



ESG Report 2024

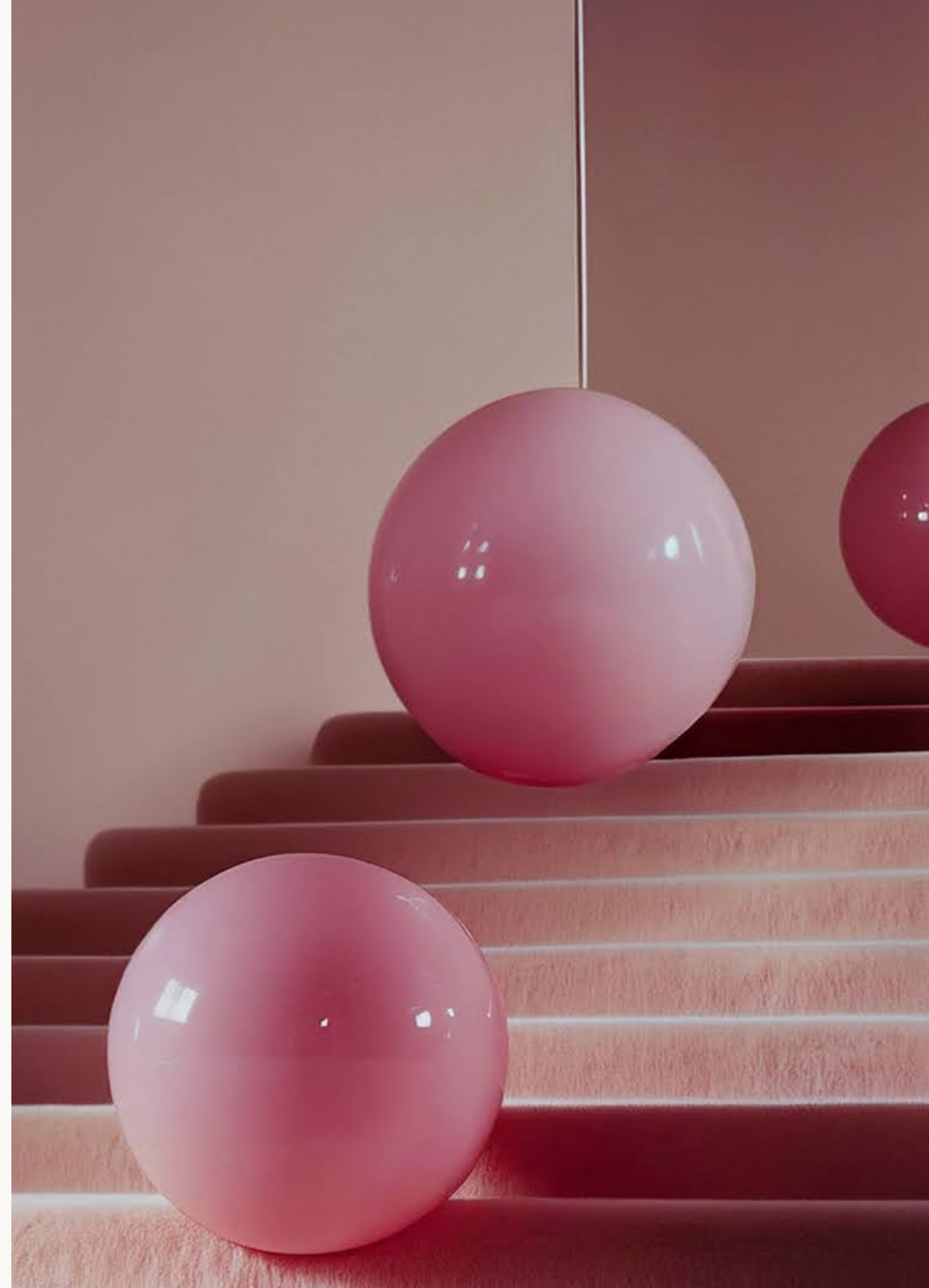
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Klarna's sustainability journey

Klarna provides consumers with a fairer, more sustainable alternative to traditional banking and credit systems. 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. Klarna gives people more choice, flexibility and control over how they pay, while helping retailers gain customers, grow their business and compete.

Klarna's sustainability strategy includes impactful initiatives that extend beyond the scope of the disclosures made to align with the European Sustainability Reporting Standards (ESRS) in the following chapters. This section highlights Klarna's dedicated efforts to create a positive impact on society and the environment through philanthropy, community engagement, and strategic partnerships.



Philanthropy and donations

A central aspect of Klarna's sustainability commitment is its corporate philanthropy focused on environmental impact and preservation.

The Nature Transformation Fund (NTF), an evolution of the 2021 Give One initiative, demonstrates Klarna's ongoing dedication to supporting impactful, nature-positive projects worldwide. With \$16 million committed to environmental action, the NTF fund's transformative initiatives benefit both people and nature, spanning over 30 countries and supporting 23 targeted projects. This curated fund portfolio is guided by a panel of experts and structured around three strategic pillars: Innovative Finance, Policy & Accountability, and Ecosystem Health.

The Climate Transformation Fund (CTF) is Klarna's initiative to support high-impact climate solutions that drive meaningful change. Financed through our internal carbon fee, the fund focuses on transformative projects across nature protection, decarbonization, and carbon dioxide removal, helping to accelerate the global transition to net zero while enabling tangible contributions to a healthier planet.

Klarna also empowers its consumers to support causes close to their hearts, enabling them to contribute directly to impactful environmental efforts. In collaboration with Milkywire, Klarna's Climate Transformation Fund and Nature Transformation Fund further channel donations into high-impact projects, including reforestation, biodiversity preservation, and other critical environmental initiatives, ensuring every contribution drives meaningful change. Throughout the Klarna environment and purchase journey, users can donate to climate action and community-based initiatives as part of their purchases. These donation touchpoints make it simple for consumers to back meaningful environmental causes.

Awards and recognition

In 2024, Klarna's achievements in sustainability were recognized through prestigious awards and industry accolades. Klarna earned the **ESG Transparency Award 2024**, achieving Excellence Class and being named a Leading Company for its sustainability efforts. Klarna's climate action strategy also won the **Net Zero Award** at the Global Sustainability & ESG Awards 2024, highlighting the company's innovative carbon fee initiative. Additionally, Klarna was honored with the **Most Disruptive Global Climate Action Initiative** award at the CSR Excellence Awards 2023 (received in early 2024).

Klarna's efforts were further acknowledged with a finalist position in the **Reuters Events Sustainable Business Awards 2024** in the Net Zero: Leadership category, underscoring its commitment to impactful, forward-thinking contributions in the global push for climate action.

Community engagement

Klarna's dedication to community impact is reflected in its partnerships and initiatives that foster resilience, inclusivity, and sustainability. Working with organizations like **Angel City Football Club** and **Cancerfonden**, Klarna supports programs that benefit both local communities and broader societal goals.

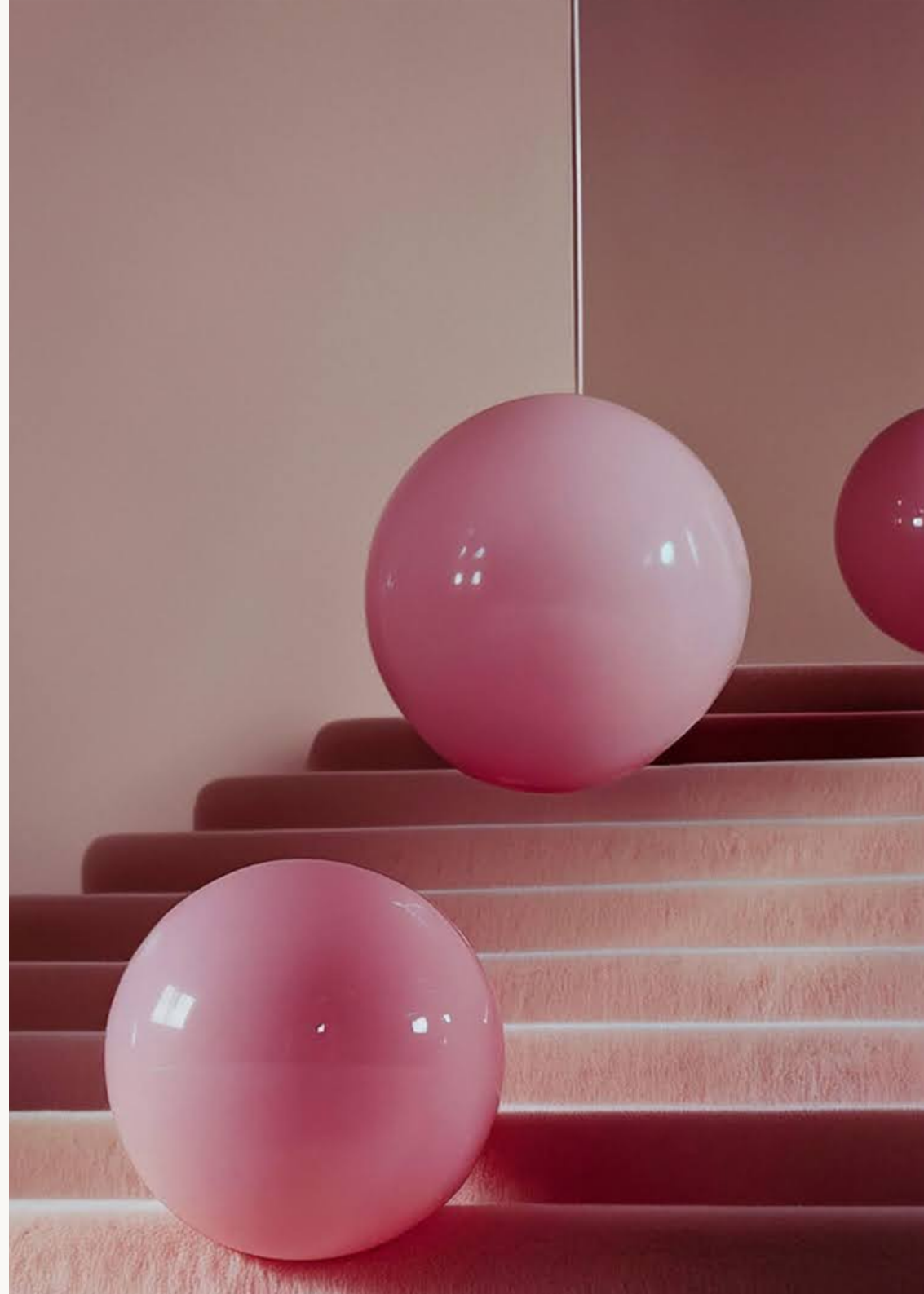
The partnership with Angel City Football Club, for example, promotes gender equality, youth development programs, and enhanced community engagement through sports and social initiatives.

Sustainability partnerships

Klarna's commitment to sustainability is exemplified through its participation in global initiatives dedicated to accelerating climate action and achieving environmental targets. As a member of international networks such as **The Climate Pledge, Race to Zero, Leaders for Climate Action** and the **Science Based Targets initiative (SBTi)**, Klarna collaborates with other forward-thinking organizations to drive impactful, systemic change. Through these partnerships, Klarna contributes to a collective effort for environmental stewardship and demonstrates its commitment to advancing global sustainability goals.



Klarna sustainability statement



Disclosure requirements and incorporation by reference

The following tables list all of the ESRS disclosure requirements in ESRS 2 and the topical standards which are material to Klarna and which have guided the preparation of our sustainability statement.

The tables can be used to navigate to information relating to a specific disclosure requirement in the sustainability statement.

Cross-cutting standards

Disclosure requirement

Disclosure requirement	Section	Page
ESRS 2 - General disclosures		
BP-1	General basis for preparation of the sustainability statement	General basis for preparation Klarna's value chain 10, 18
BP-2	Disclosures in relation to specific circumstances	General basis for preparation 10, 20 Process to identify material impacts, risks, and opportunities
GOV-1	The role of the administrative, management and supervisory bodies	Composition of administrative, management, and supervisory bodies 89
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	Sustainability governance 104
GOV-3	Integration of sustainability-related performance in incentive scheme	Not stated
GOV-4	Statement on due diligence	Statement on due diligence 171

GOV-5	Business conduct policies and corporate culture	Risk management and internal controls over sustainability reporting 105
SBM-1	Strategy, business model and value chain (products, markets, customers)	Strategy, business model, and value chain 11
SBM-2	Interests and views of stakeholders	Interests and views of stakeholders 25
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Resilience of Klarna's strategy and business model 19
IRO-1	Description of the process to identify and assess material impacts, risks and opportunities	Double materiality assessment (DMA) 20
IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	Enhancing sustainability disclosures and Double Materiality Assessment Process to identify material impacts, risks, and opportunities 11, 20

Environmental standards

Disclosure requirement

Disclosure requirement	Section	Page
ESRS E1 - Climate change		
E1-1	Transition plan for climate change mitigation	Klarna's climate change mitigation strategy 33, 34 Klarna's climate transition plan Progress against climate commitments
ESRS 2	IRO-1 Description of the processes to identify and assess material	Klarna's climate risk and resilience assessment 38
E1-2	Policies related to climate change mitigation and adaptation	Klarna's climate change mitigation strategy 33
E1-3	Actions and resources in relation to climate change policies	Klarna's climate transition plan 33, 34 Progress against climate commitments

E1-4	Targets related to climate change mitigation and adaptation	Klarna's climate targets Progress against climate commitments	33, 34
E1-5	Energy consumption and mix	Klarna's energy consumption	32
E1-6	Gross Scopes 1, 2, 3 and total GHG emissions	Klarna's carbon footprint	30
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	Klarna's support for climate solutions Klarna's support of carbon dioxide removal	35, 36
E1-8	Internal carbon pricing	Klarna's internal carbon fee	35
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	Klarna's climate risk and resilience assessment	38
EU Taxonomy statement	The EU Taxonomy statement details Klarna's alignment with sustainable economic activities	EU Taxonomy statement	130

Social standards

Disclosure requirement

Disclosure requirement		Section	Page
ESRS S1 - Own workforce			
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Our approach and policies Actions	49, 56
S1-1	Policies related to own workforce	Our approach and policies	49
S1-2	Processes for engaging with own workers and workers' representatives about impacts	Own workforce engagement	52
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	Own workforce complaints and remediation	54

S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	Own workforce engagement Actions	52, 56
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Actions Targets and metrics	56, 57
S1-6	Characteristics of the undertaking's employees	Characteristics of Klarna's employees	57
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Characteristics of Klarna's consultants	57
S1-8	Collective bargaining coverage and social dialogue	Collective bargaining coverage and social dialogue	58
S1-9	Diversity metrics	Targets and metrics	57
S1-10	Adequate wages	Remuneration and benefits	56
S1-11	Social protection	Social protection	51
S1-12	Persons with disabilities	Not stated	
S1-13	Training and skills development metrics	Training and skills development	60
S1-14	Health and safety metrics	Health and safety measures	50
S1-15	Work-life balance metrics	Parental leave	60
S1-16	Compensation metrics (pay gap and total compensation)	Remuneration and benefits	56
S1-17	Incidents, complaints and severe human rights impacts	Health and safety measures	51
ESRS S2 - Workers in the value chain			
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Our approach and policies	63
S2-1	Policies related to value chain workers	Our approach and policies	63
S2-2	Processes for engaging with value chain workers about impacts	Value chain workers engagement	64
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	Value chain workers complaints and remediation	65

S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions	Actions	65
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Not stated	
ESRS S4 - Consumers and end-users			
ESRS 2, SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	Our approach and policies	68
S4-1	Policies related to consumers and end-users	Our approach and policies	68
S4-2	Processes for engaging with consumers and end-users about impacts	Customer engagement	70
S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	Grievance mechanism and remedy	71
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	Actions	75
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	Targets	79

Governance standards

Disclosure requirement

Disclosure requirement		Section	Page
ESRS G1 - Business conduct			
GOV-1	The role of the administrative, management and supervisory bodies	Composition of administrative, management, and supervisory bodies	89

GOV-2	Information provided to and sustainability matters	Sustainability governance	104
GOV-3	Integration of sustainability-related performance in incentive scheme	Not stated	
GOV-4	Statement on due diligence	Statement on due diligence	171
GOV-5	Business conduct policies and corporate culture	Risk management and internal controls over sustainability reporting	105
G1-1	Business conduct policies and corporate culture	Governance of business conduct Business conduct and corporate culture	107, 108

Introduction

Sustainability statement for the financial year ended 31 December 2024

Klarna Holding AB (publ) presents this sustainability statement for the financial year ended 31 December 2024, inspired by the EU Corporate Sustainability Reporting Directive (CSRD). Klarna is proactively aligning with the requirements of the CSRD by preparing our Environmental, Social, and Governance (ESG) report for 2024 inspired by the European Sustainability Reporting Standards (ESRS), even though the CSRD is not yet applicable to Klarna Holding AB or its subsidiaries this year.

This initiative reflects our commitment to transparency and provides stakeholders with a comprehensive view of both our financial and sustainability performance. We will continue to strengthen our disclosure practices to achieve full CSRD compliance in 2025.

This reporting ensures our compliance 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) chapters 7, §31b, and 6, §11, implementing EU Directive 2014/95. This alignment also ensures compliance with the Non-Financial Reporting Directive (NFRD) EU directive (2014/95/EU). Furthermore, our sustainability report includes information mandated by other legislative frameworks, namely the EU Taxonomy and the voluntary recommendations from the Task Force on Climate-related Financial Disclosures (TCFD).

In this report, we transparently acknowledge that we have supplemented the ESRS-based information with insights and disclosures derived from these additional sources. For any parts of these standards or frameworks that we apply only partially, we provide precise references to the specific sections or paragraphs used, ensuring clarity and transparency for stakeholders regarding the scope and basis of our sustainability disclosures.

General basis for preparation

Our 2024 sustainability statement is prepared on a consolidated basis for Klarna Holding AB and all its subsidiaries, ensuring a comprehensive view of our ESG efforts across all operations and subsidiaries. The scope of consolidation for our sustainability statement aligns with that of our financial statements, providing stakeholders with a consistent and unified view of our operations.

