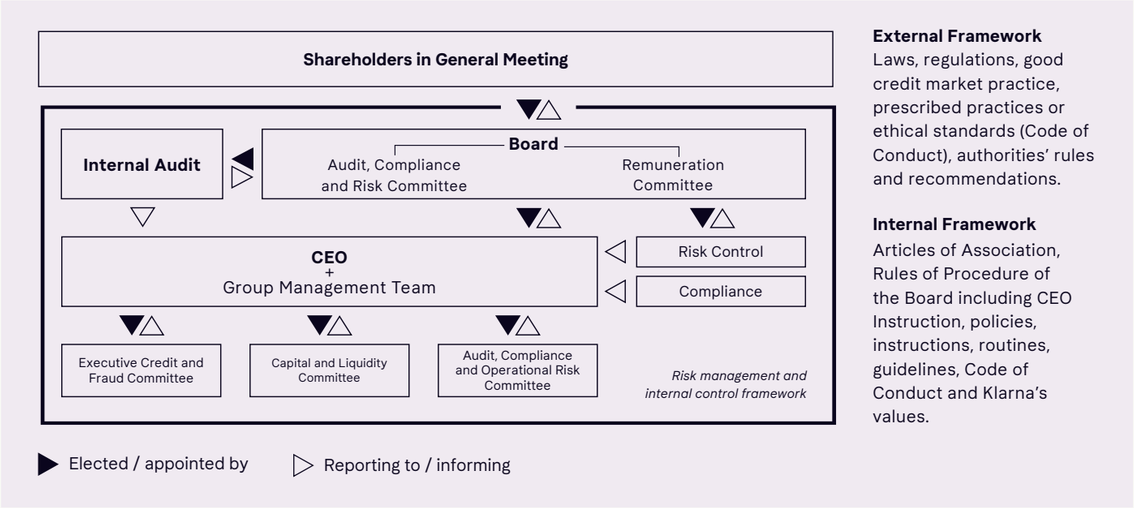
Governance

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.

[14] 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 operates an internal framework which incorporates the external requirements on corporate governance.

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

Klarna has 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 is structured into various Business Units, internally known as "Domains". Each of these Business Units is composed of multiple Groups, which in turn are composed of Teams. The responsibilities of each team, group and domain is clearly defined and documented.

Within each Business Unit, there is a dedicated Business Unit Manager overseeing operations, The Business Unit Managers report to a member of the Group Management Team.

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

The Group Management Team is formed of the CEO, Chief Product and Design Officer, Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer, Chief Technology Officer, Chief Commercial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Information Security Officer and Chief Credit Risk Officer.

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 2023 neither decided on authorisation to acquire nor convey own shares in Klarna. Consequently, the Board of Directors did not have such authorisations in 2023.

Mandate to issue shares and warrants

The annual general meeting held on June 26, 2023, authorized the Board to issue 3,013,594 shares and 3,013,594 warrants.

Klarna's qualified shareholders

Klarna Holding shareholders >10% are as follows:

Shareholder	% of votes/ownership
Funds advised by Sequoia	20.37%
Heartland	10%

Klarna Bank AB is 96.73% 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 by some of the largest shareholders and appointed by the general meeting.

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 and the Group Management Team.

Board members

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

Michael Moritz, Chairman of the Board

Michael is a senior adviser and Board Member of Sequoia Heritage and was a Partner at Sequoia Capital between 1986 and 2023. Michael has served on the Boards of companies such as Google, Yahoo, PayPal, and Stripe. He has served on the Board of Klarna since 2010.

Sebastian Siemiatkowski, CEO

As the co-founder and CEO of Klarna, Sebastian has spent nearly the last two decades challenging the big banks and revolutionizing the world of e-commerce both in Sweden and abroad. Using his degree from the Stockholm School of Economics and years of sales experience, Sebastian has led Klarna to become one of the top global payments and shopping service providers in the world.

Mikael Walther, Board Member

Mikael is the managing director at Rosfelt Enterprises 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, PCAP, and AON. She is also a member of the Board of Trustees of the Financial Accounting Foundation.

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. He has been Chairman of Pearson plc since March 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.

Matt Miller, Board member

Matt is a Partner at Sequoia focused on early and growth stage investments in technology companies across the US and Europe. Over the last 12 years at Sequoia, Matt serves on the boards of Confluent, Grafana, dbt Labs, Hex, Graphcore , Yokoy and Tecton. Matt moved from California to London in 2021 to help launch Sequoia's European office. Prior to Sequoia, Matt worked at Goldman Sachs and graduated from Brigham Young University.

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 Group Management Team participate as required by invitation from the Board or CEO.

As part of the Rules of procedure of the Board, 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). The Board appoints the heads of the control functions and the Money Laundering Reporting Officer (MLRO). The CEO is Sebastian Siemiatkowski.

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 (RemCo) 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 Group Management Team, which includes CXOs and heads of control functions. Klarna's Board has adopted a Remuneration Policy which creates standardized remuneration structures throughout the organization. This is revised when necessary and at least annually.

The RemCo makes a competent and independent evaluation of the Remuneration Policy and Klarna's remuneration system, and presents it to the Board on at least an annual basis. The RemCo 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 RemCo, Klarna has established a Remuneration Policy and processes, securing sound and standardized remuneration structures throughout the organization.

Members during 2023: 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 2023 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 2023: Sarah Smith (Chair), Mikael Walther and Lise Kaae.

Meetings and attendance

The table shows the number of meetings held in 2023 [15] by the Board of Directors and its committees as well as the attendance of the individual Board members:

2023	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
Number of meetings	24	14	9	5		
(of which are email resolutions)	17	7	0	3		
Michael Moritz	24	14	-	5	No	Yes [16]
Sebastian Siemiatkowski	24	14	-	-	No	No
Sarah Smith	24	14	9	5	Yes	Yes
Lise Kaae	24	14	9	-	Yes	No
Mikael Walther	24	14	9	-	Yes	No
Omid Kordestani	24	14	-	5	Yes	Yes
Roger W. Ferguson Jr.	24	14	-	-	Yes	Yes
Matt Miller	1	1	-	-	Yes	No

Group Management Team

The CEO works together with Klarna's Group Management Team. The Group Management Team consists of CXOs and heads of control functions and is responsible for matters of common concern across corporate functions, strategic issues, business plans, financial forecasts and reports. The Group Management Team usually meets weekly or when the CEO convenes a meeting.

The Group Management Team consists of:

- Sebastian Siemiatkowski, CEO
- David Fock, Chief Product and Design Officer
- Camilla Giesecke, Chief Operating Officer
- Niclas Neglén, Chief Financial Officer
- David Sandström, Chief Marketing Officer
- Yaron Shaer, Chief Technology Officer
- David Sykes, Chief Commercial Officer
- Joachim Reuss, Chief Risk Officer
- Joaquín Calderón, Chief Compliance Officer
- David Currie, Chief Information Security Officer
- Arvind Varadhan, Chief Credit Risk Officer

[15] As of December 29, 2023.

[16] The committees in the table are committees of the Klarna Bank AB Board. As the members of the ACRC (and all Klarna Bank Board members) are also members of the Klarna Holding Board, the Klarna Holding Board has the benefit of consideration undertaken and recommendations made by the ACRC.

Group management committees

The CEO has, besides the Group Management Team, three separate committees at his disposal for the purpose of managing 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 Group Management Team Overall Responsibilities		
Business Line Management	**Risk Control and Compliance**	**Internal Audit**
"Risk ownership" **1st line of defence** Owns risk and risk management activities. Performs necessary controls to secure acceptable risk exposure.	**"Control functions"** **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.	**"Risk assurance"** **3rd line of defence** Tests, validates and assess efficiency in governance, risk management and internal control processes and activities.

The ultimate responsibility for risk management rests with the Board, which sets Klarna's risk appetite limits 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) in performing its duties regarding risk management.