The sustainability statements are prepared with reference to the ESRS issued by the European Financial Reporting Advisory Group (EFRAG). All the data points included in the E, S, and G sections have been assessed as material according to our [double materiality assessment \(DMA\)](#).

ESG disclosures across all entities

There are no subsidiary undertakings within Klarna Holding AB that are exempted from sustainability reporting under Articles 19a(9) or 29a(8) of Directive 2013/34/EU. Therefore, all entities are fully included in our ESG disclosures. Our materiality assessment extends to policies, actions, and targets considering Klarna's value chain, with detailed information available in the relevant section of this report.

Comprehensive reporting on the value chain

Our sustainability statement extensively covers Klarna Holding AB's upstream and downstream value chain considerations, in alignment with ESRS 1 section 5.1.

As per Klarna's materiality assessment, we have considered the upstream impacts, risks and opportunities associated with suppliers and workers in the value chain, as well as the downstream impacts, risks, opportunities concerning consumers and retail partners when disclosing information in this report. This comprehensive approach ensures that our ESG disclosures address the most significant aspects of our value chain. Detailed information is provided in the [value chain section](#).

Commitment to full transparency

In preparing this report, Klarna Holding AB has not exercised the option to omit any specific information regarding intellectual property, know-how, or innovation results. We believe in full transparency and have included all pertinent ESG information related to our operations in 2024.

Value chain estimations

Estimates have been used in the preparation of Klarna's greenhouse gas emissions metrics, including upstream and downstream value chain data derived from indirect sources. For further information on the basis for preparation and the resulting level of accuracy, refer to

the section [GHG Emissions Calculation Methodology](#), which details Klarna's methodology for GHG emissions calculation.

Enhancing sustainability disclosures and double materiality assessment

Klarna has thoroughly revised its methodology for identifying, assessing, and disclosing information related to material impacts, risks, and opportunities (IROs). In preparation for compliance with the European Sustainability Reporting Standards (ESRS) and the Corporate Sustainability Reporting Directive (CSRD) requirements, Klarna has undertaken a comprehensive review and update of its sustainability disclosures and double materiality assessment (DMA) processes. Engagement with diverse stakeholder groups—including management, employees, customers, and investors—provided critical insights into material topics for Klarna. Through facilitated workshops and consultations, recommendations from these stakeholders led to adjustments in the assessment of materiality. Notably, revisions were made to the financial and impact materiality of topics such as climate adaptation and corporate culture, and entity-specific topics like anti-money laundering were added.

The revision of Klarna's DMA ensures future regulatory compliance and enhances transparency around material sustainability matters pertinent to Klarna's operations and strategic ambitions. Read about the DMA process in the [Double Materiality Assessment](#) section.

Documentation and ongoing commitment

The outcomes of Klarna's DMA process and subsequent materiality decisions are documented in accordance with ESRS requirements, ensuring a transparent and traceable disclosure process. Klarna commits to ongoing monitoring of identified IROs and will update its assessments to reflect any significant changes.

Strategy, business model, and value chain

Introduction

Since 2005 Klarna has been on a mission to make commerce smoother with consumer needs at the heart of it. With over 93 million global active Klarna users and 2.9 million transactions per day, Klarna's fair and AI-powered payment and shopping solutions are revolutionizing the way people shop and pay online and in-store, empowering consumers to shop smarter with greater confidence and convenience.

Klarna is creating the commerce network of the future, designed to empower millions of loyal Klarna consumers with innovative shopping tools and flexible, affordable payment options. By enhancing the shopping journey, we support our over 675k retail partners in expanding their businesses.

Our focus is on delivering high-quality products that bring value to both consumers and retail partners within the network. We collaborate with the world's most prominent and beloved brands—including Uber, H&M, Saks, Sephora, Macy's, Ikea, Expedia Group, Nike, and Airbnb. This approach fuels compounding growth, as Klarna's network drives mutual success across the commerce ecosystem.

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. Klarna's range of sustainability features aims to educate and

empower consumers to make more informed and responsible shopping decisions.

The Klarna app, now available in 26 markets, helps consumers to manage their transactions and offers a smarter end-to-end 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, and a search tool comparing thousands of retailer websites. Other features include wishlist capability, a digital loyalty card wallet, exclusive deals and price drop notifications, friendly reminder push notifications, 24/7 customer service through an AI-powered chat or direct contact with a customer service agent, the option to snooze payments, delivery tracking, return reporting, CO₂e tracking and the ability for consumers to resell items in selected markets.

The in-app shopping feature makes it possible to use Klarna's flexible payment methods almost everywhere for almost everything, even with online retailers who have not yet integrated with Klarna.

Klarna's browser extension enables consumers to shop with Klarna's flexible payment options on their desktop at almost every online store, even if the retailer is not yet a Klarna partner. Klarna is also increasingly available in physical stores across markets through the Klarna card and payment terminal integrations.

Klarna's offerings and markets

Klarna provides a comprehensive range of products and services aimed at enhancing the shopping and payment experience for both consumers and retailers.

Products and services

Payments products

- **Flexible payment options:** One-click payments for online or in-store purchases with options to pay in full, pay later, or financing.
- **Klarna Card:** A physical card allowing customers to use Klarna's payment options everywhere.

Klarna App features

- **Financial management tools:** Overview of finances, spending insights, option to snooze payments, budgeting tools, and monthly spending breakdowns.
- **Personalized shopping experience:** AI-powered recommendations, search and compare, wishlists, Shopping Lens for visual item search, and a digital loyalty card wallet.
- **Post-purchase services:** Delivery tracking and return reporting.
- **Sustainability features:** CO₂e tracking and possibility to donate to planet health initiatives.

Banking services

- **Klarna bank account:** A free bank account offering instant account top-ups, real-time transfers, fixed term deposits with competitive interest rates, no foreign transaction fees, and two free ATM withdrawals per month.
- **Klarna balance & cashback:** Store funds, receive refunds, earn interest and cashback rewards directly in your Klarna balance.
- **Flex accounts:** Up to three sub-accounts for organizing savings goals.
- **Fixed accounts:** Fixed term savings accounts with competitive interest rates for more stable savings needs.
- **Budgeting and categorization:** Tools for setting spending limits and categorizing purchases.

Retailer and partner services

- **Checkout solutions:**
 - **Express Checkout:** Enhances checkout speed and reduces cart abandonment with pre-filled information for Klarna users.
- **Marketing and engagement:**
 - **Ads:** Tools for retailers to find the right shoppers with targeted ads.
 - **Search:** Our comparison shopping helps drive quality traffic to retail partners.
 - **Affiliate:** Supporting retailers growth through cashback offers and influential creators.

Technology and financial services

- **Open banking platform:** Unlocks seamless access to a vast network of financial institutions, enabling cutting-edge fintech solutions such as Pay by Bank, verified mandates, personal finance management, and enhanced underwriting capabilities.

New products and initiatives in 2024

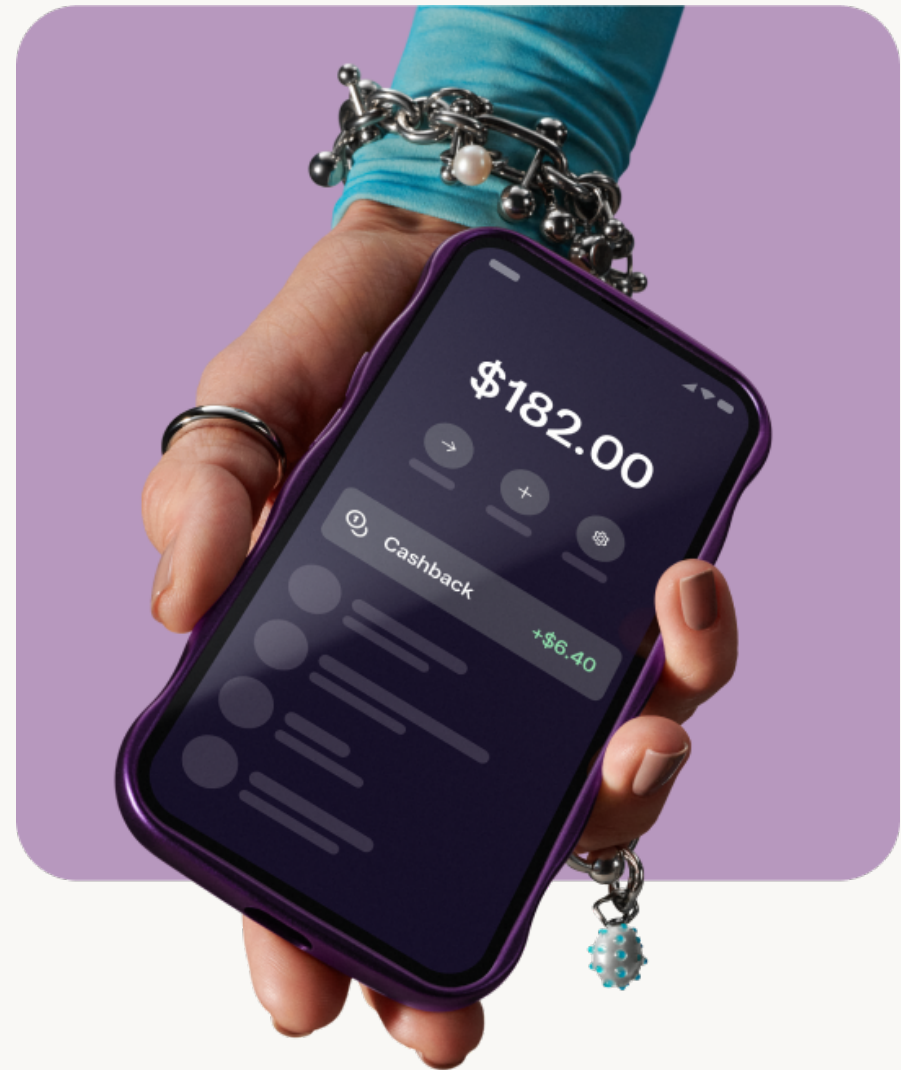
- Klarna balance and cashback was introduced, allowing consumers to earn money back on their purchases and store money on their Klarna balance, initially available in 12 markets.
- We have unified our shopping experience by integrating various Klarna services into one seamless offering. This was displayed in Klarna's new brand identity aimed to make the user experience clearer and more intuitive, ensuring that consumers can navigate our services with ease, enhancing overall satisfaction and trust.

Product and market changes in 2024

- Klarna completed the divestment of Klarna Checkout to a consortium of investors including BLQ Invest, now operating as "Kustom," effective October 1st, 2024. This transaction allows Klarna to focus on its flexible Klarna-branded payment methods and partner more closely with payment service providers.
- There were no significant changes in Klarna's market presence during the reporting period.

Markets

Klarna collaborates with more than 675k global retailers across various industries, partnering with brands like H&M, IKEA, and Nike, serving over 93 million active consumers.



A global presence

Overview of markets Klarna operates in



Klarna employees

Klarna has a total of 3,422 employees (excluding consultants), distributed across 27 countries.

- Australia 11
- Austria 10
- Belgium 3
- Canada 17
- Czech Republic 2
- Denmark 31
- Finland 10
- France 26
- Germany 876
- Greece 5
- Ireland 11
- Italy 167
- Japan 2
- Mexico 2
- Netherlands 56
- New Zealand 3
- Norway 17
- Poland 39
- Portugal 11
- Romania 1
- Serbia 1
- Singapore 1
- Spain 94
- Sweden 1,550
- Switzerland 5
- United Kingdom 220
- United States of America 251

Revenue and sector alignment

Klarna determines operating segments based on how our Chief Operating Decision Maker ("CODM") manages the business, makes operating decisions around the allocation of resources, and evaluates Klarna's operating performance.

Klarna's CODM role is fulfilled by the executive officers as a group, who collaboratively assess financial performance and make resource allocation decisions on a consolidated basis. Klarna operates as one operating segment and has one reportable segment.

The following table presents Klarna's net operating income, less net result from financial transactions disaggregated by category:

SEKm	2024	2023
Income from merchants and partners	17,944	15,369
Consumer income	3,633	2,517
Net interest income	2,851	2,865
Other income ¹	2,008	29
Total net operating income less net result from financial transactions	26,436	20,780

Income from merchants and partners consists of merchant revenue and advertising revenue, which are presented as commission income and other operating income, net of commission expenses which amounted to SEK 1,202m (552m). Merchant revenue refers to fees paid by Klarna's merchants, generated when consumers transact on our network. It includes merchant fees, interchange revenue and fees for settling disputes. Advertising revenue is earned from merchants who place advertisements on Klarna's network, including sponsored search, affiliate programs and brand ads.

¹ Other revenue in 2024 included gain from sale of subsidiaries primarily driven by the divestment of Klarna Checkout. See more information in Note 39 in Klarna Holding AB's annual report.

Consumer income refers to revenue Klarna earn from consumer fees, primarily consisting of reminder fees of SEK 2,686m and SEK 2,090m in 2024 and 2023, respectively. It also includes other administrative fees, such as fees for issuing one-time cards.

See Notes 5 and 6 in Klarna Holding AB's annual report for a disaggregation of **interest income** and interest expenses.

The following table presents Klarna's interest income by category:

SEKm	2024	2023
Loans to the public ²	5,629	4,587
Loans to credit institutions	1,201	506
Group companies	4	-
Other interest income	319	632
Total interest income	7,153	5,725

Interest income includes interest earned when consumers choose to spread the cost of transactions over time with one of our interest-bearing financing products or to delay the cost of transactions with our payment flexibility features, such as "snooze." Klarna also recognizes interest income related to incremental fees earned from certain merchants for provision of interest-free promotional loans to their consumers.

Interest income from loans to the public for 2023 is updated following a reclassification of SEK 880m. Refer to section Reclassifications of comparatives in Note 2 in Klarna Holding AB's annual report.

Additional significant ESRS sectors

Klarna primarily operates in the fintech and payments sector, focusing on providing payment solutions and services to consumers and retail

partners. Our activities do not extend into additional significant ESRS sectors that would give rise to intercompany revenues or are connected to material impacts outside of our core fintech and payments services.

Sector-specific activities

Klarna is not active in any of the following sectors: fossil fuels, chemical production, controversial weapons and cultivation and production of tobacco.

Strategy and business model connection to sustainability

Klarna's strategy and business model both consider ESG. Klarna's 2024 double materiality assessment (DMA) identifies important sustainability topics integral to our operations. Our commitment to sustainability is reflected in a risk control approach, where sustainability risks are seen as both business risks and opportunities that can significantly influence our strategic objectives and operational practices.

Elements of strategy affecting sustainability matters

The ongoing evaluation of sustainability factors, grounded in our DMA, focuses on understanding the sustainability impacts, risks, and opportunities that are essential to Klarna's business model and value chain. This approach is informed by insights on upcoming regulations and evolving economic and competitive landscapes, guiding critical adaptations in our strategy and operational adjustments related to ESG.

Reflection of stakeholder interests

Stakeholder input is fundamental to refining our ESG strategy. Through workshops and consultations, Klarna engages customers, investors, and employees to ensure the ESG strategy reflects their expectations

² Items within loans to the public have been reclassified as detailed in Note 2 in Klarna Holding AB's annual report.

and addresses pertinent issues. This input informs strategic direction, aligning Klarna's initiatives with stakeholder interests and fostering regular, structured dialogue.

Outcome of material impacts, risks, and opportunities assessment

The DMA helps us articulate and address the sustainability-related risks and opportunities most relevant to Klarna. Based on the 2024 DMA, Klarna's material subtopics include:

Material topics	
Climate change mitigation	Topical standard E1: Climate change
Energy	Topical standard E1: Climate change
Working conditions – own workforce	Topical standard S1: Own workforce
Equal treatment & opportunities for all – own workforce	Topical standard S1: Own workforce
Working conditions – workers in the value chain	Topical standard S2: Workers in the value chain
Information-related impact for consumers and end-users	Topical standard S4: Consumers and end users
Corporate culture	Topical standard G1: Business conduct
Financial stability, literacy, and wellness	Entity-specific topic related to S4: Consumers and end users
Anti-money laundering, countering terrorist Financing	Entity-specific topic related to G1: Business conduct
Conscious shopping	Entity-specific topic

Operationalizing DMA findings

The outcomes of our DMA have been embedded into Klarna's ESG risk routines and operational frameworks. By identifying material risks—such as potential climate transition risks and shifts in consumer behavior due to environmental awareness—Klarna has streamlined its strategies to address these risks effectively. These efforts are supported by updated risk monitoring systems aligned with current regulatory standards, allowing us to track progress and make proactive adjustments as needed.

Our governance structure ensures consistent oversight, providing monthly updates to senior management, quarterly risk reports, and annual strategic reviews. This approach keeps sustainability at the center of our business model and strategy development, ensuring we remain responsive to emerging ESG risks and regulatory requirements.

Sustainability goals and commitments

Klarna is committed to sustainability and integrating environmental considerations into our operations and product offerings. Our key focus in sustainability is reducing the environmental impact of our operations and supply chain and promoting sustainable consumer practices within the financial services sector.

Business operations

Klarna's climate targets have been independently validated by the Science Based Targets initiative:

- Commit to reduce Scope 1 and 2 GHG emissions by 42% by 2030 from a 2022 base year.
- Commit to reduce Scope 3 GHG emissions by 25% by 2030 from a 2022 base year.
- Commit to reduce Scope 1, 2, and 3 GHG emissions by 90% by 2040 from a 2022 base year.
- Commit to reach net-zero GHG emissions across the value chain by 2040 from a 2022 base year.

Sustainability-related products and services for consumers

- Offers sustainability features like the CO₂e Emissions Tracker and sustainability search filters. The sustainability search filters are part of the Klarna Search and Compare tool, allowing customers to identify products with recognized sustainability certifications and properties.
- Promotes circular shopping by encouraging the purchase of pre-owned items and facilitating the reselling of used products.
- Provides sustainability information at the brand level to help consumers choose brands that actively work on improving their impact on people, animals and the planet.
- Offers a comprehensive suite of personal finance management tools through its app, designed to help users manage their finances effectively. Key features include:

- **Financial overview:** Provides a holistic view of transactions, spending, and assets. Users can connect external bank accounts to centralize all balances and transactions in one place for a seamless overview.
- **External bank account connection:** Available in select markets, this feature allows users to link their external accounts and cards, enabling a consolidated view of balances, spending, and incoming transactions within the Klarna app.
- **Balances:** Displays real-time account balances, including Klarna purchases, savings, and connected external accounts. Users can easily filter and manage their accounts.
- **Budgeting tools:** Enables users to set monthly budgets for Klarna and other connected accounts, with visual indicators that track spending progress against the budget.
- **Spending Tracking:** Automatically categorizes transactions, providing insights into spending by category and detailed transaction lists to help users understand their spending habits.
- **Income Tracking:** Tracks incoming transactions over time, offering users a clear picture of their monthly earnings and cash flow.

Sustainability-related products and services for retail partners

Klarna supports retail partners by offering insights into sustainability features for consumers and providing reports on sustainability issues. These tools can help partners to align with evolving consumer expectations around sustainability.

Stakeholder relationships

Klarna actively engages with a broad range of stakeholders to advance its sustainability goals and commitments. This includes:

- Maintaining continuous dialogue with consumers, retail partners, employees, shareholders, suppliers, regulators, NGOs, and policymakers.
- Participating in industry-leading initiatives such as *The Climate Pledge* and the *Race to Zero* campaign, as well as being an active member of *Leaders for Climate Action*. These partnerships and interactions ensure Klarna remains at the forefront of collaborative efforts to address global sustainability challenges.

Assessment relative to sustainability-related goals

Klarna's sustainability-related goals are in harmony with our product offerings and market strategies. We monitor progress toward our sustainability goals through a comprehensive approach that includes

annual carbon footprint calculations, applying an internal carbon fee, measuring the success of sustainability initiatives, and regular reporting on progress made. This progress is documented in the ESG report and reviewed by internal stakeholders. Continuous stakeholder engagement and independent external audit ensure transparency and accountability.

Strategy elements impacting sustainability

Klarna's strategy for sustainability primarily involves leveraging technology and innovation to promote conscious consumer behavior and sustainable business practices within our operations.

The main challenges we face include:

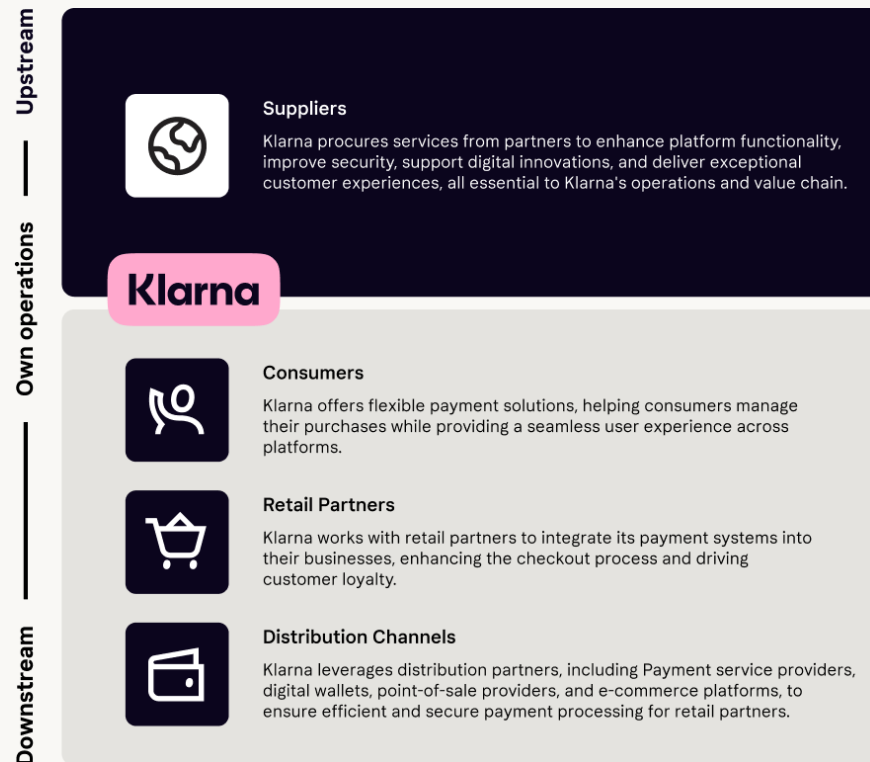
- Continuously integrating sustainability into all aspects of our business and scaling our impact.
- Addressing challenges with suppliers and partners, as we do not have control over their sustainability performance.

Our solutions include developing products and services that encourage responsible consumption, reducing the carbon footprint of our operations, and engaging with stakeholders on sustainability matters.

Klarna's value chain

Klarna's value chain encompasses several key actors and their relationships with the business in support of sustainability. Klarna works upstream with suppliers on environmental and ethical practices, while partnering with technology providers to enhance platform capabilities and security. Downstream, Klarna empowers customers with payment solutions and sustainability features, enabling informed and responsible purchasing decisions. Collaborating with retail partners, Klarna drives sustainability initiatives into offerings.

Value chain actors and relationships



Approach to gathering, developing, and securing inputs

- **Financial resources:** Secured through investments, partnerships, and revenue generated from our services.
- **Technology:** Development and maintenance of proprietary technology platforms to facilitate seamless transactions and enhance user experience.
- **Human capital:** Recruitment and retention of skilled professionals to drive innovation and operational efficiency.

Outputs and outcomes in terms of current and expected benefits

- **Customers:**
 - Offering fair, transparent, and financially sustainable payment solutions.

- Enabling consumers to make more informed spending choices through features like sustainability search filters and circular shopping options.

- **Investors:**

- Ensuring compliance with ESG regulations and demonstrating leadership in sustainability to build a reputable and recognized presence.

- **Other stakeholders:**

- Engaging with employees regarding corporate culture and wellbeing.
- Supporting local communities through partnerships such as with the Angel City Football Club and Cancerfonden.
- With the Nature Transformation Fund Klarna supports environmental initiatives by funding projects that restore natural habitats, promote biodiversity, and empower local communities to engage in sustainable practices.

Find an overview of all value chain related impacts, risks and opportunities in the table: [Material sustainability-related impacts, risks and opportunities](#) below.

Resilience of Klarna's strategy and business model

Aligning with recent regulatory guidance that emphasizes environmental considerations within the banking sector, Klarna conducted a climate risks analysis. As part of this, Klarna has comprehensively measured its business resilience to climate change through detailed climate scenario analysis, encompassing our entire business model. This effort underscores Klarna's strategic resilience under various climate futures, leveraging work by entities like the Network for Greening the Financial System (NGFS). This rigorous analysis includes a range of temperature projections and other climate factors, both nationally and internationally. For more detailed information, please refer to the [Environment](#) section of this report.

While environmental risk has been a primary focus in line with banking regulations, we acknowledge that comparable in-depth analysis on social and governance-related ESG factors remain areas for future development. As ESG tools and methodologies evolve, expanding our

assessments to these areas will ensure a comprehensive understanding of Klarna's ESG-related resilience.

Currently, there are no material effects of impacts, risks and opportunities (IROs) on Klarna's financial position, financial performance, or cash flows. Furthermore, there are no material risks and opportunities identified that pose a significant risk of necessitating a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period.

Double materiality assessment

Process to identify material impacts, risks, and opportunities

Methodology

Klarna adopted a comprehensive methodology aligned with the European Sustainability Reporting Standards (ESRS) to identify material impacts, risks, and opportunities. This methodology involved a structured double materiality assessment (DMA), considering both the impacts of sustainability matters on Klarna's operations and financial performance, and Klarna's own impacts on the economy, environment, and society.

The decision-making process for Klarna's DMA involved several structured steps to ensure accuracy and stakeholder engagement. Initially, discussions were conducted among internal and external experts to review the preliminary DMA results. These results were then socialized with various stakeholders, including representatives from Klarna's Group Management Team³, to gather feedback and insights. This feedback was incorporated into the analysis to refine the DMA

results further. To ensure the reliability and validity of the findings, the DMA results were validated through interviews with key internal and external stakeholders. This comprehensive process allowed Klarna to finalize the double materiality assessment with a thorough understanding and consensus from all involved parties.

Stakeholder engagement

To ensure a diverse perspective, Klarna conducted intensive workshops and ten interviews, with carefully selected stakeholder groups, including six external interviews with non-profit organizations, retail partners, regulators, and investors, and four internal interviews with representatives from the Group Management Team, Public Affairs, Risk Control, and Consumer Insights teams. A questionnaire was also distributed to employees. This inclusive approach facilitated a comprehensive dialogue incorporating both external and internal insights.

Material topics identified

As a result of the DMA, Klarna identified several material topics to report on, including:

- E1 Climate change: Climate change mitigation
- E1 Climate change: Energy
- S1 Own workforce: Working conditions
- S1 Own workforce: Equal treatment and opportunities for all
- S2 Workers in the value chain: Working conditions
- S4 Consumers and end users: Information-related impacts for consumers and end-users
- G1 Business conduct: Corporate culture

Entity-specific topics:

- Financial stability, literacy, and wellness
- Anti-money laundering and countering terrorist financing
- Conscious shopping

³ 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, Harjyot Lidher, Chief Information Security Officer, Joaquín Calderón, Chief Compliance Officer, Arvind Varadhan, Chief Credit Risk Officer, Boudien Moerman, Chief Legal Officer

Klarna Material Topics

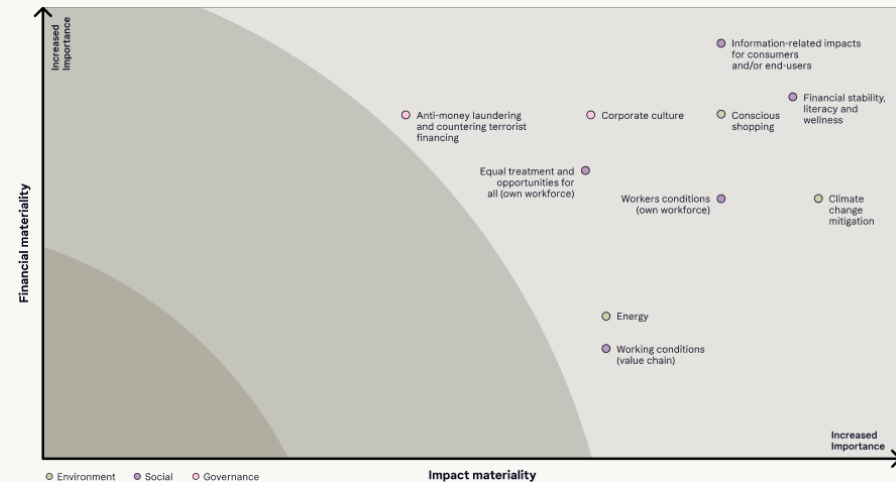


Continuous monitoring

The material topics are subject to ongoing monitoring and review to reflect any significant changes in Klarna's business operations, market conditions, regulatory environment, or stakeholder expectations.

Klarna Materiality Matrix

Klarna material topics, scored higher than 3.5.



Material sustainability-related impacts, risks and opportunities

Each material ESRS topic is presented in the tables below, specifying the sub-topics related to our material impacts, risks and opportunities, such as climate change mitigation, climate change adaptation, and energy. Additionally, we indicate whether these impacts, risks and opportunities are within our own operations or in our value chain (upstream and downstream) and whether the impacts are positive or negative. The tables also include brief descriptions of the material impacts, risks and opportunities, along with the materiality score for each sub-topic. More information on our responses to these impacts, risks and opportunities is provided in the topical sections under 'Environment,' 'Social,' and 'Governance,' which also include detailed IRO descriptions for each topic.

Material sustainability-related impacts, risks and opportunities

IRO ESRS E1 - Climate change		
IRO Type	Description	Score
Climate Change Mitigation		
- Negative impact - Own operations - Upstream - Long-term	GHG emissions from Klarna's office operations and supply chain.	4.67
Energy		
- Negative impact - Upstream - Short- to medium-term	Energy consumption at data centers of Klarna's suppliers of cloud computing services.	3.67
IRO Entity Specific - Conscious shopping		
Conscious shopping		
- Positive impact - Own operations and downstream - Medium-term	Klarna provides consumers with sustainability tools enabling them to make more conscious purchasing decisions which means more people engage in sustainable behavior.	4.00
- Risk - Downstream - Medium-term	Increasing awareness of environmental and social impacts may shift consumer behavior, potentially decreasing transaction volumes on Klarna's platform and impacting categories vital to Klarna's commercial interests.	3.75
- Risk - Downstream - Medium term	Consumers may distrust the sustainability information Klarna provides consumers, or such claims could be found to be misleading, potentially leading to reputational harm, fines from Regulators and a loss of customers.	3.60
- Opportunity - Downstream - Short- to long term	Klarna has the opportunity to become a leading destination for conscious shoppers by leveraging its existing climate, sustainability, and circularity-focused offerings, thus capitalizing on this expanding market segment.	3.75
IRO ESRS S1 - Own workforce		
Working conditions - own workforce		
- Positive impact - Own operations - Short - to medium-term	Klarna cultivate a supportive workplace with fair compensation, flexible hours, and a focus on health, safety, and growth, empowering employees to thrive in a dynamic environment.	4.00

IRO ESRS S1 - Own workforce		
Equal opportunities - own workforce		
- Positive impact - Own operations - Short - to medium-term	Klarna actively hires to build a diverse workforce and is dedicated to fostering an inclusive work environment. Klarna aim to create an environment where all our employees, from whatever backgrounds feel valued, and have opportunities to engage with diverse cultures broadening their horizons.	3.60
- Positive impact - Own operations - Short - to medium-term	Klarna's employees have career progression opportunities through the availability of new opportunities offered, projects and training and development tools.	3.50
- Opportunity - Own operations - Short - to medium-term	The diversity of Klarna's workforce results in innovative thinking and approaches, driving business success.	3.60
- Risk - Own Operations - Long-term	If there is negative public sentiment about equal employee opportunities at Klarna, it could make it difficult for Klarna to attract, retain and upskill the talent it needs to succeed.	3.60
IRO ESRS S2 - Workers in the value chain		
Working conditions - value chain		
- Negative impact - Upstream - Short - to medium -term	Klarna procures goods and services from suppliers who, or in their supply chains could engage workers that are subjected to excessive overtime, inadequate living wages, insufficient health and safety measures and no freedom of association.	3.67
IRO ESRS S4 - Consumers and end-users		
Information-related impacts for consumers and/or end-users		
- Positive impact - Own operations - Short-term	Klarna is a company that respects and empowers our consumers' privacy when they engage with our products and services.	3.60
- Negative impact - Own operations - Short-term	If incidents or data breaches occur that involve the release of sensitive or personal data of Klarna's customers, this could put in danger the anonymity and spending patterns of Klarna's customers, resulting in distress and harm.	3.90

● Risk ● Downstream ● Short- to medium-term	Consumers could be misled or confused by unclear or misleading marketing, messaging and consumer terms.	4.00
● Risk ● Downstream ● Short-term	Cyber security incidents or data breaches could result in Klarna being fined by Regulators and would risk losing customer trust, and in turn suffer revenue losses.	4.50
IRO Entity Specific - Financial stability, literacy and wellness		
Financial stability, literacy and wellness		
● Negative impact ● Downstream ● Short-term	If Klarna's underwriting process isn't diligent enough, this could cause vulnerable consumers to go into indebtedness.	3.90
● Positive impact ● Downstream ● Short-term	By using Klarna's personal finance tools, our customers are better in control of their finances which helps prevent getting into unmanageable levels of debt.	4.50
● Risk ● Downstream ● Medium-term	Klarna has a risk of accumulating losses if it provides credit to customers that may not be able to make their repayments.	3.75
● Risk ● Downstream ● Short- to medium-term	Klarna's reputation could suffer due to negative media attention if it provides credit to consumers that are unable to make their repayments.	4.00
IRO ESRS G1 - Business conduct		
Corporate culture and business conduct		
● Positive impact ● Own operations ● Short -to medium-term	A balanced and ethical corporate culture means that Klarna employees are happy, motivated and engaged and helps drive the company towards shared goals.	3.60
● Risk ● Own operations ● Medium-term	If Klarna encourages or is engaged in unethical behavior or poor business conduct, it risks incurring legal consequences such as losing market trust and reputation.	3.75
IRO Entity Specific - Anti-money laundering & counter terrorist financing		
Anti-money laundering & counter terrorist Financing		
● Risk ● Own operations ● Short- to medium-term	Klarna's payment services could be targeted by criminals to launder money or commit terrorist financing.	3.75

Impacts assessment process

Klarna conducted a materiality analysis in 2021, which has since been updated to meet the CSRD requirements. In 2024, Klarna refined its approach to identifying and assessing material sustainability impacts, risks, and opportunities through the adoption of standardized methodologies and assumptions in line with the ESRS. Klarna collaborated with an external consulting company to manage the DMA process, alongside internal experts from the Sustainability team, ensuring a thorough and well-structured engagement.

Risk and opportunity assessment process

Klarna assesses the likelihood, magnitude, and nature of effects of identified risks and opportunities, applying thresholds and criteria as prescribed by ESRS 1 section 3.3.

The process incorporated the following:

- **Scoring system:** Klarna utilized scoring scales based on severity, scale, scope, irremediability, and financial magnitude to evaluate identified impacts, risks, and opportunities. This approach allowed for prioritization based on both impact and financial materiality criteria. The scoring system was adopted to quantify these considerations:
 - Severity (scale, scope, irremediability): Ranging from "1. Very low" for limited, easily remediable impacts to "5. Very high" for impacts that are global in scope and non-remediable or irreversible.
 - Magnitude: Assessed from "1. Very low" for minimal impact to "5. Very high" for profound impact levels.
 - Likelihood: Evaluated from "1. Very unlikely" (10% chance) to "5. Almost certain" (90% chance), allowing for a nuanced understanding of risk and opportunity likelihood.
 - To ensure a focused and strategic approach to sustainability, Klarna established a materiality threshold at a weighted score of 3.5 out of 5.
- **Time horizons:** Klarna aligns with the ESRS definitions for short-, medium-, and long-term time horizons. The time horizons are defined as follows:
 - Short-term: 0 to 1 years, corresponding to scenarios that are relatively easy to remedy in the short term.
 - Medium-term: 1 to 5 years, corresponding to scenarios that are difficult to remedy or address in the mid-term.