The Group Management Team are responsible for implementing the risk strategy. They are also accountable for the management of risks within each of their areas of responsibility, and to promote a sound and effective risk culture across their teams and the Klarna Group 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 and Compliance, oversees 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 the Group Management Team 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.

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 the Group Management Team 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 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 in a timely manner, 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 by calculating, forecasting and managing the size of the High Quality Liquid Assets (HQLA) portfolio and the funding needs 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 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 its products and services being misused for financial crime. It does not accept any deliberate, inadvertent or systemic breaches of applicable AML/CTF laws and regulations, or relevant sanctions regimes, as further elaborated in the AML & CTF Policy.

ICT and Security Risk is defined as: the risk of failures or breaches in information or communication systems or physical security including system outages, software failures, data breaches, physical security breaches or 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 continuously evolving 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 considers 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 CXOs with updates on key financial and business metrics, including exposure against Board risk appetite limits. Where Klarna sees opportunities or risks, it adjusts approaches as appropriate to preserve achievement of the plan.

ESG risks are identified through a periodic double materiality assessment to determine the key themes that could impact Klarna. 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/**

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 Group Management Team, 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, reporting directly 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 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 Group Management 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 2023 AGM as external auditor for the period up to the 2024 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

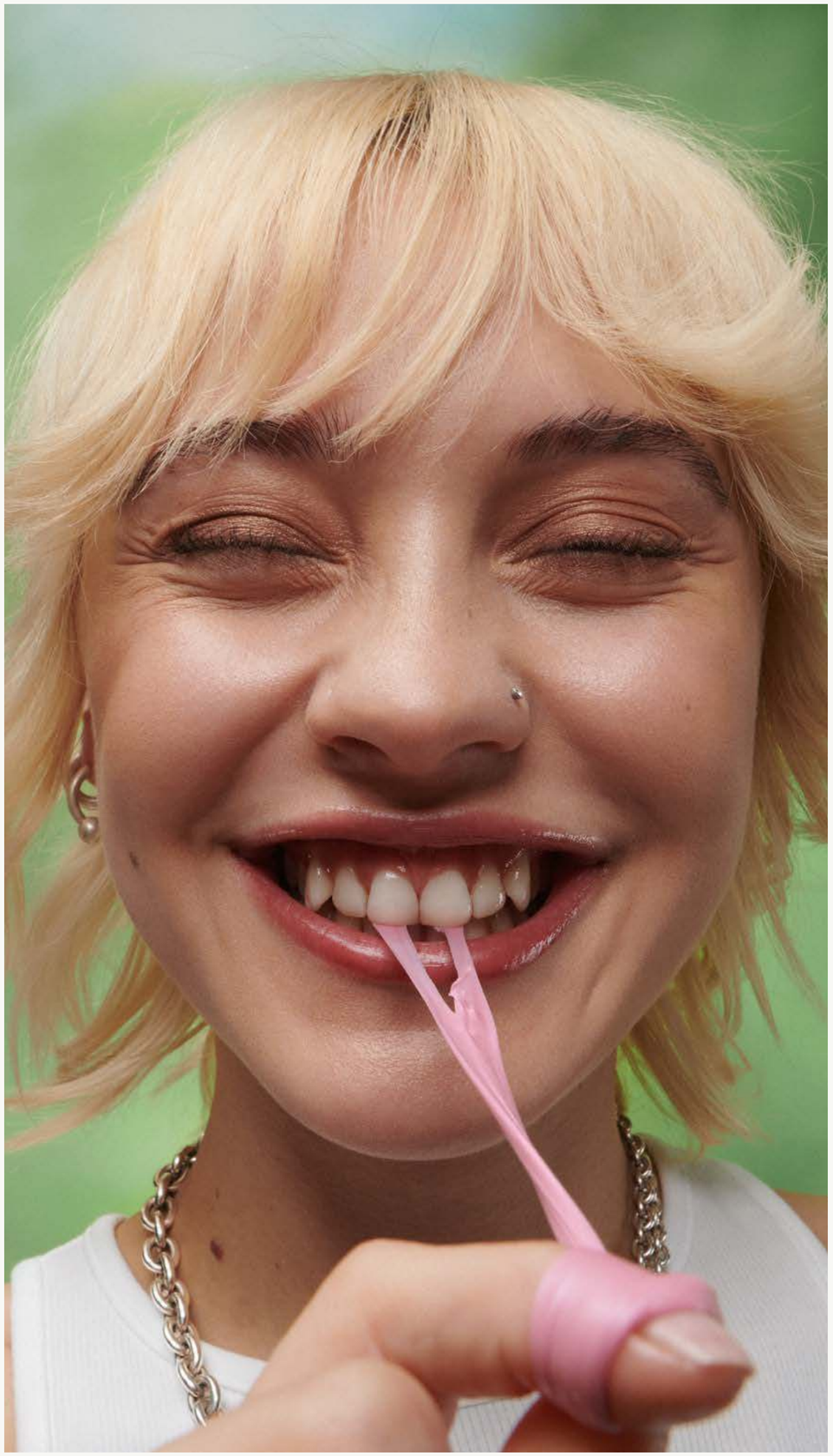
Insider administration is organized according to the applicable EU and national level laws and regulations. The Board has approved Group-wide policies and instructions to provide clear instructions for employees to ensure inside information is identified and handled appropriately.

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 Governance and Company Secretary team reporting to the Chief Financial Officer.

Appendix



ESG Datasheet

Environment	2023	2022	2021
Greenhouse gas emissions			
Direct (Scope 1) GHG emissions (tCO_2e)	67	281	279
Indirect (Scope 2) GHG emissions (tCO_2e)	52	66	6
Other indirect (Scope 3) GHG emissions (tCO_2e)	109,824	146,928	152,710
GHG emissions intensity (tCO_2e per SEK 1M revenue)	4.7	7.6	9.6
Change in GHG emissions (%)	-25%	-3.7%	49%
Electricity consumption			
Total electricity consumption (MWh)	2,949	9,110	6,344
Share of renewable energy of total electricity consumption (%)	100%	100%	80%
Internal carbon tax			
Funds resulting from internal carbon tax (USD)	2.0M	2.3M	1.7M
Internal carbon tax funds invested in Climate Transformation Fund projects (USD)	5M+	2.7M	1.0M
Number of projects we invested in through Climate Transformation Fund	30	16	11