- Long-term: Beyond 5 years, up to 20 years or more, particularly for impacts categorized as very difficult to remedy or irreversible.
- **Stakeholder engagement:** Throughout the DMA process, Klarna engaged with a broad range of stakeholders, including management, employees, customers, and investors through workshops and interviews, ensuring diverse perspectives informed the materiality assessment.
- **Documentation and data sources:** The DMA utilized inputs from internal documents, the expertise of Klarna employees, and external research. Stakeholder consultations played a critical role in identifying relevant impacts, risks, and opportunities, supplementing the data-driven approach.

Identification, assessment, and prioritization process of impacts

- **Focus on adverse impacts:** Specific focus was placed on areas where there is a heightened risk of adverse impacts, such as financial loss, reputational damage, operational disruptions, breaches of regulations, loss of market share, and loss of consumer trust, particularly concerning Klarna's operations, supply chain, people, and the environment.
- **Comprehensive coverage:** The assessment considered impacts related to both direct operations and those stemming from business relationships, ensuring a holistic view of Klarna's sustainability stance.
- **Stakeholder and expert consultation:** External subject matter experts and affected stakeholders were consulted to gain insights into potential impacts, ensuring the approach is grounded in reality and considers the perspectives of those most affected.
- **Prioritization:** Negative impacts were prioritized based on their severity and likelihood, using qualitative and quantitative thresholds as prescribed by ESRS 1 section 3.4. Similarly, positive impacts were evaluated based on their scale, scope, and likelihood to determine material topics for reporting.

Management and integration of risks

Sustainability-related risks are integrated into Klarna's overall risk management process, leveraging established risk-assessment tools to ensure a comprehensive understanding and management of potential threats and opportunities. Klarna has prioritized environmental-risk as part of its ESG strategy, aligning with recent regulatory banking requirements. This includes, for example, detailed Climate Scenario Analysis to evaluate the business's resilience to climate-related risks. Currently, ESG risk exposure is communicated through quarterly risk reporting to the board of Klarna Bank AB. As market and industry

sustainability tools and methodologies evolve, Klarna aims to enhance its risk management practices by incorporating quantitative board limits, consistent with those used for other risk categories.

Integration of opportunities

The process for identifying, assessing, and managing sustainability-related opportunities is integrated into Klarna's Sustainability team's strategic planning and management practices. Various teams across Klarna recognize opportunities to influence product development, marketing strategies, and operational improvements. Examples include conscious shopping campaigns during Earth Week, aligning decarbonization with travel process adjustments, and developing consumer-facing features such as a resell function. Opportunities arise across the business and are included in individual teams' and domains' annual planning. Strategic meetings and workshops foster a culture of proactive engagement with sustainability opportunities, underscoring their relevance to Klarna's growth and success.

Input parameters

In conducting the double materiality assessment, Klarna utilized a variety of input parameters, including:

- **Data sources:** Internal sustainability performance data, external sustainability indices, stakeholder survey responses, and industry benchmarks.
- **Scope of operations:** The DMA encompassed all aspects of Klarna's operations, from product development and supply chain management to customer engagement and corporate governance.
- **Detail in assumptions:** Assumptions regarding future trends in sustainability, potential regulatory changes, evolving consumer preferences, and technological advancements were based on a comprehensive analysis of available data, expert opinions, and stakeholder feedback.

Changes compared to previous reporting period

Compared to the previous reporting period, significant enhancements have been made to align Klarna's materiality assessment process with the CSRD's comprehensive requirements. These modifications include:

- **Expanded list of sustainability topics:** An expanded list of sustainability-related topics was assessed.
- **Updated methodology:** Refinement of scoring mechanisms for assessing the materiality of impacts, risks, and opportunities.
- **Expanded stakeholder engagement:** Broader consultation with stakeholders to gather diverse insights and perspectives.
- **Enhanced integration:** Deeper integration of sustainability risks and opportunities into Klarna's risk management and strategic planning processes.

Interests and views of stakeholders

Stakeholder engagement

Klarna engages proactively with a diverse range of stakeholders, including policymakers, regulators, industry and trade bodies, and consumer groups. These engagements occur regularly and are both proactive and reactive, depending on the priority, event and relevance of each stakeholder group. Klarna follows structured routines for these interactions, with specific processes in place for policy consultation responses, thought leadership initiatives, political stakeholder outreach, and regulatory engagements.

The primary purpose of these engagements is to build strong and trusted relationships, promote better consumer outcomes, drive policy and regulatory changes, and ensure that Klarna's positions are well-represented and understood by key stakeholders. Outcomes from these engagements are carefully considered by updating internal stakeholders, iterating responses based on feedback, and ensuring alignment with Klarna's strategic goals.

Stakeholder group	Way to engage interest groups
Consumers	● Customer satisfaction surveys ● Self-service portal and app ● Customer support ● Dispute management ● Social Media
Retail partners	● Customer satisfaction surveys ● Self-service portal ● Retailer support
Employees	● Collective bargaining agreements (SE, ES, FI, IT, FR) ● Workers Council (DE) ● Work Environment Committee (SE) ● 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 ● 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

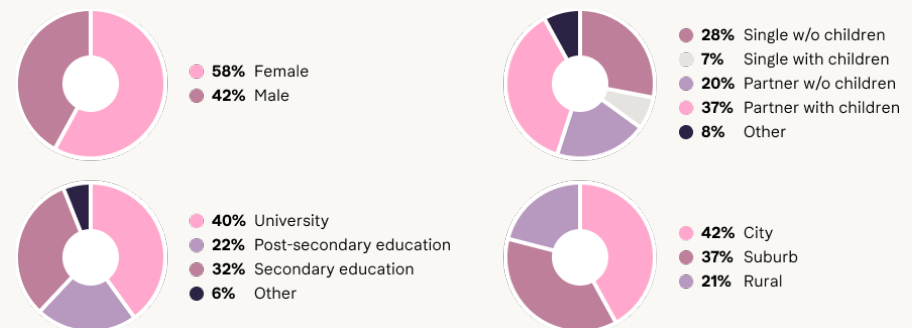
Tax authorities	● Tax returns ● Information exchange in relation to account holders ● Constructive engagement regarding tax law changes
Politicians / Policymakers	● Policy events ● Conference, hearings, & inquiry attendance ● Policy submissions ● Direct meetings ● Ongoing discussions ● Answering inquiries

Understanding stakeholder interests and views

Through regular engagement and feedback mechanisms, Klarna gains valuable insights into the interests and views of its stakeholders. These insights vary across different stakeholder groups and are integrated into Klarna's strategy and business model by aligning policy positions, ensuring regulatory compliance, and informing strategic decision-making. This approach ensures that Klarna remains responsive to external influences and maintains a proactive stance in its policy and regulatory engagements.

Klarna consumers

Consumers are a key stakeholder group impacting Klarna's business model. Our consumers come from various demographic segments, including different genders, income levels, educational backgrounds, and life stages. This diversity informs our strategy to create inclusive financial products that cater to a wide range of needs and preferences. By recognizing and valuing this diversity, Klarna ensures that our services are accessible and beneficial to all consumers, regardless of their background.



Consumers use Klarna for various reasons, primarily to save money through interest-free payment options and to gain more control over their finances. By providing transparent financial solutions and user friendly products, Klarna empowers consumers to make informed financial decisions and manage their finances more effectively. By consistently prioritizing the interests, views, and rights of our consumers, we have built a loyal customer base that values our ethical approach to financial services.

Amendments to strategy and business model based on stakeholder interests

Recognizing the pivotal role of consumers, Klarna has made several strategic adjustments which aim to financially empower consumers and align Klarna's services with consumer preference. Emphasizing a seamless user journey, ethical advertising, and product innovation aimed at personal finance management, Klarna reduces unnecessary fees, provides pay in full and interest-free options, and leverages AI to enhance consumer experiences and trust.

Klarna has also focused on establishing itself as a retail expert by analyzing consumer data to develop a superior checkout experience and onboarding process. Recognizing the importance of consistent and

clear messaging, Klarna works to avoid a fragmented customer experience by maintaining consistency across all touchpoints and channels. This involves leveraging the brand to fuel growth while adhering to consistent communication.

Looking ahead, Klarna plans to continue to redefine the way consumers shop and pay, developing local propositions that leverage local nuances while maintaining brand consistency. This approach aims to enhance consumer engagement and drive repeat usage. The focus on expanding AI capabilities positions Klarna to become a fully AI-powered global payments network, including AI-driven shopping assistants, personal finance advisors, and enhanced support tools.

Communication with administrative, management, and supervisory bodies

Klarna ensures that its administrative, management, and supervisory bodies are well-informed about the views and interests of affected stakeholders. This is achieved through structured routines for stakeholder management, which include regular updates and transparent communication channels. By keeping these bodies apprised of stakeholder feedback and expectations, Klarna aligns its strategic goals with stakeholder interests and strengthens its governance practices.



Environment



Environment

Climate change



Our approach to climate change

IRO type	Material impact, risk or opportunity
Climate change mitigation	
Negative impact	GHG emissions from Klarna's office operations and supply chain.
Energy	
Negative impact	Energy consumption at data centers of Klarna's suppliers of cloud computing services.

Climate change is one of the great challenges of this century. Klarna acknowledges that its business has an impact on the climate and is committed to supporting solutions that help address the climate crisis, both within its own value chain and beyond.

Klarna's carbon footprint

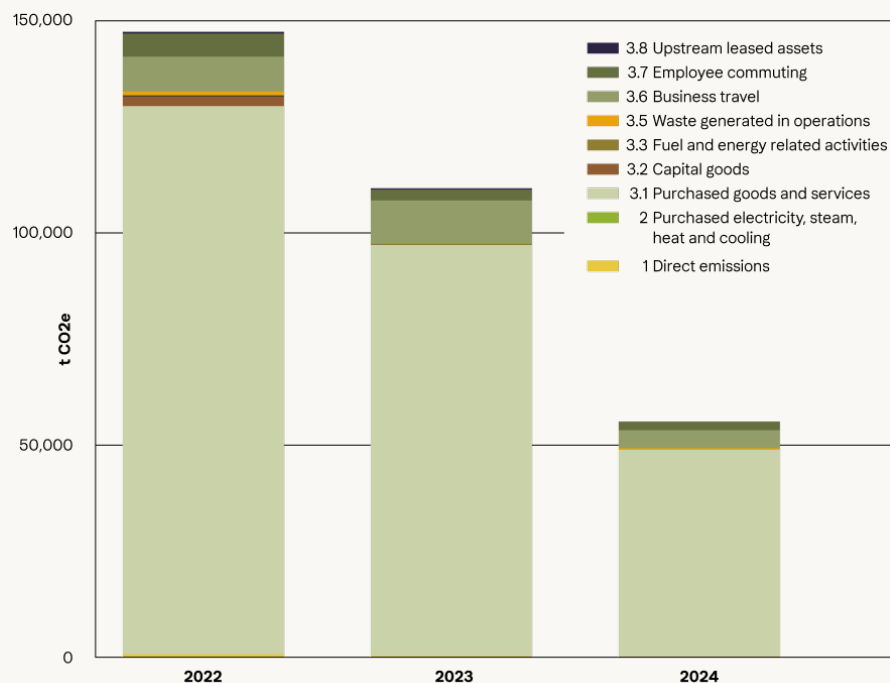
Greenhouse gas emissions overview

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. A detailed description of the calculation methodology can be found in the [GHG Emissions Calculation Methodology](#) section of the Annex.



	Retrospective				Milestones and target years			
	2022	2023	2024	% 2024 / 2023	2025	2030	2040	Annual % target / Base year
1. Scope 1 GHG emissions								
Gross Scope 1 GHG emissions (tCO2e)	281	67	69	+3%		42%	90%	5%
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0%	0%	0%					
2. Scope 2 GHG emissions								
Gross location-based Scope 2 GHG emissions (tCO2eq)	1,180	498	504	+1%				
Gross market-based Scope 2 GHG emissions (tCO2eq)	66	52	38	-28%		42%	90%	5%
3. Significant scope 3 GHG emissions								
Total Gross indirect (Scope 3) GHG emissions (tCO2eq)	146,928	109,824	83,637	-24%		25%	90%	5%
3.1 Purchased goods and services	128,571	96,616	77,089	-20%				
3.2 Capital goods	2,471	21	24	+13%				
3.3 Fuel and energy related activities	445	159	144	-10%				
3.4 Upstream transport and distribution	-	-	-	-				
3.5 Waste generated in operations	718	152	101	-33%				
3.6 Business travel	8,510	10,155	4,371	-57%				
3.7 Employee commuting	5,833	2,616	1,826	-30%				
3.8 Upstream leased assets	379	105	82	-22%				
3.9 Downstream transport and distribution	-	-	-	-				
3.10 Processing of sold products	-	-	-	-				
3.11 Use of sold products	-	-	-	-				
3.12 End-of-life treatment of sold products	-	-	-	-				
3.13 Downstream leased assets	-	-	-	-				
3.14 Franchises	-	-	-	-				
3.15 Investments	-	-	-	-				
Total GHG emissions								
Total GHG emissions (location-based) (tCO2eq)	148,389	110,389	84,209	-24%				
Total GHG emissions (market-based) (tCO2eq)	147,275	109,943	83,743	-24%			90%	5%

Absolute GHG emissions over time



GHG emissions intensity

GHG intensity per net revenue ⁴	2023	2024	% 2024 / 2023
Total GHG emissions (location-based) per net revenue (tCO ₂ eq/million SEK)	4.7	2.8	-40%
Total GHG emissions (market-based) per net revenue (tCO ₂ eq/million SEK)	4.7	2.8	-40%

Klarna's total GHG emissions across scopes 1, 2 and 3 significantly decreased from 2023 to 2024, building on the significant reductions Klarna achieved the previous year. Principal drivers were a continued focus on enhancing business efficiencies to reduce procurement of carbon-intensive goods and services, reductions in Business Travel due to an updated policy, a further consolidation in its offices portfolio and reductions in supply chain emissions reflected in updates to corresponding emission factors.

Klarna's energy consumption

Energy consumption and mix	2023	2024
Total energy consumption from fossil sources (MWh)	871	853
Total energy consumption from nuclear sources (MWh)	-	-
Total energy consumption from renewable sources (MWh)	2,584	2,204
Fuel consumption for renewable sources (MWh)	23	6
Consumption of purchased or acquired electricity from renewable sources	2,561	2,197
Consumption of self-generated non-fuel renewable energy	-	-

⁴ Revenue is defined as total net operating income in accordance with IFRS, excluding commission expense, interest expense, net result from financial transactions, and interest on liquidity assets not directly related to the core business. Interest on liquidity assets not directly related to the core business stems from loans to credit institutions and other interest income.

Klarna's climate change mitigation strategy

At the heart of Klarna's climate change mitigation strategy are a) an ambitious target to reach net zero emissions across its value chain by 2040 and b) a commitment to take responsibility for those emissions it has not yet reduced by pricing them with an internal carbon fee and using the funds to support the solutions needed to reach global net zero.

Klarna's [Climate Commitment](#)⁵ outlines its policy and strategy for climate change mitigation, which closely aligns with best practice established in the [WWF and BCG Blueprint for Action on Climate and Nature](#) and the [Science Based Targets initiative's Beyond Value Chain Mitigation Guidance](#).

In addition, Klarna has included climate considerations into its Supplier Code of Conduct, encouraging suppliers to reduce their GHG emissions and overall environmental impact, as well as its business travel policy, encouraging employees to choose lower carbon modes of transport.

The implementation of Klarna's climate strategy and policy is overseen by members of the Group Management Team, with role-specific accountabilities assigned to the Chief Financial Officer, Chief Risk Officer and Chief Marketing Officer.

Klarna's climate targets

Klarna's ambitious climate targets have been independently validated by the Science Based Targets initiative (SBTi) as aligned with a global temperature goal of 1.5°C. These targets form the cornerstone of its strategy to mitigate its contribution to climate change by reducing (GHG) emissions across its operations and value chain as well as neutralize residual emissions with durable carbon removal.

Klarna's climate targets⁶ are:

- Reducing Scope 1 and 2 emissions by 42% by 2030, from a 2022 base year.
- Reducing Scope 3 emissions by 25% by 2030, from a 2022 base year.
- Reducing combined Scope 1, 2, and 3 emissions by 90% by 2040, from a 2022 base year.
- Achieving net-zero GHG emissions across the value chain by 2040, encompassing all Scope 1, 2, and 3 emissions.

Klarna's climate transition plan

To meet these commitments, Klarna is implementing strategic actions that collectively contribute to climate change mitigation:

- Transition to 100% renewable electricity across Klarna's value chain
 - Continuing the use of 100% renewable electricity across all global Klarna offices, a level achieved in 2022 and maintained since.
 - Encouraging suppliers to measure and reduce their emissions, for instance by transitioning to 100% renewable electricity, principally through Klarna's Supplier Code of Conduct.
 - Working with its cloud partners to establish a zero-carbon cloud infrastructure.

⁵ Klarna has made updates to its climate targets since the publication of this document and is currently developing an updated, comprehensive Climate Transition Plan.

⁶ Klarna's climate targets were developed in line with the Science Based Targets initiative's (SBTi) Corporate Net-Zero Standard Version 1.2. Due to this alignment with recognized standards, no additional stakeholder engagement was part of the target-setting process. The targets are based on cross-sector emission pathways and cover all of Klarna's operational activities and its entire upstream and downstream value chain as defined by the GHG Protocol. The targets are gross GHG emission reduction targets and include the seven greenhouse gasses covered by the Kyoto Protocol: Carbon dioxide (CO₂), Methane (CH₄), Nitrous oxide (N₂O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs), Sulphur hexafluoride (SF₆), Nitrogen trifluoride (NF₃). The targets cover Scope 2 emissions calculated using a market-based method. 2022 was chosen as a representative base year as the first year after the operational disruptions of the COVID-19 pandemic.

- Enhancing business efficiencies to reduce procurement of carbon-intensive goods and services
- Supporting the development of the carbon dioxide removal (CDR) industry by making catalytic CDR purchases via the Climate Transformation Fund

Since none of the strategic actions in Klarna's climate transition plan conflict with its core business model, no fundamental adjustments to the business model are expected to be necessary to align with a sustainable economy and the goal of limiting global warming to 1.5°C in line with the Paris Agreement. Consequently, Klarna's implementation of its climate transition plan is not expected to have material impacts on its employees. Klarna does not have locked-in emissions from key assets or products, since neither our assets nor our products have significant emissions associated with them. Klarna is not expecting future business growth to jeopardize its ability to meet its climate commitments, as its GHG emissions are not closely linked to the volume of services it provides to customers. Klarna furthermore closely monitors aspects of its business that could potentially lead to significant increases in GHG emissions, such its broad adoption of artificial intelligence technology across business operations, to inform potentially future revisions of its climate change mitigation strategies.⁷

The mitigation actions are furthermore not expected to incur significant capital expenditures and are generally associated with cost savings rather than increased operational expenses. Consequently, the principal driver of operational expenses of Klarna's climate mitigation strategy is its internal carbon fee, which it uses to make climate contributions and purchase durable CDR. Klarna's internal carbon fee totaled USD 1.2m in 2024 and is expected to remain at a similar level in subsequent years.

Progress against climate commitments

Progress against Klarna's climate commitments and actions is monitored annually through the calculation of Klarna's GHG emissions inventory. Targets and actions are reviewed regularly in line with broader assessments of Klarna's climate strategy.

Commitment/action	Base year emissions	2024 Emissions	Progress against commitment/action
Reducing Scope 1 and 2 emissions by 42% by 2030, from a 2022 base year.	347 tons CO2e	106 tons CO2e	Klarna has reduced its scope 1 and 2 emissions by 69% against its 2022 baseline and therefore fulfilled this commitment early.
Reducing Scope 3 emissions by 25% by 2030, from a 2022 base year.	146,928 tons CO2e	83,637 tons CO2e	Klarna has reduced its scope 3 emissions by 43% against its 2022 baseline and therefore fulfilled this commitment early.
Reducing combined Scope 1, 2, and 3 emissions by 90% by 2040, from a 2022 base year.	147,275 tons CO2e	83,743 tons CO2e	Klarna has reduced its combined scope 1, 2 and 3 emissions by 43% against its 2022 baseline and is therefore on track to meet this commitment.
Achieving net-zero GHG emissions across the value chain by 2040, encompassing all Scope 1, 2, and 3 emissions.	147,275 tons CO2e	83,743 tons CO2e	Klarna is making strong progress in reducing its value chain emissions and proactively supporting the scale-up of carbon removal solutions as a catalytic buyer of CDR credits.
Transition to 100% renewable electricity across Klarna's value chain			Klarna has purchased renewable electricity for 100% of its offices since 2022 and is encouraging the use of renewable electricity through its Supplier Code of Conduct.

⁷ Klarna is subject to EU Paris-aligned Benchmarks as defined by Commission Delegated Regulation (EU) 2020/1818 (Climate Benchmark Regulation), Articles 12.1 (d) to (g) and 12.2. Its related disclosure can be found in the [Taxonomy Report](#) section of the Annex.

Enhancing business efficiencies to reduce procurement of carbon-intensive goods and services		Klarna has reduced emissions from its supply chain (i.e. upstream scope 3 emissions) by 43% since 2022.
Supporting the development of the carbon dioxide removal (CDR) industry by making catalytic CDR purchases via the Climate Transformation Fund		Financed by a share of its internal carbon fee, Klarna has made pre-purchases of 25,175 tons of CDR from 27 CDR start-ups at a total cost of USD 3.8m since 2021.

Klarna's internal carbon fee

While Klarna is on its journey to reduce emissions to net zero by 2040, there will be GHG emissions that are yet to be reduced. Klarna is taking responsibility for these emissions and applies a voluntary internal carbon fee to its annual greenhouse gas (GHG) emissions. The internal carbon fee serves two main purposes in Klarna's climate strategy: a) incentivize reductions of Klarna's value chain emissions and b) raise funds to support innovative, impact-focused climate solutions needed to reach global net zero beyond Klarna's value chain.

The internal carbon tax is applied across all of Klarna's global GHG emissions, encompassing its entire Scope 1, Scope 2, and Scope 3 footprint. The tax rates are differentiated based on the source of emissions to reflect the varying levels of control Klarna has over each emission category and the shared responsibility for Scope 3 emissions across the value chain. The rates are established as follows:

- USD 200 per ton of CO₂e for Scope 1 and Scope 2 emissions.
- USD 100 per ton of CO₂e for Scope 3 emissions related to business travel (Category 3.6).
- USD 10 per ton of CO₂e for all other Scope 3 emissions.

These rates have been set following guidance from independent organizations, including Carbon Gap and the Science Based Targets

initiative. The headline rate of USD 200 per ton of CO₂e aligns with common estimates of the social cost of carbon. Klarna reviews these rates regularly against best practice benchmarks, e.g. raising the rate for Scope 1 & 2 emissions from USD 100 to USD 200 in 2024.

In 2024, Klarna's internal carbon fees amounted to USD 1.2m, contributing to a total of USD 8.4m of finance for climate projects since 2020.

Year	Funds raised from carbon fee (USD)
2020	1.1m
2021	1.7m
2022	2.4m
2023	2.0m
2024	1.2m
Total	8.4m

Klarna's support for climate solutions

Klarna uses the funds generated through its internal carbon fee to finance [Beyond Value Chain Mitigation \(BVCM\)](#). In this model, rather than focusing on "offsetting" its own emissions, Klarna uses the funds to finance a portfolio of climate projects focused on maximizing overall climate impact. As suggested [by many experts](#), 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.

Klarna finances climate projects via the [Climate Transformation Fund \(CTF\)](#). The CTF is a charitable fund, curated by our strategic sustainability partner 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 supports

climate solutions across three impact pillars⁸: 1) nature protection and restoration, 2) decarbonization, and 3) carbon dioxide removal.

As of 2024, Klarna has contributed over USD 7m to the CTF, which has supported 49 projects globally.

Klarna's support of carbon dioxide removal

As part of its commitment to achieve net-zero greenhouse gas (GHG) emissions by 2040, Klarna will reduce at least 90% of its Scope 1, 2, and 3 emissions. To neutralize the remaining emissions, Klarna will purchase and cancel durable carbon dioxide removal (CDR) credits verified against recognized quality standards.

To support the growth of the nascent CDR industry, Klarna has been making pre-purchases from early stage CDR start-ups via the CTF since 2021. Klarna's goal with these purchases is to act as a catalytic early adopter of CDR, where a focus is on the long-term potential of the different CDR technologies supported. Accordingly, project selection is managed by the independent CDR experts of the CTF's Advisory Group.

Since 2021, Klarna has made pre-purchases of 25,175 tons of CDR from 27 CDR start-ups at a total cost of USD 3.8m.

Projects supported by Klarna's contributions to the Climate Transformation Fund in 2024

Name	Sum (USD)	Description
Carbon removal		
 Alkali Earth	USD 75k	Alkali Earth uses steel slag, a byproduct of the steel industry, to remove CO ₂ from the atmosphere by converting it into stable carbonate minerals.
Aquarry	USD 100k	Aquarry adds alkaline materials to flooded surface mines to store CO ₂ and improve water quality, a method similar to ocean alkalinity enhancement but with increased measurability.
BIOSORRA	USD 70k	BIOSORRA transforms crop waste into biochar in Kenya, enhancing soil health and crop yields while empowering women-led businesses and small farmers.
 FLUX	USD 100k	Flux spreads crushed silicate rocks on African farmlands to remove CO ₂ and improve soil quality, piloting enhanced rock weathering with smallholder farmers in Kenya.
 GAIA Refinery	USD 30k	Gaia Refinery combines Direct Air Capture with Biomass Carbon Removal, using liquid DAC technology and biogenic acetic acid to capture CO ₂ more efficiently.
H HOLOCENE	USD 50k	Holocene has developed a continuous, low-temperature Direct Air Capture technology using organic sorbents for scalable and cost-effective CO ₂ removal.
MATI 	USD 50k	Mati Carbon enhances rock weathering in Indian paddy rice fields to reduce CO ₂ and methane emissions, benefiting smallholder farmers.
PHLAIR	USD 50k	Phlair employs an electrochemical technology for Direct Air Capture, using renewable electricity to capture and store CO ₂ efficiently.
 planboo	USD 100k	Planboo and Solidaridad use biochar to support smallholder farmers in Zambia, improving soil health and incomes while removing carbon.

⁸ Klarna does not receive any carbon credits from projects supported in pillars 1 and 2, but does purchase carbon credits from carbon dioxide removal suppliers supported in pillar 3, with these credits ultimately contributing to Klarna meeting its CDR milestone and neutralization targets.

 PyroCCS	USD 50k	PyroCCS produces biochar from invasive acacia bushes in Namibia, supporting local employment and environmental restoration while removing CO ₂ .
 UCANEO	USD 100k	Ucaneo employs a biomimetic Direct Air Capture technology combining electrochemistry and (bio)catalysts for scalable CO ₂ removal.
 VYCARB	USD 150k	Vycarb uses a solar-powered alkaline reactor to convert CO ₂ in water into stable bicarbonates, offering scalable water-based carbon removal.
 Yama	USD 100k	Yama integrates scalable electrochemistry with low-grade heat sources to develop energy-efficient Direct Air Capture technology.
Total	USD 1,025k	
Restoring and protecting nature		
 CEIBO	USD 60k	The Ceibo Alliance empowers Indigenous communities in the Upper Amazon to combat deforestation and preserve carbon sinks.
 JOCOTOCO CONSERVATION FOUNDATION USA	USD 69k	Jocotoco reforests degraded landscapes in Ecuador's biodiversity hotspots with native trees while establishing nature reserves.
 JUSTDIGGIT	USD 72k	Justdiggit teaches African farmers regreening techniques and delivers advice through a mobile app, reducing costs and promoting tree restoration.
 Landesa	USD 50k	Landesa contributes to protection and restoration of mangroves in the Bay of Bengal and Southeast Asia by securing forest tenure and advancing sustainable land management.
 PLANETE URGENCE FOOD CONTACT & DEVELOPMENT (GROUPE URGENCE)	USD 59k	Planète Urgence addresses deforestation in Indonesia's Mahakam Delta, combating ecological damage caused by shrimp farming.
 PLANT WITH PURPOSE FOR PEOPLE & PLANET	USD 60k	Plant with Purpose shares regenerative agriculture knowledge with rural communities to alleviate poverty and restore nature.
 Ulysses Ecosystem Engineering Inc.	USD 86k	Ulysses restores seagrass ecosystems in Australia using robotic technology for seed collection and planting.
 Warsi	USD 44k	Warsi helps Indonesian communities secure forestry licenses to protect rainforests from deforestation from, logging, mining and other causes.
Total	USD 500k	

Decarbonization and advocacy		
 BEYOND ZERO	USD 47k	Beyond Zero works on net-zero pathways for Australia, highlighting pathways that show how the green transition is beneficial for the economy.
 CARBON MARKET WATCH	USD 27k	Carbon Market Watch advocates for separate EU carbon removal targets to ensure emissions reduction and removal goals are balanced.
 CA TF	USD 62k	Clean Air Task Force develops an African energy program to establish foundations for a clean energy future.
 CLINTON HEALTH ACCESS INITIATIVE	USD 41k	CHAI help transitions South African hospitals to renewable energy, addressing bureaucratic hurdles and reducing emissions.
 HUMAN RIGHTS WATCH	USD 67k	Human Rights Watch advocates for sustainability by combating fossil fuel projects and promoting renewable energy policies in oil-producing countries.
 Industrious Labs	USD 67k	Industrious Labs focuses on decarbonizing heavy industries, particularly in cement and aluminum, using existing low-carbon technologies.
 LUMS A Not-for-Profit University	USD 86k	LUMS introduces Electric Three-Wheelers in Pakistan with solar-powered battery-swapping stations, promoting sustainable mobility.
 NEW ENERGY NEXUS	USD 30k	New Energy Nexus supports clean energy startups in Asia and Africa by establishing supportive policy and regulatory frameworks in Indonesia.
 PxD PRECISION DEVELOPMENT	USD 84k	PxD promotes Leaf Color Charts among Indian rice farmers to optimize nitrogen fertilizer use, reducing costs and nitrous oxide emissions.
Total	USD 511k	

Find out more about the projects we are supporting [here](#).

Klarna's climate risk and resilience assessment

Klarna is committed to gaining a comprehensive understanding of the climate risks and opportunities the company is exposed to. Klarna deploys three principal tools to assess climate risks and opportunities and the resilience of its business model and strategy against them: 1) annual GHG accounting 2) a quantitative climate scenario analysis and 3) a qualitative climate risk assessment.

Annual GHG accounting

Klarna measures its GHG emissions annually⁹ in line with the GHG Protocol standards using Watershed's GHG accounting application to assess the impact of its business on the climate and provide the foundation for its climate strategy and risk assessments. Klarna's overall emissions are relatively low and no likely future sources of significant GHG emissions were identified.

Climate scenario analysis

Klarna conducted an updated climate scenario analysis in 2024. The analysis evaluates the potential financial impacts of climate-related physical and transition risks across its most financially material markets: Germany, the United States, Sweden, and the United Kingdom under three distinct climate scenarios. It also assesses Klarna's exposure to high-carbon industries in these markets as a proxy for transition risks.

Evaluation of potential financial impacts

For the evaluation of potential financial impacts of climate-related physical and transition risks, the analysis employs the Current Policies, Delayed Transition, and Net Zero 2050 scenarios developed by the Network for Greening the Financial System (NGFS). These scenarios provide distinct pathways for understanding potential macroeconomic impacts, including GDP deviations, regulatory shifts, and changes in consumer behavior. Further information about these models can be found on NGFS Scenarios Portal. The analysis extends over a time horizon up to 2034, corresponding to Klarna's definition of a long-term time horizon.

The analysis utilizes Integrated Assessment Models (IAMs) such as GCAM and REMIND-MAGPIE, which are foundational tools within the NGFS framework. These models integrate physical climate data with economic variables to estimate the potential impacts of climate change under varying policy and transition scenarios.

- The Current Policies scenario assumes a continuation of existing climate policies without significant new interventions, projecting gradual but increasing physical and macroeconomic impacts.
- The Delayed Transition scenario reflects abrupt and reactive policy changes after 2030, highlighting risks from regulatory shocks and economic disruptions.
- The Net Zero 2050 scenario assumes a structured and proactive approach to achieving global net-zero emissions, illustrating the economic costs and benefits of early climate action.

The scenarios were selected to reflect the diverse nature of potential climate futures and to evaluate resilience to a range of plausible outcomes. Each scenario considers both transitional risks, such as changes in regulation and consumer preferences, and physical risks, including the frequency and severity of extreme weather events. The results are weighted against the financial footprint in its most material markets—Germany, the United States, Sweden, and the United Kingdom

⁹ Further details about Klarna's methodology for GHG accounting can be found in the [GHG Emissions Calculation Methodology](#) section of this report.

—ensuring alignment with the business model and risk management framework.

This methodology enables the estimation of not only direct financial impacts, but also secondary effects such as shifts in market dynamics and consumer behavior, providing a comprehensive foundation for strategic planning and long-term resilience.

The analysis determined that the financial impacts of climate-related risks under all three scenarios were assessed as low according to internal risk scales. The Current Policies scenario, characterized by a continuation of existing policies, indicated manageable reductions in transactional volumes with gradual economic impacts over time. The Delayed Transition scenario, reflecting abrupt policy shifts after 2030, suggested slightly smaller impacts on transactional volumes while emphasizing heightened risks from potential economic disruptions. The Net Zero 2050 scenario, representing a structured and proactive transition to a low-carbon economy, projected impacts reflecting the costs of early climate action. Despite differences between the scenarios, the analysis concluded that exposure to both physical and transition risks remains limited, with all projected impacts falling within the low-risk range.

Assessment of Klarna's exposure to high-carbon industries

The analysis also adapted the Paris Agreement Capital Transition Assessment (PACTA) methodology to assess the exposure of Klarna's business to carbon-intensive sectors as a proxy for exposure to potential regulatory and market shifts associated with decarbonization. Using PACTA, the analysis identified the relative contribution of the sectors Klarna has the most significant business volumes to the national GHG emissions of Klarna's most financially significant markets: Germany, the United States, Sweden, and the United Kingdom.

The results showed that the exposure of Klarna's business to carbon-intensive sectors remains minimal, with business activities concentrated in sectors with relatively low emissions profiles. Across all assessed markets, the categories representing the largest share of transactional volumes were found to contribute only marginally to national greenhouse gas emissions.

Qualitative review of climate risks and opportunities

Klarna conducts an annual expert review of climate risks that qualitatively evaluates climate-related risks and opportunities that may impact its business operations and strategy over the medium to long term. Based on the conclusions of the 2024 review, the following risks were assessed in line with the framework developed by the Taskforce for Climate-related Financial Disclosures (TCFD):

Physical risks

Acute physical risks

The operations of Klarna's more than 675k retail partners across 26 countries are directly reliant on globally distributed production and logistics infrastructure, creating significant exposure to disruptions from extreme weather events such as floods, hurricanes, or wildfires. These disruptions could affect each of their individual 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 retail partners, the aggregate risk from acute weather events, even under high emission scenarios has been assessed as low.

Chronic physical risks

Over time, chronic physical risks from climate-related events may present challenges for the material sourcing and operations of some of Klarna's retail partners. However, based on Klarna's diversified

business model, these risks are currently considered low for its business.

Transition risks

Policy and legal risks

Emerging climate-centric regulations, notably around emissions reporting and carbon pricing, present transition risks in the form of potential operational, compliance, and non-compliance costs. Adhering to new and evolving regulatory frameworks could result in significant increases in operational, administrative, and third-party advisory costs. Non-compliance may lead to legal and financial repercussions, including regulatory costs or litigation, as well as reputational damage. Overall, the potential costs of policy and legal transition risks are assessed as low and are actively monitored and mitigated through Klarna's ESG reporting and climate action activities.