Social	2023			2022			2021		
Employees (# (%))									
by management level	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Group Management Team [1]	1 (0.1%)	10 (0.4%)	11 (0.3%)	1 (0.0%)	6 (0.2%)	7 (0.1%)	2 (0.1%)	7 (0.2%)	9 (0.2%)
Manager	523 (31.9%)	824 (32.2%)	1,347 (32.1%)	221 (9.4%)	376 (12.2%)	597 (11.0%)	235 (9.4%)	412 (12.6%)	647 (11.2%)
Non-Manager	1,116 (68.0%)	1 ,727 (67.4%)	2,843 (67.7%)	2,126 (90.6%)	2,711 (87.6%)	4,837 (88.9%)	2,272 (90.6%)	2,855 (87.2%)	5,127 (88.6%)
Total employees	**1,640**	**2,561**	**4,201**	**2,348**	**3,093**	**5,441**	**2,509**	**3,274**	**5,783**
by employment type									
Permanent	1,632 (99.5%)	2,550 (99.6%)	4,182 (99.5%)	2,331 (99.3%)	3,068 (99.2%)	5,399 (99.2%)	2,460 (98.0%)	3,230 (98.7%)	5,690 (98.4%)
Temporary	8 (0.5%)	11 (0.4%)	19 (0.5%)	17 (0.7%)	25 (0.8%)	42 (0.8%)	49 (2.0%)	44 (1.3%)	93 (1.6%)
Total employees	**1,640**	**2,561**	**4,201**	**2,348**	**3,093**	**5,441**	**2,509**	**3,274**	**5,783**
by region									
Asia	0 (0.0%)	2 (0.1%)	2 (0.1 %)	0 (0.0%)	4 (0.1%)	4 (0.1%)	0 (0.0%)	3 (0.1%)	3 (0.1%)
Europe	1,411 (86.0%)	2,356 (92.0%)	3,767 (89.7%)	1,986 (84.6%)	2,804 (90.7%)	4,790 (88.0%)	2,090 (83.3%)	2,934 (89.6%)	5,024 (86.9%)
North America	220 (13.4%)	193 (7.5%)	413 (9.8%)	324 (13.8%)	262 (8.5%)	586 (10.8%)	364 (14.5%)	287 (8.8%)	651 (11.3%)
Oceania	9 (0.5%)	10 (0.4%)	19 (0.5%)	38 (1.6%)	23 (0.7%)	61 (1.1%)	55 (2.2%)	50 (1.5%)	105 (1.8%)
Total employees	**1,640**	**2,561**	**4,201**	**2,348**	**3,093**	**5,441**	**2,509**	**3,274**	**5,783**
by age									
<30	554 (33.8%)	726 (28.3%)	1,280 (30.5%)	1,139 (48.5%)	1,132 (36.6%)	2,271 (41.7%)	1,375 (54.8%)	1,350 (41.2%)	2,725 (47.1%)
31-50	1,073 (65.4%)	1,788 (69.8%)	2,861 (68.1%)	1,188 (50.6%)	1,913 (61.8%)	3,101 (57.0%)	1,118 (44.6%)	1,866 (57.0%)	2,984 (51.6%)
>50	13 (0.8%)	47 (1.8%)	60 (1.4%)	21 (0.9%)	48 (1.6%)	69 (1.3%)	16 (0.6%)	58 (1.8%)	74 (1.3%)
Total employees	**1,640**	**2,561**	**4,201**	**2,348**	**3,093**	**5,441**	**2,509**	**3,274**	**5,783**
by gender									
Group Management Team	9.1%	90.9%	-	14.3%	87.5%	-	22.2%	77.8%	-
Managers	38.8%	61.2%	-	37.0%	63.0%	-	36.3%	63.7%	-
Non-Managers	39.3%	60.7%	-	44.0%	56.0%	-	44.3%	55.7%	-
New hires	34.5%	65.4%	-	42.6%	57.4%	-	47.4%	52.6%	-
Total employees	**39.0%**	**61.0%**	**-**	**43.2%**	**56.8%**	**-**	**43.4%**	**56.6%**	**-**
Parental leave									
Employees who took parental leave [2]	420 (16.30%)	392 (11.10%)	812 (13.29%)	405 (17.25%)	360 (11.64%)	765 (14.06%)	-	-	-

[1] The Group Management Team is formed of the Chief Executive Officer, Chief Product and Design Officer, Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer, Chief Technology Officer, Chief Commercial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Information Security Officer and the Chief Credit Risk Officer.

[2] This statistic is higher than other figures in this report since it includes all employees who at some point during 2023 worked at Klarna.

Social (continued)

	2023	2022	2021
Compensation and benefits			
Employees participating in RSU program	3,956 (94.17%)	4,678 (85.98%)	3,773 (67.40%)
Total salaries, other remuneration, social security and pension expenses (SEK)	4,999M	5,617M	3,968M
Employee engagement survey [3]			
Employees who took the annual employee engagement survey	68%	86%	81%
Overall satisfaction score from employee engagement survey	71%	64%	75%
Training			
Number of mandatory trainings on Looop	31	36	34
Completion rate of compliance training [4]	86%	91%	90%
Completion rate of AML/CTF training [4, 5]	86%	91%	90%
Completion rate of data privacy training [4]	92%	91%	96%
Completion rate security awareness training [4]	88%	92%	96%
Political advocacy			
Spend on public affairs activities (SEK)	12.95M	34.1M	19.1M
Global tax commitment			
Cash income taxes paid (SEK)	115M	214M	229M

Governance

Board of Directors in 2023 (# (%))

by gender	Women	Men	Total
Board of Directors	2 (25.0%)	6 (75.0%)	8 (100%)
Audit, Compliance & Risk Committee (ACRC)	2 (66.7%)	1 (33.3%)	3 (100%)
Remuneration Committee	1 (33.3%)	2 (66.7%)	3 (100%)
by type	**Executive**	**Non-Executive**	**Total**
Board of Directors	1 (12.5%)	7 (87.5%)	8 (100%)
Audit, Compliance & Risk Committee (ACRC)	0 (0.0%)	3 (100.0%)	3 (100%)
Remuneration Committee	0 (0.0%)	3 (100.0%)	3 (100%)

[3] As this is a significant deviation from our previous engagement survey methodology, the results garnered from the new tool are not directly comparable to the past data.

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

[5] The ML/TF employee training is part of the mandatory Compliance online training.

EU Taxonomy Compliance Report

Reporting section

As a licensed credit institution with more than 500 employees, Klarna Bank AB falls within the scope of the Non-Financial Reporting Directive (NFRD) (Directive 2014/95/EU [1]). All companies that fall within the scope of the NFRD must report in their consolidated annual report in accordance with the EU Taxonomy Regulation (hereafter "Taxonomy") (Regulation (EU) 2020/852 [2]). Klarna Holding AB (hereafter "Klarna"), defined under article 2 of the Directive 2013/34/EU [3] as a credit institution, falls under the scope of the Swedish implementation of the NFRD through the Accounts Act for Credit institutions and securities companies ÅRKL [4].

Per the EU Taxonomy Regulation, Klarna must provide quantitative and qualitative information on:

- the proportion in its total assets of exposures to Taxonomy-eligible and Taxonomy-aligned economic activities of the two climate objectives, namely climate change mitigation and climate change adaptation.
- the proportion in its total assets of the exposures to Taxonomy-eligible economic activities of the four environmental objectives, namely water and marine resources, circular economy, pollution, and biodiversity.
- the proportion in its total assets of the exposures to Taxonomy-eligible economic activities related to nuclear and gas energy covered under the two climate objectives.

When estimates and proxies are used, disclosures under Article 8 of the Taxonomy Regulation may not be classified as "mandatory" and should be classified as "voluntary." To assess the eligibility and alignment of exposures, Klarna is often dependent on the information provided by its customers and merchants. In many cases, this information is not yet available. Therefore, Klarna has used alternative methods and estimates, which are described below under "Assumptions and methodology." If eligibility and alignment had been identified, the exposures would have been included as voluntary disclosures.

Quantitative information

The following section presents the quantitative information that Klarna is required to report on for the financial year 2023. From January 1, 2024, Klarna must report on the Green Asset Ratio (GAR) and associated stock and flow KPIs following the mandatory templates in Annex VI of the Disclosure Delegated Act. In addition, Klarna must report on the eligibility of its exposures for the activities covered in the Environmental Delegated Act, as well as for the nuclear and gas-related activities, following the template provided in Annex XII of the Disclosure Delegated Act.

This results in the following list of mandatory templates:

- the "summary of KPIs" template,
- the "Covered Assets (on-balance sheet)" template that encompasses all on-balance sheet exposures,
- the "GAR – Sector information",
- the "GAR KPIs Stock",
- the "GAR KPIs Flow",
- the templates related to the eligibility of nuclear and gas-related economic activities.

All templates have been filled in using the available data and a best-effort approach and can be found in the Supporting Material below. Methodologies and data limitations are detailed in the sections further below.

Additional templates in Tables 5, 6, and 7 of Annex IV of the Disclosure Delegated Act are not reported on by Klarna for Financial Year (FY) 2023 as they are not yet in the scope of the mandatory reporting.

To comply with the Taxonomy requirements and ensure consistency between the financials in the annual report and the Taxonomy KPIs, the calculations are based on the same data used for Klarna's financial reporting under Regulation (EU) 2021/451 [5] (FINREP).