Market risks

Klarna connects consumers and retail partners to deliver a safe and superior commercial experience, specializing in payments, factoring, and consumer credits with low order values and short durations. Business volumes are therefore directly linked to consumer spending. Increasing awareness of the climate impacts of goods and services might influence consumer purchasing behavior, potentially lowering consumer spending overall or shifting consumption toward goods and services perceived to be more sustainable. These potential market shifts create transition risks for Klarna, such as decreasing transaction volumes or shifting consumption away from product categories that have high commercial significance but are not perceived to be sustainable. 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.

Reputational risks

The risk of reputational impacts primarily emerges from Klarna's potential association with brands and retail partners 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. Additionally, Klarna aims to create transparency and awareness over the emissions-related climate impact of purchases via the Klarna app with the CO₂e Emissions Tracker function, which provides consumers estimates of the carbon footprint of their purchases and offers advice on prolonging the life of their products.

Climate-related opportunities

Climate leadership

Klarna's ambitious and innovative climate goals and strategies position it as a leader among peers, strengthening the brand in the eyes of customers, merchant partners, and other stakeholders, and providing a credible foundation for its sustainability features.

Climate stewardship

Klarna has an opportunity to establish itself as a go-to destination for environmentally conscious shoppers, for example by providing credible information about the sustainability aspects of goods and services or offering used and refurbished goods on the platforms. Building on existing offerings that highlight climate and sustainability-related performance of products and retail partners, Klarna is well-positioned to capitalize on this growing market segment and actively pursues this opportunity with its evolving portfolio of sustainability information offerings.

Resilience of business model and strategy to climate risk

Based on the results of Klarna's 2024 climate scenario analysis, as well as the qualitative climate risk review, Klarna's business model is considered resilient to the impacts of climate change because it operates in sectors with limited exposure to high-carbon industries and is structurally resilient to transition and physical climate risks. Its business is neither carbon-intensive nor highly reliant on physical assets vulnerable to climate events. The analysis confirms that Klarna's value chain, as well as the categories that account for the bulk of its merchandise value, have low exposure to climate-related transition risks. Moreover, Klarna's proactive steps, such as its efforts to reduce its value chain emissions, providing consumers with information to manage the environmental impact of their purchases and integrating climate considerations into its risk management, further mitigate its risks associated with climate change. Therefore, the overall climate-related risk has been assessed as low according to Klarna's internal risk impact assessment scale.



Environment

Conscious shopping



Our approach and policies

IRO type	Material impact, risk or opportunity
Positive impact	Klarna provides consumers with sustainability tools enabling them to make more conscious purchasing decisions which means more people engage in a more sustainable behavior.
Risk	Increasing awareness of environmental and social impacts may shift consumer behavior, potentially decreasing transaction volumes on Klarna's platform and impacting shopping categories vital to Klarna's commercial interests.
Risk	Consumers may distrust the sustainability information Klarna provides consumers, or such claims could be found to be misleading, potentially leading to reputational harm, fines from regulators and a loss of customers.
Opportunity	Klarna has the opportunity to become a leading destination for conscious shoppers by leveraging its existing climate, sustainability, and circularity-focused offerings, thus capitalizing on this expanding market segment.

Klarna aims to raise awareness about the link between shopping habits and the planet by providing tools and resources such as the CO₂e Emissions Tracker, promoting brands rated highly by our sustainability expert partners, and providing information about third-party certifications for products. Additionally, Klarna is uniquely positioned to help consumers maximize the use of products by offering care and repair sustainability tips, facilitating shopping for pre-owned items, and providing options to resell products purchased through Klarna. Klarna also wants to make it easy for consumers to take action for the planet and therefore has several touchpoints in our ecosystem where Klarna consumers can easily donate to environmental projects vetted through our strategic sustainability partner Milkywire.

By offering features like the CO₂e Emissions Tracker, sustainability search filters, and promoting circular economy practices, Klarna enhances its value proposition, differentiating itself in the competitive financial technology market while fostering consumer loyalty and

engagement. The integration of sustainability features and consumer engagement tools into the app reflects our strategic commitment to embedding environmental considerations into the core user experience.

Actions

Klarna has introduced a variety of consumer-facing sustainability features and services, including:

CO₂e Emissions Tracker

In response to the growing consumer demand for a better understanding of the environmental impact of their purchases, Klarna introduced the CO₂e Emissions Tracker in 2021. Provided in collaboration with our partner Vaayu, this feature offers insights into the estimated CO₂e emissions of purchases made via the Klarna App. By displaying the estimated kg-CO₂e 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. The CO₂e Emissions Tracker now provides the estimated CO₂e on a product level for categories including Fashion, Home & Garden, Jewelry & Accessories, Health & Beauty, and Electronics. Additionally, we have enhanced the CO₂e Emissions Tracker to include advanced insights into the CO₂e emissions tied to past purchases, meticulously analyzed at a product level. The improved version provides an in-depth breakdown of a product's CO₂e emissions, covering every step of the product's lifecycle—from raw material extraction and processing to product assembly and delivery to the end user.

Sustainability search filters

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

Brand level sustainability information

Klarna showcases brands' sustainability efforts by integrating third-party sustainability ratings provided by Good On You and Clarity AI.

Good On You ratings enable consumers to understand the impact of fashion brands on people, the planet, and animals, examining 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, 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 at various touchpoints in the Klarna App.

Clarity AI is an independent sustainability technology platform that recognizes 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. It indicates when a company, based on publicly reported data, has lower greenhouse gas (GHG) emissions than comparable companies, sources more than 90% of its energy from renewable sources, has a climate change policy and roadmap to

positively impact climate change, and is transparent in reporting climate-related information.

Resell

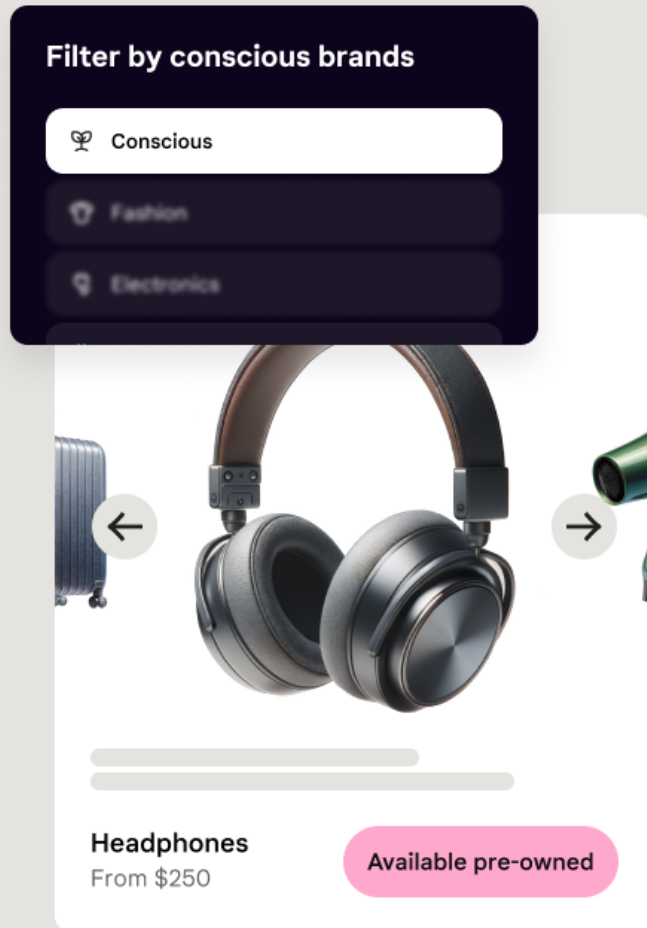
In January 2023, Klarna achieved a significant milestone by launching our first resell feature within our App for Swedish consumers in collaboration with Tradera, Sweden's leading secondhand marketplace.

This new feature transforms Klarna into a one-stop shop for both selling and buying. The feature 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 have made it effortless for consumers to list items they no longer want for sale. This initiative provides our consumers with an easy way to participate in the circular economy.

Following the January 2023 launch of resell with Tradera, Klarna has expanded its commitment to circular practices by partnering up with eBay to make reselling pre-owned items easier and more accessible. The "Resell with Klarna x eBay" feature enables users to start their listing in the Klarna App, where product titles are sent to eBay for matching. From there, users can seamlessly complete and finalize their listings directly on eBay's platform.

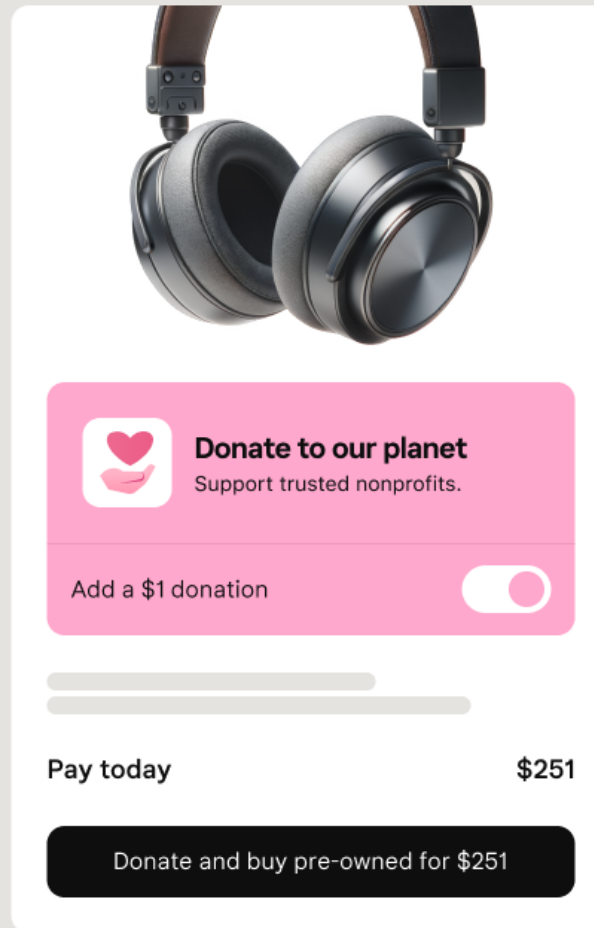
The feature rolled out in December 2024 in selected markets, amongst which the United States, Germany and the United Kingdom, with plans to expand further. By facilitating the reuse of products, this initiative helps consumers extend the life of their purchases while supporting a more sustainable economy through reduced waste and responsible consumption.

Conscious Shopping Journey



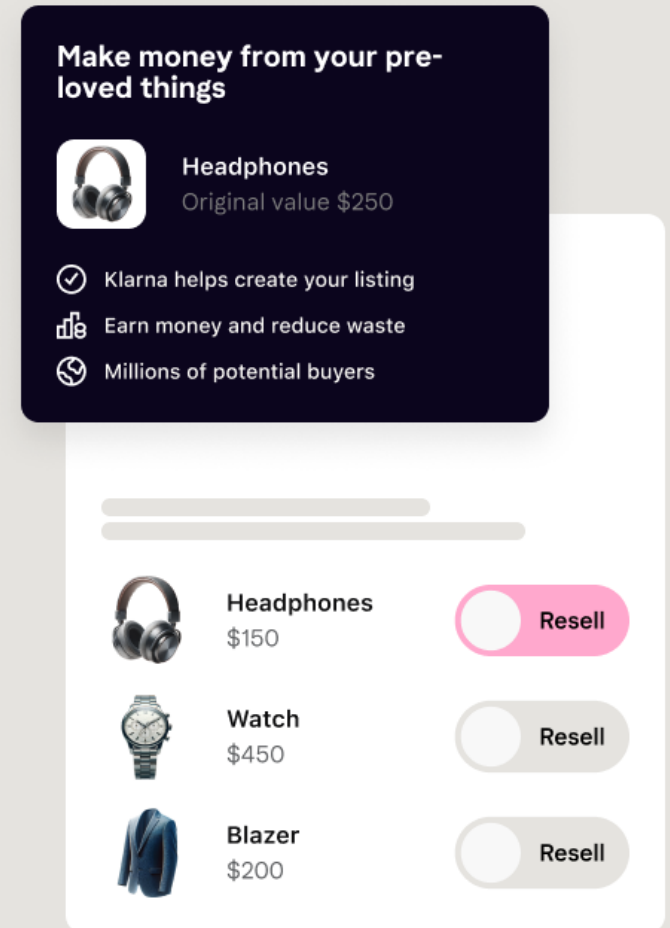
Pre-purchase

Discover conscious brands or find pre-owned products with Klarna.



During checkout

Add a \$1 donation when paying with Klarna. Support non-profits while shopping.



Extend product life

Give your past purchases a second life, earn cash, and contribute to the circular economy by reselling with Klarna.

Targets and metrics

Klarna has not set any time-bound and outcome-oriented targets related to conscious shopping but tracks various metrics that indicate our progress in helping consumers make more conscious purchasing decisions.

CO₂e Emissions Tracker usage

Since the CO₂e Emissions Tracker's launch in April 2021, more than 10 million consumers have used it, and on average, nearly 300,000 consumers track their carbon footprint every month. The CO₂e Emissions Tracker provides insights into the estimated CO₂e emissions of more than 385 million products within the Fashion, Home & Garden, Jewelry & Accessories, Health & Beauty, and Electronics categories.

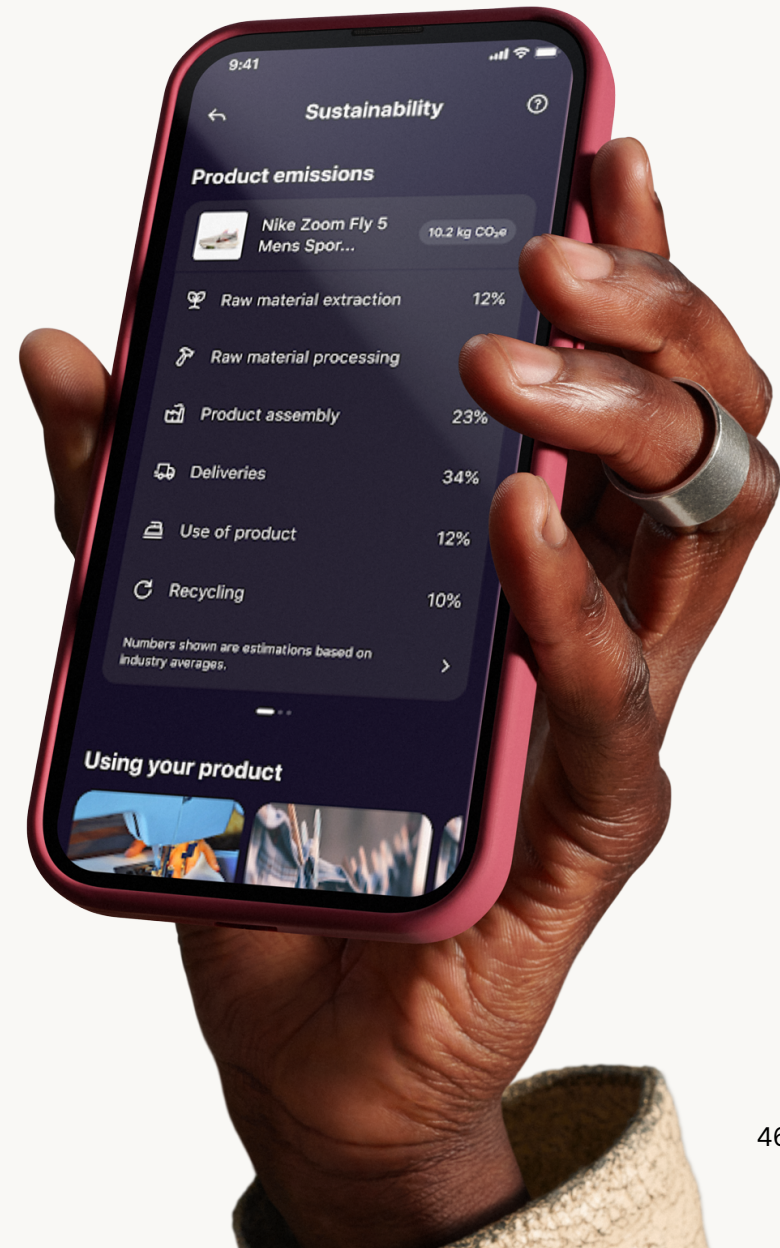
Consumer donations

Since the launch in 2020, 627k Klarna consumers have donated more than SEK 14.1 million to planet health through our donation touchpoints. The donations have been distributed between different environmental funds including the Nature Transformation Fund and the Climate Transformation Fund.

In 2024, 2.8k Klarna consumers donated more than SEK 350k through a donation banner displayed on the purchase confirmation screen in Klarna Checkout (up until the divestment of Klarna Checkout in October).

Following the launch of Klarna's Top-up feature in 2023, allowing consumers in the US to add a \$1 donation to their purchase whenever they choose to pay with 'Pay in 4' through Klarna, this feature

continues to prove popular in 2024. The dollar is donated to a charitable fund vetted through Milkywire. In 2024, nearly 400k consumers used the Top-up feature, donating more than USD 435,000.



Social



Social

Own workforce



Our approach and policies

IRO Type	Material Impact, Risk or Opportunity
Working conditions	
Positive Impact	We cultivate a supportive workplace with fair compensation, flexible hours, and a focus on health, safety, and growth, empowering employees to thrive in a dynamic environment.
Equal opportunities	
Positive Impact	Klarna actively hires to build a diverse workforce and is dedicated to fostering an inclusive work environment. We aim to create an environment where all our employees, from whatever backgrounds feel valued, and have opportunities to engage with diverse cultures broadening their horizons.
Positive Impact	Our employees have career progression opportunities through the availability of new opportunities offered, projects and training and development tools.
Opportunity	The diversity of Klarna's workforce results in innovative thinking and approaches, driving business success.
Risk	If there is negative public sentiment about equal employee opportunities at Klarna, it could make it difficult for Klarna to attract, retain and upskill the talent it needs to succeed.

At Klarna, employees are fundamental to our business and growth strategy. We place high priority on creating a supportive and inclusive environment for all team members. Our policies and practices are designed not only to comply with all applicable laws and regulations but to exceed them, fostering a workplace that values diversity, equity, and inclusion. Our commitments are outlined in the following policies:

- Global Work Environment Policy
- Remuneration Policy
- Code of Conduct
- Ethics Policy
- Anti-Discrimination Harassment & Bullying Instruction
- Diversity and Inclusion Guidelines
- Whistleblowing Policy

- Conflict of Interest Policy
- Modern Slavery and Human Trafficking Statement

Commitment to human rights

As a global company, Klarna acknowledges its clear responsibility to support governments and civil society groups in ensuring that human rights are upheld and respected in all the countries in which it operates. Klarna is committed to promoting and respecting human rights in alignment with the United Nations' Universal Declaration of Human Rights, the eight Core Conventions of the International Labour Organization, the United Nations' Guiding Principles on Business and Human Rights, and the Children's Rights and Business Principles. This includes non-discrimination, prohibition of child and forced labor, and safe and healthy working conditions. Equal opportunities and rights are offered to all employees, irrespective of national or ethnic origin, religion or belief, age, gender or gender identity or expression, sexual orientation, or disability. Klarna also complies with relevant national legislation in the countries where we operate, such as the UK's Modern Slavery Act 2015.

During 2024, Klarna reviewed and updated internal policies, instructions, and governance. These governing documents, where relevant, provide mechanisms for employees to raise concerns regarding any identified or suspected non-compliance. Several measures are implemented to address and remedy human rights impacts for employees, embedded within various policies and routines to ensure compliance and promote a safe and ethical working environment. The *Whistleblowing Policy* provides a confidential mechanism for reporting unethical or improper conduct, with anti-retaliation protections to safeguard whistleblowers. An independent reporting framework enables thorough investigations and remedies for any violations within Klarna's operations or supply chain.

Employee considerations

Furthermore, Klarna takes into account the needs and perspectives of its employees when making strategic decisions. This includes regular employee feedback and engagement through our open communication channels and opportunities for team members to contribute their ideas and insights. By caring for its employees, Klarna believes it can create a more successful and sustainable business.

Klarna places a strong emphasis on integrating employee well-being and development into its overall business direction and strategy. By adopting a holistic approach, Klarna aligns its policies and initiatives with both employee needs and business goals. Several initiatives are in place to continuously enhance well-being and development, ensuring employees remain engaged and aligned with the company's strategic objectives.

Klarna's operations impact all its workforce, including employees and consultants, with both groups having either permanent or fixed-term contracts. Permanent workers are employees with ongoing employment contracts with no predetermined end date and workers with consultant contracts with no end dates to their contracts. They are considered long-term workers and are integral to Klarna's workforce. Workers with fixed-term contracts have rights that are typically outlined in their employment contract which include access to benefits. They are entitled to fair treatment, safe working conditions, and any statutory benefits mandated by law.

Preventing child and forced labor

Klarna conducts background checks on all employees before they join Klarna, including verifying their identity and ensuring they meet the minimum legal working age. Klarna complies with local legislation across all regions of operation. Due to the nature of the business, there is no direct risk of child labor or forced labor within Klarna's own operations.

Vulnerable employee group

In the context of Klarna, no group of employees was identified to be particularly affected as part of the materiality assessment. Klarna has developed an understanding of the potential risks and impacts on all employees, regardless of their characteristics, working contexts, or activities, and found no particular group to be at greater risk of harm.

Policies managing impacts on employees

Klarna is committed to fostering a safe, healthy, and equitable workplace for all employees. This commitment is grounded in a comprehensive set of global policies designed to manage impacts related to working conditions and equal opportunities, in alignment with international standards and local regulations. During 2024, Klarna reviewed and updated internal policies, instructions, and governance. These governing documents, where relevant, provide mechanisms for employees to raise concerns regarding any identified or suspected non-compliance. For more detailed information on policies, please refer to the Policies Overview Table provided in the Appendix.

Health and safety measures

Klarna has established Health and Safety guidelines that outline measures to prevent workplace accidents and ensure the safety and well-being of employees. These guidelines include locally adapted health and safety training available through internal programs in several countries, covering local rules and routines. Each Klarna office has appropriate plans in place for emergencies, and local safety through systematic fire prevention management. Ongoing initiatives include first aid and Cardiopulmonary Resuscitation (CPR) training, as well as annual evacuation training for employees. Employees receive training on health and safety practices, including how to identify and report hazards, and respond to emergencies.

A centralized way of reporting is used to track and manage both physical security incidents and employee-related incidents. This systematic approach ensures that any workplace accidents or security issues are promptly identified, reported, and addressed, thereby maintaining a safe and secure work environment for all employees. The People Advisory team monitors and governs Health and Safety policies, holding direct responsibility for their creation and regular review.

In 2024, 100% of Klarna's workforce was covered by the company's comprehensive health and safety framework. There were zero fatalities as a result of work-related injuries or work-related ill health during the reporting period. Klarna recorded 5 work-related accidents, all of which were thoroughly investigated and addressed in accordance with established safety protocols. Additionally, there were no cases of recordable work-related ill health (subject to legal restrictions on the collection of data). The number of days lost due to work-related accidents is not tracked, based on the nature of our operations.

Social protection

Klarna offers a range of social protections for employees through policies tailored to meet the specific needs and regulations of each market we operate in. These protections include sick leave, health insurance, parental leave, disability insurance, pension plans, and other essential benefits.

Health insurance and sick leave

Klarna offers sick leave and health insurance benefits to cover medical expenses and income during periods of illness. Recognizing that healthcare systems vary by country, Klarna provides different health and sickness policies and benefits depending on location. In markets where local authority policies are in place, we adhere to or enhance these provisions to ensure our employees receive optimal support.

Unemployment

Such protections would be covered under national laws and Klarna provides disability insurance for employees.

Employment injury and acquired disability insurance

Klarna provides disability insurance for employees, offering optional insurance per market if a contributor either has a disability or one develops whilst working with us. In markets such as the United Kingdom, this is a mandatory policy that all employees have as standard, covering them from a set period in time in the event of a critical illness. Some markets are covered by local authority policies, in which case we will either adhere to it, or enhance it where possible.

In the United States, we provide specialized employment insurance to support employees who suffer injury or illness directly related to their job. Worker's compensation ensures that affected employees receive

cash benefits and access to essential medical treatment, helping them recover and maintain financial stability during their recovery.

Parental leave policies

Klarna has parental leave policies available to all parents at Klarna, reflecting our belief that parenthood should not negatively impact one's career or salary. 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. Recognizing that returning to work can be daunting, especially in a fast-paced environment, we have implemented support mechanisms to ease the transition back to work. For example, in the United States, we provide a child support subsidy, reimbursing up to \$250 per month for six months on childcare expenses such as daycare.

Retirement

Klarna provides pension and insurance benefits, with all employees insured according to country-specific terms, laws, and common practices. Pension schemes with employer-based top-ups are available in the majority of locations, or social-based pension plans where applicable. These provisions ensure that our employees are supported in their long-term financial planning and retirement.

Own workforce engagement

Klarna engages with its workforce directly and through workers' representatives to foster a comprehensive understanding of employee needs and perspectives. Engagement occurs at multiple stages, such as via our open communication channels, feedback and demo sessions. Methods include frequent and open engagement in our channels used for daily communication, business updates, employee engagement surveys, and company meetings. These initiatives strengthen the bond and dialogue between Klarna's Group Management Team and employees while keeping the information flow as direct as possible.

All teams are encouraged to provide weekly updates on challenges and deliverables in their teams available to all teams. This approach ensures all Klarna employees receive relevant updates from other teams, opens up a transparent information sharing and enhances overall efficiency while celebrating shared successes. Initiatives like the bi-weekly group-level "The Forge"¹⁰ meetings, along with regular all-hands and demos within domains, showcase progress, challenges, and highlight achievements. These updates keep employees engaged and informed about ongoing developments. Transparency is promoted through open communication channels, with regular updates and news shared internally. In 2024, Klarna employees participated in 18 engaging sessions.

The Chief Operating Officer oversees all employee-related matters, ensuring the implementation of these engagement processes and integrating the findings into Klarna's strategies and operations.

¹⁰ The Forge is Klarna's bi-weekly "variety" style stream hosted by the CEO, Sebastian Siemiatkowski, alongside a rotating guest member of the Group Management Team. It serves as a dynamic platform to communicate significant updates, highlight various business areas, and discuss pressing challenges, aiming to enhance internal transparency, facilitate knowledge sharing, and foster a cohesive corporate culture among Klarna employees.



Klarna actively participates in unions in certain locations and engages with work councils, ensuring that employees' perspectives are considered in decisions and changes that may affect them. Klarna has a Workers' Council for its employees based in Berlin, consisting of local employees representing the Berlin-based workforce. We also have Collective Bargaining Agreements (CBAs) in Sweden, Finland, France, Italy, and Spain. In November 2023, after discussions and negotiations, we decided to join the Employers of the Financial Sector (BAO) by January 1, 2024 for our Swedish employees at Klarna Bank AB (publ). As a part of that, we signed a collective bargaining agreement (CBA) with Finansförbundet and the 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.

Currently, 0% of the employees outside of the EEA are covered by a collective bargaining agreement. Nevertheless a majority of our workforce is located in the EEA. Klarna's assessment is that entities within or outside the EEA, without a CBA, allows us to adapt swiftly to market demands and remain competitive, particularly in regions where CBAs are not legally required or customary, thereby avoiding the potential additional complexity that might come with such agreements. Klarna remains committed to engaging with employees and their representatives to nurture a collaborative working environment. We continue to evaluate and enhance labor relations practices across all regions to effectively support our workforce.

Klarna assesses the effectiveness of its employee engagement through regular surveys and feedback mechanisms. In November 2024, we continued to adopt a more interactive and nuanced methodology to measuring employee engagement through the deployment of an AI-driven chat tool, "Amplifier". This tool involves a 25-minute dialogue, entailing several open-ended and scaling questions, with the strong focus to pose follow-up questions based on the employee's preliminary

responses. 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 goal is to look beyond numerical scores and explore the nuances of employee engagement that drive meaningful organizational improvements.

In 2024, we focused on the following topics in the Amplifier employee engagement survey:

- Overall experience at Klarna
- Team experience
- Klarna's product and future

In the table below, we have displayed the engagement scores extracted from Amplifier alongside the scores from last year's survey. Through this evolved approach, we aspire to maintain an environment where employees feel heard and motivated, thus propelling a culture of continuous improvement and high engagement across the company. Training and awareness programs on diversity and unconscious bias are implemented to foster an inclusive culture. Additionally, employees who wish to confidentially report any potential unethical or improper conduct can do so through our whistleblowing tool. These initiatives help Klarna create a more inclusive and supportive work environment for everyone.

Employee engagement survey	2024	2023	2022 ¹¹
Employees who took the annual employee engagement survey	84%	68%	86%
Overall satisfaction score from employee engagement survey	77%	71%	64%

¹¹ As the current method to measure employee engagement (in 2023 and 2024) is a significant deviation from our previous engagement survey methodology (a traditional survey), the results garnered from the new method are not directly comparable to the 2022 results.

Own workforce complaints and remediation

Klarna has implemented several measures to address and remedy human rights impacts for employees, embedded within various policies and routines to ensure compliance and promote a safe and ethical working environment. These routines are designed to support and enhance employee well-being both during and after any incident. Prioritizing collaboration between employees, leadership, and the People Advisory team, Klarna also partners with external health providers to ensure professional support throughout recovery and a potential work reintegration.

To safeguard individuals who report incidents of discrimination, harassment, or other irregularities, Klarna enforces a strict non-retaliation clause as part of its broader Whistleblowing policy. The clause protects employees from any form of retaliation or adverse treatment. In cases of misconduct, all complaints are investigated by the People Advisory team, with appropriate disciplinary actions taken as necessary.

Employees at Klarna have access to multiple established channels to raise concerns:

- **Internal reporting systems:** Employees can report issues through workflows where there are confidential options to the People Advisory team.
- **Direct communication:** Concerns can be raised directly with People Advisory or leads.
- **Whistleblowing tool:** Anonymous reporting is facilitated through the Whistleblowing Tool, which encrypts all reports and restricts access to the Whistleblowing Committee.

Klarna actively promotes the availability and importance of these channels through regular communication, training sessions and informational materials. To address any concerns related to working conditions or unfair treatment, Klarna encourages employees to report grievances through designated channels such as the Whistleblowing Tool, direct communication with HR representatives, People Advisory, and Compliance. *The Whistleblowing Policy* ensures that whistleblowers are protected from retaliation and that their concerns are handled confidentially and promptly.

Reported concerns are reviewed by the Whistleblowing Committee and other relevant channels. Investigations are conducted following the procedures outlined in the Whistleblowing Investigations Routine or the Anti-Discrimination Harassment & Bullying Instruction. When a negative incident is raised, a structured response process involving the Whistleblowing Committee and HR representatives ensures appropriate actions are taken. Regular updates and relevant statistics on cases are shared with senior executives where appropriate. Confidentiality and anonymity are maintained through encryption and restricted access protocols within the Whistleblowing Tool. All records of grievances and their outcomes are maintained and tracked.

To ensure the workforce is aware of and trusts these policies, Klarna conducts regular training and communication initiatives. Employees are informed about these policies during onboarding and through mandatory annual compliance training. Additionally, engagement surveys offer employees the opportunity to raise concerns and serve as a barometer of employee awareness and confidence in raising matters.



Actions

Klarna is committed to creating and maintaining a healthy, safe, and inclusive work environment for its global workforce. We take actions to support employees in key areas such as working hours, health and safety, diversity and inclusion, collective bargaining, and growth opportunities. To address potential negative impacts and risks and enhance positive outcomes, we have established comprehensive measures across several key policies and initiatives. Actions include:

Global work environment

- All new hires participate in work environment training and thereafter all employees participate in an annual training.
- Offering flexible working hours to accommodate different lifestyles and personal commitments.

Remuneration and benefits

- Klarna offers a mix of cash and equity-based compensation, along with benefits such as insurance, pension contributions, health insurance, parental leave, and wellness benefits. These packages are tailored to meet business and local market needs.
- Klarna is committed to promoting equal opportunities and fair compensation across the organization through KlarnaRise, our tailored program introduced in 2024 for evaluating performance, contributions, and compensation.
- In 2024 we conducted a comprehensive review of salaries in all offices worldwide to identify and address any disparities in compensation. Specific pay points per role and location have been implemented to align compensation and reduce disparities.
- Klarna is committed to ensuring that all employees receive fair and adequate compensation in accordance with local country legislation. Our Remuneration Policy supports balanced and equitable compensation practices across the company. To uphold these standards, we conduct annual analyses to identify and address any disparities in remuneration. This proactive approach ensures that all employees are rewarded with competitive wages that reflect their skills and contributions.
- The effectiveness of KlarnaRise will be reviewed on an ongoing basis using data to understand its impact, including voluntary attrition, time in role, time to promotion, and trends in compensation over time.

Diversity and inclusion

- Provide and enforce the Anti-Discrimination, Harassment, and Bullying Instruction to protect employees from discrimination based on ethnic origin, color, sex, sexual orientation, gender identity, disability, age, religion, and national origin.
- Klarna provides Diversity, Equity, and Inclusion (DEI) training to its employees, fostering a workplace culture that is both inclusive and respectful.
- Provide mandatory work environment and labor law training for team leads in specific locations to ensure they uphold these standards within their teams.
- Maintain a Whistleblowing tool for confidential reporting of discrimination concerns.

Health and safety

- **Localized training and emergency preparedness:** Locally adapted health and safety training is available in several countries, covering local rules and routines. Each office has appropriate plans for emergencies, including systematic fire prevention management and annual evacuation training.
- **Wellness benefits:** We offer various health benefits such as wellness allowances, flexible working hours, parental benefits, and health and rehabilitation insurance to support a healthy lifestyle for all employees.
- **Continuous improvement:** Annual reviews and work environment training for all new hires and leaders ensure ongoing compliance and enhancement of our health and safety practices.

Monitoring and assessment

Engagement surveys serve and feedback in our open communication channels serve as our primary tools to regularly track and assess the effectiveness of our actions and initiatives in delivering outcomes for our workforce. The surveys help us understand employee needs and adjust strategies accordingly.

Dedicated teams and support structures

Klarna has dedicated teams in place to advance our efforts in creating a healthy, safe, and inclusive work environment. Our People Advisory and Compensation & Benefits teams are responsible for implementing and overseeing various initiatives, including wellness programs, work policies, health benefits, and safety training.

Targets and metrics

Klarna is actively addressing material impacts, risks, and opportunities related to our workforce, particularly concerning compensation. Klarna is committed to ensuring that all employees are compensated equitably based on their roles, responsibilities, and location.

Characteristics of Klarna's employees

Employee metrics

The metrics reported are calculated using headcount as of the end of the reporting year of 2024 unless otherwise stated (average number of employees)¹². No estimations have been made. As of December 31, 2024, Klarna employed a total of 3,841 individuals, including 419 consultants. On average over 2024, 4,216 employees were employed by Klarna (including 407 consultants).

Number of employees

	2024		2023		2022	
	Number of employees	Avg number of employees	Number of employees	Avg number of employees	Number of employees	Avg number of employees
Total employees (incl. consultants)	3,841	4,216	5,047	5,622	5,998	6,912
Employees (excl. consultants)	3,422	3,809	4,353	5,037	5,527	6,251
Consultants	419	407	694	585	471	661

¹² For the end of year headcount calculation for 2024, all employees who had their last working day in 2024 but whose official termination dates extended into 2025 were included. To ensure consistency and accuracy in reporting, Klarna has restated the employee data for 2023 and 2022 to reflect this approach. This adjustment results in slight differences in the people data compared to previous reports but enhances comparability across reporting periods.

¹³ The difference in gender split over the years can be explained by the increasing percentage of engineers as part of our workforce.