At the end of the financial year 2023, Klarna's activities eligible under the EU Taxonomy accounted for 0% of its total covered assets both for the climate objectives and the four environmental objectives. The low eligibility score results from various factors such as data constraints, materiality evaluations, and the limited relevance of the current scope of the EU Taxonomy for Klarna's business, particularly regarding Klarna's predominant exposures, namely households. Further elaboration on this can be found in the subsequent sections of the report.

As alignment is assessed only for the eligible exposures for the climate objectives, it also amounted to 0%.

Qualitative information

To ensure transparency and understanding of the reported metrics, Klarna must provide 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 referenced in the footnotes.

[1] https://eur-lex.europa.eu/eli/dir/2014/95
[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32020R0852
[3] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32013L0034
[4] https://www.fi.se/en/sustainability/sustainability-regulations/sustainability-reporting/
[5] Official Journal of the European Union

Table 1: Description of the required exposure categories of Annex VI

Category	Description of the catagory
Total covered assets	Total loans and advances, debt securities, equities and repossessed collaterals and all other on-balance sheet assets on 31 December 2023 for Klarna Holding AB [6] excluding exposures to central governments, central banks, and supranational issuers.
GAR – Covered assets in both numerator and denominator	
Credit institutions	Undertaking, the business of which is to take deposits or other repayable funds from the public and to grant credits for its own account [7]. Under the Taxonomy regulation for credit institutions, supranational issuers and central banks are excluded from the numerator (and therefore from the "credit institutions" category) and are accounted for separately.
Other financial corporations	All financial corporations and quasi-corporations, other than credit institutions, such as investment firms, investment funds, insurance companies, pension funds, collective investment undertakings, and clearing houses, as well as remaining financial intermediaries, financial auxiliaries, captive financial institutions and money lenders [18].
Non-financial undertakings	Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services. Under the Taxonomy regulation for credit institutions, the non-financial corporations must be split between European and non-European companies and between NFRD and non-NFRD companies.
Households	Individuals or groups of individuals as consumers and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Non-profit institutions which serve households ('NPISH') and which are principally engaged in the production of non-market goods and services intended for particular groups of households shall be included.
Local governments financing	Loans granted by institutions to the local government.

Table 1: Continued

Assets excluded from the numerator for GAR calculation (covered in the denominator)	
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. As granular data is (not yet) available within Klarna's systems to assess whether an EU counterparty falls within the scope of the NFRD or not, it has been assumed for the present reporting period that all EU non-SMEs fall under the scope of the NFRD. This assumption supports a conservative approach with regards to the materiality consideration for the eligibility of covered non-financial companies.
Derivatives	According to the EBA guidance [9], only derivatives not held for trading are covered under this section, and derivatives held for trading should be included in the trading book (when the institute has a trading book).
On-demand inter-bank loans	Balances receivable on demand with credit institutions.
Cash and cash-related assets	Cash and cash equivalent.
Other assets	Other assets cover tangible assets, intangible assets, prepaid expenses and accrued income.
Assets not covered for GAR calculation	
Central governments, central banks, and supranational users	Exposures to central governments, central banks, and supranational users. These exposures are not included in the total covered assets.
Trading book	All positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book as defined in Directive 2006/49/EC [10].
Total assets	Total loans and advances, debt securities, equities, and repossessed collaterals and all other on-balance sheet assets on 31 December 2023 for Klarna Holding AB.

[6] Klarna Bank AB (KBAB) is the entity holding the banking license. Thus, KBAB is the one authorized to conduct operations in compliance with the Swedish Banking and Financing Business Act (lending, accepting deposits and Forex operations). Then KBAB is owned by Klarna Holding AB.

[7, 8] Commission Implementing Regulation (EU) 2021/ of 17 December 2020

[9] https://www.eba.europa.eu/sites/default/files/document_library/Publications/Draft%20Technical%20Standards/2022/1026173/Annex%20II%20-%20Instructions%20for%20ESG%20prudential%20disclosures%20templates.pdf

[10] Official Journal of the European Union

Assumptions and methodology

The purpose of this section is to provide a comprehensive explanation of the assumptions and methodology applied in Klarna's EU Taxonomy disclosure for the financial year 2023.

The GAR categorizes the exposures to counterparties into four groups: financial undertakings, non-financial undertakings, households, and local governments. In order to assess the eligibility of these exposures, a four-step process was followed for each category:

1. Identify Klarna's exposures amount to the counterparty.
2. Determine eligibility of the exposures where data is available.
3. Calculate Klarna's eligibility based on the amount of exposure to, and the eligibility of, the counterparty.
4. Structure the data in the GAR templates (see Supporting Material).

To assess the eligibility of the exposures, Klarna applied different methods within these four steps based on the categories to which it has exposure:

- **Financial Undertakings:** The eligibility of this category has been assessed based on publicly available counterparty information. To calculate the eligibility of the exposures towards financial undertakings within the EU, Klarna first identified who its financial counterparties are. Then, it consulted the eligibility amounts reported in the counterparties' annual reports for FY 2022, as figures for FY 2023 were not yet publicly available. To mitigate this timeline misalignment, the draft FAQ published by the European Commission on December 21st, 2023 [11] "encourages" reporting entities to reach out to their counterparties to gather non-publicly available information. For the financial year 2023, given the short notice of this information and the low impact of financial institutions (due to Klarna's model focusing on household exposures), Klarna has not reached out to its counterparties to gather additional information. However, Klarna will explore the feasibility of liaising bilaterally with its financial counterparties for future reporting periods.

  Afterwards, Klarna calculated its own eligibility to financial undertakings based on the exposure it has towards the undertaking and their reported eligible amount.

  Financial institutions are divided between NFRD and non-NFRD entities and are categorised under two sub-sections for the GAR calculations: credit institutions and other financial corporations. For credit institutions, the breakdown per counterparty was available in Klarna's reporting system and therefore the methodology described above was applied. For the other financial corporations, granular data and information on counterparties were not available. Therefore, Klarna has taken a conservative approach and assumed the eligibility to be zero due to a lack of data.

- **Non-financial undertakings:** To identify eligible assets for non-financial undertakings, Klarna analysed its portfolio using the NACE industry codes as stated in the Climate Delegated Act [12] and Environmental Delegated Act [13], which provides guidance on the activities within the scope of the Taxonomy's eligibility. The exposure to customers registered with the corresponding NACE code is fully included as eligible if the description of the activity closely matches the official NACE code description.

- **Households:** All retail exposures or loans to private customers can be categorized as assets related to households. So far, only three types of exposures have been included in the Taxonomy as eligible for households. These include exposures for the renovation of buildings and motor vehicles, as well as loans collateralized by residential immovable property. Klarna does not grant motor vehicle loans, loans collateralized by residential immovable property, or for the renovation of buildings.

- **Local governments:** This category is assessed based on the exposure Klarna has to the local governments and their eligibility reporting.

Since Klarna offers a global payment and shopping service oriented toward retail customers, the majority of its covered assets come from what the Taxonomy refers to as "households". The second largest share of the total covered assets is "other assets", of which it is not required to consider the eligibility of these exposures. The exposures to "financial undertakings", "non-financial undertakings", and "local governments" only made up a small share of the total covered assets. To ensure the information and data are accurate, Klarna monitors their financial exposures to both financial and non-financial corporations on a daily basis based on their level of financial materiality.

Once eligibility for the various exposures was assessed, Klarna worked on defining the proportion of exposures aligned with the EU Taxonomy. To do so, Klarna has also used different methodologies based on the categories to which it has eligible exposures:

- **Financial undertakings:** As described above, only the exposures to credit institutions presented eligibility and were therefore considered for alignment. As for all credit institutions, the use of proceeds is unknown, the alignment of the eligible exposure was calculated by using the publicly available KPIs on Capex and Turnover for each eligible exposure as prescribed in Annex V of the Disclosure Delegated Act [14].

- **Non-financial undertakings:** As non-financial undertakings represented an eligibility of 0 %, the exposures have not been assessed for alignment.

- **Households:** As households did not present eligibility, the exposures have not been assessed for alignment

- **Local governments:** As local governments did not present eligibility; the exposures have not been assessed for alignment.

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

[11] Draft Commission Notice on the interpretation and implementation of certain legal provisions of the Disclosures Delegated Act under Article 8 of the EU taxonomy Regulation on the reporting of taxonomy-eligible and Taxonomy-aligned economic activities and assets (europa.eu)

[12] European Commission

[13] https://finance.ec.europa.eu/system/files/2023-06/taxonomy-regulation-delegated-act-2022-environmental_en_0.pdf

[14] taxonomy-regulation-delegated-act-2022-environmental-annex-5_en_1.pdf (europa.eu)

Data limitations

In every category of exposure counterparties, Klarna faced some data constraints which affected the determination of the eligibility and alignment of the exposures. These are the following:

1. **Financial undertakings:** When assessing the eligibility of the exposures towards financial undertakings, data limitations are mainly found due to outdated and/or unavailable public data. The eligibility of the counterparties is based on publicly available data from reporting in the previous year and therefore does not accurately represent information for the current year. In addition, the reporting on the alignment for financial corporations became mandatory as of January 1, 2024. Therefore, publicly available data on that metric is only available for FY 2022 for the financial counterparties that had decided to report on it voluntarily. This means that the alignment reporting of Klarna for financial counterparties may be significantly impacted from FY 2024 when such data will be available from counterparties and allow Klarna to assess its own alignment.
2. **Non-financial undertakings:** Data limitations are mainly found in the use of NACE codes. Since companies may engage in a wider range of activities than indicated by the high-level NACE code available in Klarna's systems, this may not accurately reflect all their business activities. As a result, the NACE proxy applied to each customer may underestimate or overestimate the activities of that customer's eligibility. Furthermore, due to a lack of available data on the level of granularity required on counterparties and a non-material exposure, non-financial corporations are not further considered for eligibility and therefore alignment.
3. **Households:** For households, Klarna currently does not have any exposures covered in the scope of the GAR for credit institutions.
4. **Local governments:** Currently, no data is available to the level required to assess the eligibility of the exposures towards local governments.

Summary of methodology and data limitations

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

Table 2: Summary of methodology and data limitations

Category	Methodology	Data limitations
Financial undertakings	The category is assessed based on the exposure Klarna had towards the financial undertakings and their eligibility and alignment reporting over the financial year 2022 if available (published voluntarily).	For most counterparties, data is not available due to the reporting requirements timeline. For some counterparties, data is available for FY 2022 based on voluntary disclosure and presents significant uncertainty due to estimations. Due to the factors detailed above, and the exposure being relatively low, this category is not considered for eligibility.
Non-financial undertakings	The category is assessed using NACE codes to determine the eligible activities of non-financial undertakings. If applicable, the alignment would be assessed by using the counterparties' reported alignment for the financial year 2022.	Due to a limited granularity in terms of mapping between Klarna's internal categories and companies' NACE codes and relatively low exposure, this category is not considered for eligibility or alignment.
Households	The category is assessed based on the exposure Klarna had towards its merchants and their eligibility and alignment reporting over the financial year 2022.	The exposure to households currently included in the GAR covers only three categories for which Klarna has either no exposure towards or no granular information available. As it represented a relatively low amount, this category was not considered for eligibility or alignment.
Local governments	The category is assessed based on the exposure Klarna had towards its merchants and their eligibility reporting over the financial year 2022.	As granular data to properly assess this category was not available, and due to the relatively low amount it represented, this category is not considered for eligibility or alignment.

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

In the context of Klarna's EU Taxonomy disclosure for the previous financial year (2022), it was expected that a more significant proportion of loans made by the company to "households" would meet the eligibility criteria as the remaining four objectives became mandatory for reporting. The Circular Economy objective holds the most significant potential impact on Klarna. Indeed, some counterparties to which Klarna has exposure fall under activities covered under the Circular Economy environmental objective. Such activities could include the economic activities "5.2 Sale of spare parts", "5.4 Sale of second-hand goods," and "5.6 Marketplace for the trade of second-hand goods for reuse". However, the Green Asset Ratio for credit institutions has so far limited eligible household exposures to three categories: loans collateralized by residential immovable property, building renovation loans, and motor vehicle loans. Those categories fail to capture the potentially eligible exposures of Klarna under the Circular Economy environmental objective, as Klarna's households' exposures are mostly related to retail and consumer goods. Therefore, its eligibility was not impacted significantly by the introduction of the Environmental Objectives.

Klarna acknowledges its substantial role in promoting sustainability by providing its customers with more comprehensive information to make informed purchasing decisions. In line with this, the company is engaged in various sustainability initiatives, including the Conscious brands ratings initiative, the CO2 Emissions feature, donations touch points, and the promotion of second-hand shopping and reselling opportunities for consumers. These initiatives are described in detail in the ESG section of Klarna's consolidated report.

Klarna keeps exploring the synergies between its sustainability efforts and the Taxonomy. For instance, while collecting data for the Conscious brands ratings initiative through platforms like Good on You and Clarity AI, Klarna will also assess if the data required for the Taxonomy can be gathered simultaneously. Additionally, Klarna's circular shopping initiatives have the potential to impact its Taxonomy eligibility and alignment in the future, especially concerning the circular economy objective.

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

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

Materiality

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

Regarding the EU Taxonomy, Klarna provides loans to merchants and retailers that are considered as exposures to non-financial undertakings in the Taxonomy. Klarna also presents exposures to financial undertakings covered in the EU Taxonomy regulation. However, for the disclosure for the financial year 2023, Klarna's eligible exposure to financial and non-financial undertakings was deemed substantially low. Hence, considering materiality and data limitations, Klarna chose to exclude these exposures from its eligibility and alignment analysis.

Supporting material

1. Summary of KPIs

		Total environmentally sustainable assets	KPI*	KPI**	% coverage (over total assets)***	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Main KPI	Green asset ratio (GAR) stock	0	0	0	68%	14%	18%

		Total environmentally sustainable assets	KPI	KPI	% coverage (over total assets)	% of assets excluded from the numerator of the GAR (Article 7(2) and (3) and Section 1.1.2. of Annex V)	% of assets excluded from the denominator of the GAR (Article 7(1) and Section 1.2.4 of Annex V)
Additional KPIs	GAR (flow)	N/A	N/A	N/A	N/A	N/A	N/A

* based on the Turnover KPI of the counterparty.

** based on the CapEx KPI of the counterparty, except for lending activities where for general lending Turnover KPI is used.

*** % of assets covered by the KPI over banks´ total assets.

2. GAR – Covered assets KPI

	Total [gross] carrying amount (SEK)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which environmentally sustainable (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling
GAR - Covered assets in both numerator and denominator	96,523,879,156																														
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	96,523,879,156	0	0	0	0	0	0	0	0	0																					
Financial undertakings	9,558,681,780	0	0	0	0	0	0	0	0	0																					
Credit institutions	5,115,726,602	0	0	0	0	0	0	0	0	0																					
Loans and advances	1,929,297,827	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP	3,186,428,775	0	0	0	0	0	0	0	0	0																					
Equity instruments																															
Other financial corporations	4,442,955,178	0	0	0	0	0	0	0	0	0																					
of which investment firms																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
of which management companies																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
of which insurance undertakings																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
Non-financial undertakings	1,686,469,763	0	0	0	0	0	0	0	0	0																					
Loans and advances	1,532,879,888	0	0	0	0	0	0	0	0	0																					
Debt securities, including UoP																															
Equity instruments	153,589,875	0	0		0	0	0	0		0																					
Households	83,923,229,579	0	0	0	0	0	0	0	0	0																					
of which loans collateralised by residential immovable property																															
of which building renovation loans																															
of which motor vehicle loans																															
Local governments financing	1,355,498,034	0	0	0	0	0	0	0	0	0																					
Housing financing																															
Other local government financing	1,355,498,034	0	0	0	0	0	0	0	0	0																					
Collateral obtained by taking possession: residential and commercial immovable properties																															
Assets excluded from the numerator for GAR calculation (covered in the denominator)	19,697,137,470	0	0	0	0	0	0	0	0	0																					
Financial and Non-financial undertakings																															
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	273,790,424																														
Loans and advances	273,790,424																														
of which loans collateralised by commercial immovable property																															
of which building renovation loans																															
Debt securities																															
Equity instruments																															
Non-EU country counterparties not subject to NFRD disclosure obligations	24,768,913																														
Loans and advances																															
Debt securities																															
Equity instruments																															
Derivatives	584,314,383																														
On demand interbank loans	2,697,899,879																														
Cash and cash-related assets	10,636																														
Other categories of assets (e.g. Goodwill, commodities etc.)	16,116,353,236																														
Total GAR assets	116,221,016,626	0	0	0	0	0	0	0	0	0																					
Assets not covered for GAR calculation	25,204,987,208																														
Central governments and Supranational issuers	3,231,665,494																														
Central banks exposure	21,973,321,713																														
Trading book																															
Total assets	141,426,003,834	0	0	0	0	0	0	0	0	0																					
Off-balance sheet exposures – Undertakings subject to NFRD disclosure obligations																															
Financial guarantees																															
Assets under management																															
Of which debt securities																															
Of which equity instruments																															

1. This template shall include information for loans and advances, debt securities and equity instruments in the banking book, towards financial corporates, non-financial corporates (NFC), including SMEs, households (including residential real estate, house renovation loans and motor vehicle loans only) and local governments/municipalities (house financing).
2. The following accounting categories of financial assets should be considered: Financial assets at amortised cost, financial assets at fair value through other comprehensive income, investments in subsidiaries, joint ventures and associates, financial assets designated at fair value through profit or loss and non-trading financial assets mandatorily at fair value through profit or loss, and real estate collaterals obtained by credit institutions by taking possession in exchange in of cancellation of debts.
3. Banks with non-EU subsidiary should provide this information separately for exposures towards non-EU counterparties. For non-EU exposures, while there are additional challenges in terms of absence of common disclosure requirements and methodology, as the EU taxonomy and the NFRD apply only at EU level, given the relevance of these exposures for those credit institutions with non-EU subsidiaries, these institutions should disclose a separate GAR for non-EU exposures, on a best effort basis, in the form of estimates and ranges, using proxies, and explaining the assumptions, caveats and limitations
4. For motor vehicle loans, institutions shall only include those exposures generated after the date of application of the disclosure.

3. GAR – Sector Information

Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)				Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)			
	Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD		Non-Financial corporates (Subject to NFRD)		SMEs and other NFC not subject to NFRD	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (WTR)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (CE)	Mn EUR	Of which environmentally sustainable (PPC)	Mn EUR	Of which environmentally sustainable (PPC	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)	Mn EUR	Of which environmentally sustainable (CCM + CCA + WTR + CE + PPC + BIO)
N/A	N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A			N/A	N/A		

1. Credit institutions shall disclose in this template information on exposures in the banking book towards those sectors covered by the Taxonomy (NACE sectors 4 levels of detail), using the relevant NACE Codes on the basis of the principal activity of the counterparty.

2. The counterparty NACE sector allocation shall be based exclusively on the nature of the immediate counterparty. The classification of the exposures incurred jointly by more than one obligor shall be done on the basis of the characteristics of the obligor that was the more relevant, or determinant, for the institution to grant the exposure. The distribution of jointly incurred exposures by NACE codes shall be driven by the characteristics of the more relevant or determinant obligor. Institutions shall disclose information by NACE codes with the level of disaggregation required in the template.

4. GAR KPIs Stock

4.1. GAR KPI – Stock Turnover

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR - Covered assets in both numerator and denominator																															
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0	0	0	0	0	0	0	0	0																						
Financial undertakings	0	0	0	0	0	0	0	0	0																						
Credit institutions	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments																															
Other financial corporations	0	0	0	0	0	0	0	0	0																						
of which investment firms																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
of which management companies																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
of which insurance undertakings																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
Non-financial undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP																															
Equity instruments	0	0		0	0	0	0		0																						
Households	0	0	0	0	0	0	0	0	0																						
of which loans collateralised by residential immovable property																															
of which building renovation loans																															
of which motor vehicle loans																															
Local governments financing	0	0	0	0	0	0	0	0	0																						
Housing financing																															
Other local government financing	0	0	0	0	0	0	0	0	0																						
Collateral obtained by taking possession: residential and commercial immovable properties																															
Total GAR assets	0	0	0	0	0	0	0	0	0																						

4.2. GAR KPI – Stock Capex

% (compared to total covered assets in the denominator)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR - Covered assets in both numerator and denominator																															
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0	0	0	0	0	0	0	0	0																						
Financial undertakings	0	0	0	0	0	0	0	0	0																						
Credit institutions	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments																															
Other financial corporations	0	0	0	0	0	0	0	0	0																						
of which investment firms																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
of which management companies																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
of which insurance undertakings																															
Loans and advances																															
Debt securities, including UoP																															
Equity instruments																															
Non-financial undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP																															
Equity instruments	0	0		0	0	0	0		0																						
Households	0	0	0	0	0	0	0	0	0																						
of which loans collateralised by residential immovable property																															
of which building renovation loans																															
of which motor vehicle loans																															
Local governments financing	0	0	0	0	0	0	0	0	0																						
Housing financing																															
Other local government financing	0	0	0	0	0	0	0	0	0																						
Collateral obtained by taking possession: residential and commercial immovable properties																															
Total GAR assets	0	0	0	0	0	0	0	0	0																						

1. Institution shall dislcose in this template the GAR KPIs on stock of loans calculated based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template
2. Information on the GAR (green asset ratio of 'eligible' activities) shall be accompanied with information on the proportion of total assets covered by the GAR
3. Credit institutions can, in addition to the information included in this template, show the proportion of assets funding taxonomy relevant sectors that are environmetnally sustainable (Taxonomy-aligned). This information would enrich the information on the KPI on environmentatlly sustainable assets compared to total covered assets
4. Credit institutions shall duplicate this template for revenue based and CapEx based disclosures

5. GAR KPIs Flow

5.1. GAR KPI – Flow Turnover

% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR - Covered assets in both numerator and denominator																															
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0	0	0	0	0	0	0	0	0																						
Financial undertakings	0	0	0	0	0	0	0	0	0																						
Credit institutions	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Other financial corporations	0	0	0	0	0	0	0	0	0																						
of which investment firms	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
of which management companies	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
of which insurance undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Non-financial undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Households	0	0	0	0	0	0	0	0	0																						
of which loans collateralised by residential immovable property	0	0	0	0	0	0	0	0	0																						
of which building renovation loans	0	0	0	0	0	0	0	0	0																						
of which motor vehicle loans	0	0	0	0	0																										
Local governments financing	0	0	0	0	0	0	0	0	0																						
Housing financing	0	0	0	0	0	0	0	0	0																						
Other local government financing	0	0	0	0	0	0	0	0	0																						
Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0																						
Total GAR assets	0	0	0	0	0	0	0	0	0																						

5.2. GAR KPI – Flow Capex

% (compared to flow of total eligible assets)	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)				Circular economy (CE)				Pollution (PPC)				Biodiversity and Ecosystems (BIO)				TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR - Covered assets in both numerator and denominator																															
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	0	0	0	0	0	0	0	0	0																						
Financial undertakings	0	0	0	0	0	0	0	0	0																						
Credit institutions	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Other financial corporations	0	0	0	0	0	0	0	0	0																						
of which investment firms	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
of which management companies	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
of which insurance undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Non-financial undertakings	0	0	0	0	0	0	0	0	0																						
Loans and advances	0	0	0	0	0	0	0	0	0																						
Debt securities, including UoP	0	0	0	0	0	0	0	0	0																						
Equity instruments	0	0		0	0	0	0		0																						
Households	0	0	0	0	0	0	0	0	0																						
of which loans collateralised by residential immovable property	0	0	0	0	0	0	0	0	0																						
of which building renovation loans	0	0	0	0	0	0	0	0	0																						
of which motor vehicle loans	0	0	0	0	0																										
Local governments financing	0	0	0	0	0	0	0	0	0																						
Housing financing	0	0	0	0	0	0	0	0	0																						
Other local government financing	0	0	0	0	0	0	0	0	0																						
Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0																						
Total GAR assets	0	0	0	0	0	0	0	0	0																						

1. Institution shall dislcose in this template the GAR KPIs on flow of loans calculated (new loans on a net basis) based on the data disclosed in template 1, on covered assets, and by applying the formulas proposed in this template
2. Credit institutions shall duplicate this template for revenue based and CapEx based disclosures

6. Eligibility of exposures to the nuclear and gas-related activities

Nuclear energy related activities	
The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No

Fossil gas related activities	
The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Task Force on Climate-related Financial Disclosures (TCFD)

Governance

TCFD Disclosure recommendation	Klarna 2023 Disclosure
A. Describe the Board's oversight of climate-related risks and opportunities	In delivering our global business strategy, we pay particular attention to Environmental, Social, and Governance (ESG) factors. This includes climate-related risks, which constitute a focal monitoring area in our long-term financial and business success. For this, in Klarna we use climate-related risk management tools, such as correlation analysis or climate scenario analysis, to offer a long-term view of climate-related risks. This robust risk management approach is encapsulated within Klarna's Risk Management framework, ensuring these risks are systematically quantified, monitored, and mitigated. Our Board of Directors ("Board") and its committees, as well as the Group Management Team, have clearly defined roles in our risk management processes, which also cover ESG risks: **Quarterly:** Our Board receives comprehensive reports on ESG risks, including those climate-related, which offer a perspective on our management policies and practices. This quarterly reporting goes beyond merely presenting risks and also communicates our achievements, strategic plans, and progress towards our net-zero commitment. **Annually:** The Board takes an active role in the sign-off and review of the annual ESG report. This document not only outlines Klarna's climate plans but encapsulates our past achievements and future targets. Through this, the Board maintains an overview of Klarna's ESG approach, progress, and can provide constructive feedback for further enhancement of our operations. Our commitment to effective oversight of ESG factors, backed by regular Board oversight, contributes to our goal of sustainable growth and long-term business success. Our approach's primary objectives encompass climate initiatives that enable consumers to shop in alignment with their values and promote circularity, which align with Klarna's climate commitment.
B. Describe management's role in assessing and managing climate-related risks and opportunities	Our Chief Marketing Officer (CMO) oversees Klarna's sustainability programs, in close collaboration with the Sustainability Group. This is complemented by the Chief Financial Officer's (CFO) who keeps regular communication with the Risk Control domain, which holds strategic and ESG risks monitoring responsibilities. Alongside these core teams, several other functions within our organization contribute to effectively manage our climate-related risks and opportunities.

We have clear routines to communicate and oversee climate-related risks:

Monthly: Follow-up meetings with our senior management team, in which relevant team updates regarding our sustainability and ESG performance, including climate initiatives, risk control practices are shared.

Quarterly: The Group Management Team receives the independent Risk Control evaluation of the ESG Risk analysis, which includes climate-related risks and opportunities.

Annually: The Group Management Team receives assesses and approves the work plans of the Sustainability Group and ESG risk teams during the annual business planning. This process includes an in-depth review of the risk taxonomy and the risk appetite statement in regards to climate-related risks and opportunities.

Strategy

TCFD Disclosure recommendation	Klarna 2023 Disclosure
A. Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	**1. Transition Risks (Medium Term):** **a. Policy and Legal:** Emerging climate-centric regulations, notably around emissions reporting and carbon pricing create transition risks in the form of potential operational, compliance and non-compliance costs. Adhering to new and evolved regulatory frameworks could result in a significant increase of operational, administrative and third-party advisory costs. Non-compliance may result in legal and financial repercussions including regulatory costs or litigation, as well as reputational costs. While Klarna's carbon footprint is relatively small compared to overall business volumes, an expansion and increase of carbon pricing across the economy could have a direct impact on Klarna's operational costs. Overall, policy and legal transition risks are assessed as low and are actively monitored through Klarna's ESG reporting and climate action activities. **b. Market:** Klarna connects consumers and merchants to deliver a safe and superior commercial experience. Klarna specializes in payments, factoring, and consumer credits with low order values and short duration. Klarna's business volumes are therefore directly linked to consumer spending.

Increasing awareness of the climate impacts of goods and services might have an impact on consumer purchasing behavior, e.g. by lowering consumer spending overall or by shifting consumption towards goods and services perceived to be more sustainable.

These potential shifts in the market create transition risks to Klarna e.g. by decreasing overall transaction volumes on Klarna's platform or by shifting consumption away from product categories that have high commercial significance for Klarna but are not perceived to be sustainable. However, they also present an opportunity for Klarna to strengthen its position in the market by catering to consumers' changing preferences, e.g. providing credible information about sustainability aspects of goods and services to consumers or offering used and refurbished goods on the platforms. Klarna actively pursues this opportunity with its evolving portfolio of sustainability information offerings on its platforms.

Overall, climate transition risks from market transformation are considered low and are actively mitigated through the continued strengthening of the sustainability proposition in Klarna's products.

c. Reputational:

The risk of reputational transition impacts primarily emerge from Klarna's potential association with brands and merchants that face scrutiny for the climate impact of their business models and the perception that Klarna contributes to this impact indirectly.

Overall, these risks are considered low and Klarna actively manages these factors by pursuing a highly ambitious climate strategy for its own impact as well as by creating transparency over the emissions related climate impact of purchases via the Klarna app with the CO2e tracker function, which provides consumers with information about the carbon footprint of their purchases and provides them with advice on using their items more sustainably.

2. Physical Risks (Long Term):

a. Acute:

The acute physical risks from extreme weather events can be differentiated between the direct exposure of Klarna's operations and the exposure of our merchant partners.

Klarna's business-critical operations are largely reliant on cloud-based IT systems and therefore less exposed to the direct impacts of extreme weather events, allowing for operational resilience.

The operations of our more than 550,000 merchant partners across 25 countries are directly reliant on globally distributed production and logistics infrastructure, creating significant exposure to disruptions from extreme weather events like floods, hurricanes or wildfires. These disruptions could affect their business and financial stability, which in turn, may impact transaction volumes on Klarna's platform.

However due to the high diversification of Klarna's business across geographies, sectors and merchants, the aggregate risk from acute weather events for Klarna has been assessed as low.

b. Chronic:

Over time, chronic physical risks from climate-related events may present challenges for the material sourcing and operations of some Klarna's retail partners, particularly in regions exposed to extreme weather events. However, based on Klarna's business diversification, these risks are currently considered to be low for Klarna's own business.

3. Opportunities:

a. Climate Leadership:

Klarna's ambitious and innovative climate goals and strategy position the company as a leader amongst peers, strengthening the brand in the eyes of customers, merchant partners and other stakeholders and providing a credible foundation for its sustainability products on its platforms.

b. Climate Stewardship:

Klarna has an opportunity to establish itself as a go-to destination for environmentally conscious shoppers. Building on its existing offerings that highlight climate and sustainability related performance of products and merchant partners, Klarna is well-positioned to capitalize on this growing market-segment.

B. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	The identified climate-related risks and opportunities inform Klarna's ambitious and innovative climate strategy as well as its sustainability product roadmap. Klarna's climate strategy focuses on reducing its value chain emissions to Net Zero GHG emissions by 2040 and on our journey there price the remaining emissions with an internal carbon tax. The raised funds from this carbon tax are then used to finance high impact climate solutions via the Milkywire Climate Transformation Fund. This is in line with recommended best practice, e.g. the **World Wildlife Fund (WWF) and Boston Consulting Group (BCG**) blueprint for corporate action on climate and nature. It guides how companies measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects. This approach mitigates the regulatory and reputational risks identified above while also capitalizing on the opportunities identified around climate leadership. Klarna's sustainability product roadmap aims to empower consumers to make more environmentally conscious purchasing decisions, e.g. by informing them about the carbon footprint of their purchases as well as highlighting brands and products with particular sustainability characteristics in its user touchpoints. This approach mitigates the market risks identified above while also capitalizing on the opportunities identified around climate stewardship.
C. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2-degree or lower scenario	Klarna is committed to gaining a comprehensive understanding of how climate change scenarios can help us assess the impact of business risks and opportunities. We've recently completed our climate scenario analysis with the goal of enhancing our understanding of Klarna's strategic resilience across various future climate scenarios and identifying different potential solutions. These scenarios were developed in collaboration with recognized organizations such as the Network for Greening the Financial System (NGFS) and take into account a range of temperature changes and additional climate variables at both the national and international levels. The focus of this report is on the 2030 time horizon. While Klarna is an agile company with capital planning and strategies that align with banking regulations, we recognize that certain climate impacts may take longer to manifest. Therefore, in this first version of the climate scenario analysis, a 2030 time horizon is considered appropriate. By considering these scenarios and employing an internal methodology that adheres to best practices in climate scenario analysis, we assess the climate impact from three main perspectives: Macroeconomic GDP impact (transitional and physical impact), changes in consumer consumption behavior, and regulatory compliance. The conclusions of this analysis enable us to develop a long-term resilience program for Klarna, providing the organization with a strategic roadmap that presents new opportunities to leverage our ESG profile via key projects with internal and external stakeholders.

Risk management

TCFD Disclosure recommendation	Klarna 2023 Disclosure
A. Describe the organization's processes for identifying and assessing climate-related risks	At Klarna, our comprehensive approach to identifying, assessing, and managing climate-related risks is centered around an integrated strategy. This strategy connects within the overall risk management framework, which leverages the insights of our stakeholders, and maximizes the expertise across our organization. Our process is built upon, among other, the double materiality assessment performed by the Sustainability Group in November 2021. This assessment provides a holistic understanding of Klarna's most material ESG themes according to our key stakeholders (internal and external). These ESG themes, and areas of priority, are then considered as part of our ESG Risk Assessment which enables us to identify strategic areas and drive risk mitigation from a standpoint aligned with both our stakeholders' views and Klarna's different teams. As part of the risk assessment we then assess the potential likelihood and impact of those specific ESG risks. This is an annual exercise that we regularly update to adapt to Klarna's evolving business landscape, including new products and markets of operation. Following the annual exercises, and to enrich our understanding of our risk landscape, we actively engage with teams across the organization through deep dives and workshops. By drawing upon their expertise, we can uncover and manage further key residual ESG risks that Klarna may be exposed to. Examples of these joint efforts that drive further mitigation actions or even open new lines of climate-related engagement, are such as our climate scenario analysis. This comprehensive approach allows us to consider the broader implications of climate change risks beyond their direct impact.
B. Describe the organization's processes for managing climate-related risks	At Klarna, the cornerstone of our risk management lies in a three-tiered defense model, ensuring all aspects of our organization work in tandem to identify, assess, and mitigate potential risks, including those associated with climate change. Our first line of defense, the Business Line, is actively engaged in daily operations, ensuring the implementation of necessary control measures to maintain an acceptable level of risk exposure. Meanwhile, the Control Functions, our second line of defense, provides the necessary frameworks and processes that support independent oversight of ESG and climate-related risks. Working closely with the Business Line, Control Functions enhance Klarna's internal assessments, particularly for ESG initiatives, thus strengthening our proactive risk management. The collaboration from these first two lines is fortified by the third line of defense; the Risk Assurance. Providing an overarching lens, they validate and offer feedback on the maturity and effectiveness of existing controls, ensuring comprehensive risk management across all areas of our business. Our integrated model breaks down traditional silos between the lines of defense to encourage collaboration, which is especially evident in strategic initiatives related to climate change. Examples of such initiatives are climate correlation analysis and assessing the potential impacts of climate events on our stakeholders (i.e. merchants). Our dynamic risk management approach continually adapts to evolving risks and regulatory developments. A testament to this is our proactive preparation to the forthcoming Corporate Sustainability Reporting Directive (CSRD), where we are developing an action plan to align our governance and risk management procedures effectively.
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	At Klarna, we recognize the need to integrate our approach to climate-related risks into both our strategic risk framework and the broader Klarna risk management framework. This framework operates on the three-tiered defense model previously mentioned. This model enables us to effectively manage ESG risks, including climate-related risks, which also could act as drivers for other risk areas within Klarna (i.e operational or credit risk). Consequently, our risk assessments do not only evaluate the direct nature of climate-related risks, but also their transmission channels throughout our risk taxonomy. This approach to risk management is integrated into our ways of working and communication channels throughout the ESG governance and risk control teams within Klarna. This integration promotes close collaboration between the first and second lines of defense, especially during strategic initiatives like our climate scenario analysis and ESG annual reporting. By aligning actions and maintaining ongoing communication through multiple scopes, we ensure a holistic risk management.

Metrics and targets

TCFD Disclosure recommendation	Klarna 2023 Disclosure
A. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	At Klarna, we monitor a range of metrics to assess climate-related risks and opportunities. Some of our key metrics include (non-exhaustive): 1. **Revenue intensity:** It calculates our emissions relative to our revenue, providing a benchmark for environmental efficiency within our business operations. 2. **Number of items covered by the CO2e emissions tracker**: In alignment with our efforts to encourage more sustainable shopping, we provide consumers with information to understand the estimated CO2e on a product level in certain product categories (e.g. fashion products). 3. **Partnerships donation impact**: Number of customers who donate and total donations towards planet health causes. 4. **Green electricity usage:** This metric helps us assess our progress towards renewable energy utilization and the reduction in our reliance on traditional, carbon-intensive energy sources. 5. **Purchase volume - more sustainable brands and circularity services:** We track the absolute and relative purchase volume of more sustainable products and brands that are highlighted on our platform. To align with the upcoming regulations such as the Corporate Sustainability Reporting Directive (CSRD) we are undergoing a review of our ESG metrics. The aim is to ensure we are capturing and reporting the most pertinent data points, considering Klarna's breadth and diversity in providing multiple products across diverse markets.

B. Redovisa Scope 1, Scope 2 och, om tillämpligt, Scope 3 utsläpp av växthusgaser (GHG) och relaterade risker	Klarna calculates its annual GHG emissions in line with the GHG Protocol's relevant standards. Klarna's 2023 GHG emissions are [1]: Scope 1: 67 tCO_2e Scope 2: 52 tCO_2e Scope 3: 109,824 tCO_2e
C. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Klarna has opted to follow the **World Wildlife Fund (WWF) and Boston Consulting Group (BCG) blueprint** for corporate action on climate and nature, which serves as a guide for companies to measure and display their emissions, set targets to reduce them, price what is remaining, and contribute financially to effective climate projects. Our commitment has three broad components: 1. we will annually price all of our scope 1, 2, and 3 emissions with an internal carbon tax and use the resulting funds to finance high impact climate solutions. 2. by 2030, we will reduce our revenue-based carbon intensity by 50% across scope 1, 2 and 3 against a 2019 baseline. 3. by 2040, we aim to reach net zero scope 1, 2 and 3 emissions.

[1] The wording of these commitments has been changed since the previous year to provide additional clarity on their substance.

Klarna