Breakdown of employees (excl. consultants) by gender in 2024

	2024	2023	2022
Gender ¹³	Number of employees	Number of employees	Number of employees
Male	2,149	2,640	3,144
Female	1,266	1,713	2,383
Other	3	0	0
Not reported	4	0	0
Total	3,422	4,353	5,527

Breakdown of employees (excl. consultants) by country where Klarna has at least 50 employees or those where employees represent at least 10% of the total workforce in 2024

	2024		2023		2022	
Country	Number of employees	Share	Number of employees	Share	Number of employees	Share
Sweden	1,550	45.30%	1,988	45.67%	2,686	48.60%
Germany	876	25.60%	1,089	25.02%	1,240	22.44%
United States of America	251	7.33%	369	8.48%	540	9.77%
United Kingdom	220	6.43%	293	6.73%	346	6.26%
Italy	167	4.88%	185	4.25%	191	3.46%
Spain	94	2.75%	112	2.57%	147	2.66%
Netherlands	56	1.64%	66	1.52%	79	1.43%
Other	208	6.08%	251	5.77%	298	5.39%

Breakdown of employees (excl. consultants) by type of employment in 2024

	2024 ¹⁴				2023			2022		
	Female	Male	Other	Total	Female	Male	Total	Female	Male	Total
Total number of employees (excl. consultants)	1,266	2,149	3	3,422	1,713	2,640	4,353	2,383	3,144	5,527
Number of permanent employees	1,232	2,090	3	3,326	1,692	2,614	4,306	2,278	3,052	5,330
Number of temporary employees	28	53	0	84	10	13	23	19	25	44
Number of non-exempt hourly employees	6	6	0	12	11	13	24	86	67	153

Temporary employment

Temporary employment is utilized to address specific project needs or to cover short-term absences. This approach ensures continuity in our operations and maintains our high service standards. We employ a few non-exempt hourly employees that do meet the salary threshold for exempt workers, but do not meet the required duties test. These individuals cover largely customer service support tasks.

Characteristics of Klarna's consultants

At the end of 2024, Klarna employed 419 consultants across various functions. On average over the whole of 2024 this was 407.

Klarna believes consultants play a vital role in providing specialized expertise to support our operations. We categorize our consultants into two types:

- **Line consultants:** Individuals employed by consultancy firms or freelancing, compensated on an hourly rate or fixed monthly rate. They are integrated into our teams and contribute predominantly on a full-time basis.
- **Professional service consultants:** Individuals freelancing directly with Klarna or being supplied via third-party companies. They are not part of our internal teams and contribute on a part-time basis or according to an agreed schedule of hours.

Breakdown of type of consultants

	2024		2023		2022	
	Number of consultants	Avg number of consultants	Number of consultants	Avg number of consultants	Number of consultants	Avg number of consultants
Total consultants	419	407	694	585	471	661
Line Consultant	202	164	234	243	269	439
Professional Service Consultant	284	243	460	342	202	222

Collective bargaining coverage and social dialogue**Collective bargaining agreements coverage**

Klarna acknowledges the vital role of collective bargaining agreements (CBAs) in promoting and fostering positive employee relations. At the end of 2024, 50.5% of Klarna's total employees are covered by CBAs.

Within the European Economic Area (EEA), Klarna Holding's subsidiary entities have established CBAs in Finland, France, Italy, Spain, and Sweden. In these markets, 100% of employees are under the coverage of CBAs, with the exception of Sweden.

¹⁴ In 2024 4 employees have not reported their gender (1 permanent and 3 temporary employees).

In Sweden, Klarna operates three entities. Klarna Bank AB (publ) is covered by a CBA, ensuring that 92.4% of the Swedish workforce is included under collective bargaining provisions. The remaining two entities, which encompass the former PriceRunner company acquired by Klarna, are not currently covered by CBAs.

In Germany, a workers' council represents the employee interests of employees employed in Berlin, which covers 77.3% of the German employees.

Breakdown of employees covered by a CBA and workers' council by country in 2024

Country	Number of employees covered by a CBA or workers' council	Share of employees covered by a CBA	Share of employees covered by a workers' council
Finland	10	100%	
France	26	100%	
Germany	677		77.3%
Italy	167	100%	
Spain	94	100%	
Sweden	1,432	92.4%	

Diversity metrics

	2024 ¹⁵				2023			2022 ¹⁶		
	Female	Male	Other	Total	Female	Male	Total	Female	Male	Total
Employees by level	#	#	#	#	#	#	#	#	#	#
Group Management Team	2	10	0	12	1	10	11	1	6	7
Manager ¹⁷	356	676	0	1,032	453	789	1,227	516	853	1,369
Non-Manager	908	1,463	3	2,378	1,259	1,841	3,115	1,866	2,285	4,151
Total Employees	1,266	2,149	3	3,422	1,713	2,640	4,353	2,383	3,144	5,527

¹⁵ In 2024 4 employees have not reported their gender (all were non-managers, 2 were <=30 and 2 were 31-50)

¹⁶ The employees by level for 2022 have been restated to reflect the definition of a manager in 2023 and 2024 (in the ESG Report of 2022 all employees on level 5 or higher were considered a manager)

¹⁷ Manager: All on a leading position (either AL, AGL, DL, CL, CGL, CO excl. Group Management Team) Non-Manager: All that are not on any leading position

	Female	Male	Other	Total	Female	Male	Total	Female	Male	Total
Employees by age	#	#	#	#	#	#	#	#	#	#
<=30	326	447	0	775	585	757	1,342	1,153	1,148	2,301
31-50	934	1,655	3	2,594	1,114	1,834	2,948	1,207	1,947	3,154
>50	6	47	0	53	14	49	63	23	49	72
Total Employees	1,266	2,149	3	3,422	1,713	2,640	4,353	2,383	3,144	5,527

	2024				2023			2022		
	Female	Male	Other	Total	Female	Male	Total	Female	Male	Total
Employees by level	%	%	%	%	%	%	%	%	%	%
Group Management Team	0.2	0.5	0	0.4	0.1	0.4	0.3	0.0	0.2	0.1
Manager	28.1	31.5	0	30.2	26.4	29.9	28.2	21.7	27.1	24.8
Non-Manager	71.7	68.1	100	69.5	73.5	69.7	71.6	78.3	72.7	75.1
Total Employees	100	100	100	100	100	100	100	100	100	100

Employees by age	%	%	%	%	%	%	%	%	%	%
<=30	25.7	20.8	0	22.6	34.2	28.7	30.8	48.4	36.5	41.6
31-50	73.8	77	100	75.8	65.0	69.5	67.7	50.6	61.9	57.1
>50	0.5	2.2	0	1.6	0.8	1.8	1.5	1.0	1.6	1.3
Total Employees	100	100	100	100	100	100	100	100	100	100

Training and skills development

Performance and development

Performance reviews at Klarna are conducted through a model known as KlarnaRise. This model encompasses performance, contribution, and compensation reviews. The process occurs once a year, and all employees are included.

Throughout the year, there are multiple ways in which an employee can understand their performance and work on their development. All employees have a lead that supports them and helps the employee to develop and deliver. Employees are also encouraged to provide and ask each other feedback throughout the year. Self-assessment is a continuous process where employees can make use of internal tools such as different ways of giving and receiving feedback and personal logs to evaluate their performance and development.

% of employees participating in regular performance and career development reviews ¹⁸	
Female	100%
Male	100%
Total	100%

Training

At Klarna, we believe hands-on experiences are the most effective way to learn, which is why we closely integrate them with opportunities for internal mobility to move to a new team. Due to the nature of Klarna's operations, all employees are required to complete mandatory yearly training, such as compliance training. Next to that, Klarna actively fosters learning and skills development amongst its employees. Internal training sessions and demos hosted by teams are frequently organized to showcase work, share knowledge and encourage cross team collaboration. Klarna provides voluntary training in AI, such as our very

own Klarna Gen AI academy, where employees can participate in a two-week learning module and receive a LinkedIn certificate upon completion. The knowledge base "Klarna Wiki" houses all information about Klarna in one accessible location, enabling everyone to access and contribute to a collective knowledge base.

Due to the availability of voluntary training, we define the number of average training hours by solely looking at the average time it takes to complete the mandatory training modules, meaning the metrics below are based on an estimation. As everyone has the same access to training at Klarna, there will be no difference in average training hour per gender.

Average number of training hours	
Female	13.5
Male	13.5
Total	13.5

Parental leave

At Klarna, 100% of employees are entitled to take family-related leave. This commitment reflects Klarna's dedication to supporting the well-being of its own workforce. During the year of 2024, 541 employees took parental leave, which is 14.2% of the average number of employees during 2024. The metric is calculated based on the average number of employees during 2024, rather than the headcount at the end of the year, acknowledging that employees who have left Klarna could have utilized parental leave during their tenure.

¹⁸ Percentage of employees considered in Klarna's annual compensation review process.

Employees who took parental leave

	2024			2023			2022		
	Female	Male	Total	Female	Male	Total	Female	Male	Total
Total average employees	1,446	2,360	3,809	2,112	2,925	5,037	2,705	3,546	6,251
Of which took parental leave	242	299	541	463	477	940	319	326	645
Share %	16.7%	12.7%	14.2%	21.9%	16.3%	18.7%	11.8%	9.2%	10.3%

Gender pay gap and equal opportunity initiatives

Klarna acknowledges the importance of transparency in addressing the gender pay gap within our own workforce. We recognize that women are traditionally underrepresented in the technology and finance sectors, contributing to an industry-wide gender pay gap. Klarna is committed to addressing this challenge by implementing actions and initiatives aimed at promoting equal opportunities within our organization.

To reduce the gender pay gap and associated risks, Klarna's long-term compensation strategy includes standardizing salaries through fixed compensation groups. These groups equate pay for employees with similar job levels, skills, and locations, ensuring fairness and consistency. Compensation groups are published internally, allowing employees to access and understand the structure. This approach reinforces our commitment to equal pay for equal work and supports a clearer understanding of pay equity within Klarna.

By proactively sharing our compensation groups, Klarna demonstrates accountability and supports broader efforts across the industry towards gender equality.

Average pay gap¹⁹

	2024	2023
Global²⁰	8%	13%



¹⁹ Weighted (avg gross total comp of male-avg gross total comp of female)/avg gross total comp of male

²⁰ The data reflects total compensation (annual base salary + RSUs)

Social

Workers in the value chain



Our approach and policies

IRO type	Material impact, risk or opportunity
Negative impact	Klarna procures goods and services from suppliers who, or in their supply chains could engage workers that are subjected to excessive overtime, inadequate living wages, insufficient health and safety measures and no freedom of association.

Klarna is committed to ensuring that human rights are respected and upheld across its operations, including workers in the value chain. Klarna adheres to the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, which encompasses non-discrimination, the prohibition of child and forced labor, and safe and healthy working conditions. This commitment is reinforced by Klarna's internal policies and procedures, which aim to protect workers and ensure full adherence to human rights standards. Klarna recognizes the importance of understanding the conditions and needs of workers within its value chain. To support this, Klarna engages with suppliers through structured dialogues, particularly during the procurement phase, creating a collaborative setting that encourages open communication about workplace standards and practices.

The impacts on value chain workers differ based on their relationship with Klarna's business and operational model. There are two primary groups: 1) Outsourced customer service workers, and 2) workers employed by other Klarna's suppliers.

Respecting human rights in the value chain

Human rights are fundamental rights inherent to all individuals, forming the foundations for freedom, justice, and peace. They apply equally and universally across all countries, irrespective of the legal framework.

Klarna complies with all relevant international and local legal obligations in the countries where it operates. Klarna works to protect human rights within its own operations and value chain through internal policies and procedures regarding the treatment of employees, as detailed under the section [Own workforce](#). Additionally, Klarna ensures compliance from both retail partners and suppliers to uphold these standards.

Value chain workers who can be materially impacted are defined as:

- **Outsourced customer service workers:** These are individuals who are not part of Klarna's workforce but are directly influenced by our business model and decisions, such as customer service personnel. Klarna has strategically chosen to outsource its customer service operations to enhance efficiency and provide high-quality support to its global customer base. The outsourcing partners are required to meet Klarna's rigorous standards for customer care, data security, and compliance with relevant regulations.
- **Workers employed by other Klarna's suppliers:** These individuals are indirectly influenced by Klarna's operational model through the procurement of goods and services. Engaging with suppliers who lack strong human rights policies may negatively impact the well-being of supply chain workers.

Risk of child labor

Given the nature of Klarna's supply chain, the risk of child labor being used in its direct supply chain is extremely low. This is due to the nature of its operations as a fintech company, which does not involve labor-intensive industries, and its reliance on service-based suppliers like IT and consulting, where child labor risks are minimal.

Vulnerable value chain workers

In the context of Klarna, no particular group of value chain workers was identified to be disproportionately affected as part of the materiality assessment. Klarna has developed an understanding of the potential risks and impacts on all value chain workers, regardless of their

characteristics, working contexts, or activities, and found no group to be at greater risk of harm.

Policies managing impacts on value chain workers

Klarna maintains a comprehensive set of policies and processes to manage impacts related to workers in our value chain, specifically focusing on suppliers' workers and outsourced customer service providers. Our commitment is reflected in key documents such as the *Supplier Code of Conduct* and the *Modern Slavery and Human Trafficking Statement*, both publicly available and addressing issues around the working conditions of workers in our supply chain. For more detailed information on this topic, please refer to the [Policies Overview](#) table provided in the Appendix.

For our procurement processes, we aim to have all our suppliers sign the Supplier Code of Conduct. This code sets forth principles that we expect our suppliers and their subcontractors to abide by, promoting lawful, professional, and fair practices that integrate respect for human rights, business ethics, and the environment, including strict prohibitions on human trafficking, forced labor, and child labor.

For Customer Service all suppliers are required to comply with the provisions of the Supplier Code of Conduct and sign the *Modern Slavery and Human Trafficking Statement*.

Our *Modern Slavery and Human Trafficking Statement* is published on Klarna's website and updated annually. It documents Klarna's structure, policies, risk assessments, due diligence processes, and performance indicators for monitoring. Monitoring is conducted through annual updates and the involvement of various teams such as Partner Risk, Outsourcing, and Procurement. The statement is implemented in compliance with the UK Modern Slavery Act 2015.

Measures for identifying human rights violations

Klarna's Whistleblowing tool, *WhistleB*, is available to all third parties as a mechanism to identify and report potential human rights violations. Additionally, outsourced customer service providers are required to maintain their own whistleblowing policies, which are reviewed during annual site audits. These audits also assess the staff's awareness of these solutions.

Value chain workers engagement

Klarna adopts a risk and influence-based approach in engaging with workers within our value chain.

Outsourced customer service providers

We maintain a direct engagement process with our outsourced customer service providers and their employees to ensure compliance with our standards and foster a transparent relationship. Our engagement includes:

- **Weekly virtual business reviews:** Conducted with managers and team leads to review key performance indicators (KPIs).
- **Annual site visits:** At least once a year, we visit provider sites to assess the work environment, safety, security, ESAT results, and adherence to our standards, including the Supplier Code of Conduct, modern slavery prevention, whistleblowing policies, and working hours.
- **Engagement with Workers' Councils or Union Representatives:** Where applicable, we interact directly with these representatives to gain insights into employee relations and working conditions.
- **Anonymous online surveys:** Deployed to receive honest feedback from agents on workplace environment, whistleblowing policies, wellness programs, and discrimination.

- **Supplier Slack channels:** Utilized for real-time discussions and feedback with supplier leadership.

These processes ensure ongoing compliance and support a transparent and supportive relationship with customer service employees.

Other suppliers

We do not directly engage with the workers or representatives of Klarna's goods and services suppliers. In accordance with Klarna's Supplier Escalation Routine, the respective contract owners are responsible for ensuring adherence to our policies and processes within supplier relationships. Any breaches of contract, such as material violations of the Supplier CoC, are escalated internally, ultimately to the responsible member of the Group Management Team.

Value chain workers complaints and remediation

Klarna acknowledges the importance of addressing unethical, illegal, or improper conduct within its value chain, particularly concerning working conditions. While Klarna does not have a formalized process on contributing to remediation for workers in the value chain, processes for potential cases are established on a case-by-case basis.

For outsourced Customer Service providers, Klarna requires the provision of whistleblowing channels to their employees. Klarna reviews these suppliers' whistleblowing policies as part of annual site audits, which also assess employees' awareness of these solutions. This process involves conducting anonymous surveys to determine if employees are aware of their company's policy and understand how to use it. Additionally, Klarna covers whistleblowing channels during interviews with agents as part of these audits. Klarna's *Whistleblowing*

Policy specifies protections against retaliation, reinforcing a safe environment for reporting concerns.

In line with the overall risk and influence-based approach taken across all worker-related issues in the value chain, Klarna continues to monitor and evaluate its practices to uphold ethical conduct and safeguard the well-being of all individuals connected to its operations.

Actions

Klarna's Supplier Code of Conduct articulates our vision of responsible business behavior. We support adherence to these principles through essential training, awareness programs, and operational controls.

New suppliers are required to sign the Supplier Code of Conduct as part of their contract with Klarna, while existing suppliers sign the Code upon renewing their contracts.

Modern slavery risks, due to Klarna's business model, are primarily associated with Klarna's indirect supply chain. While these risks are currently assessed to be low, Klarna remains focused on enhancing its processes to promptly identify and mitigate any potential risk exposure. Klarna is committed to promote ethical labor practices and maintain proactive engagement with suppliers, as outlined in Klarna's Supplier Code of Conduct.

As a part of this commitment, Klarna has developed risk assessments that examine the inherent risk of modern slavery and climate change using publicly available sources. For modern slavery, we utilize information from the Global Slavery Index, the U.S. Bureau of International Labor Affairs List of Goods Produced by Child Labor or Forced Labor, and guidelines from organizations like the Walk Free Foundation, International Labour Organization, Anti-Slavery

International, and Anti-Slavery Australia. For climate change, we refer to data from Climatewatchdata.org for absolute country emissions and Worldbank.org for CO₂e emissions per capita.

The inherent risk score encourages contract owners to engage with relevant Klarna teams to assess the risks and determine whether further due diligence and monitoring is required. This process is currently being revised to expand the assessment of environmental and social risks into additional parts of Klarna's supply chain.

For outsourced customer service providers, which are strategic for Klarna's operations and may pose higher risks, Klarna has developed new instructions aimed at assessing risk exposure promptly. These controls integrate the latest regulatory requirements, and Klarna also performs annual site audits to ensure service providers adhere to Klarna's standards. Our engagement includes virtual meetings, site controls, meetings with workers' councils or union representatives, reviewing key performance indicators, and maintaining open communication channels.

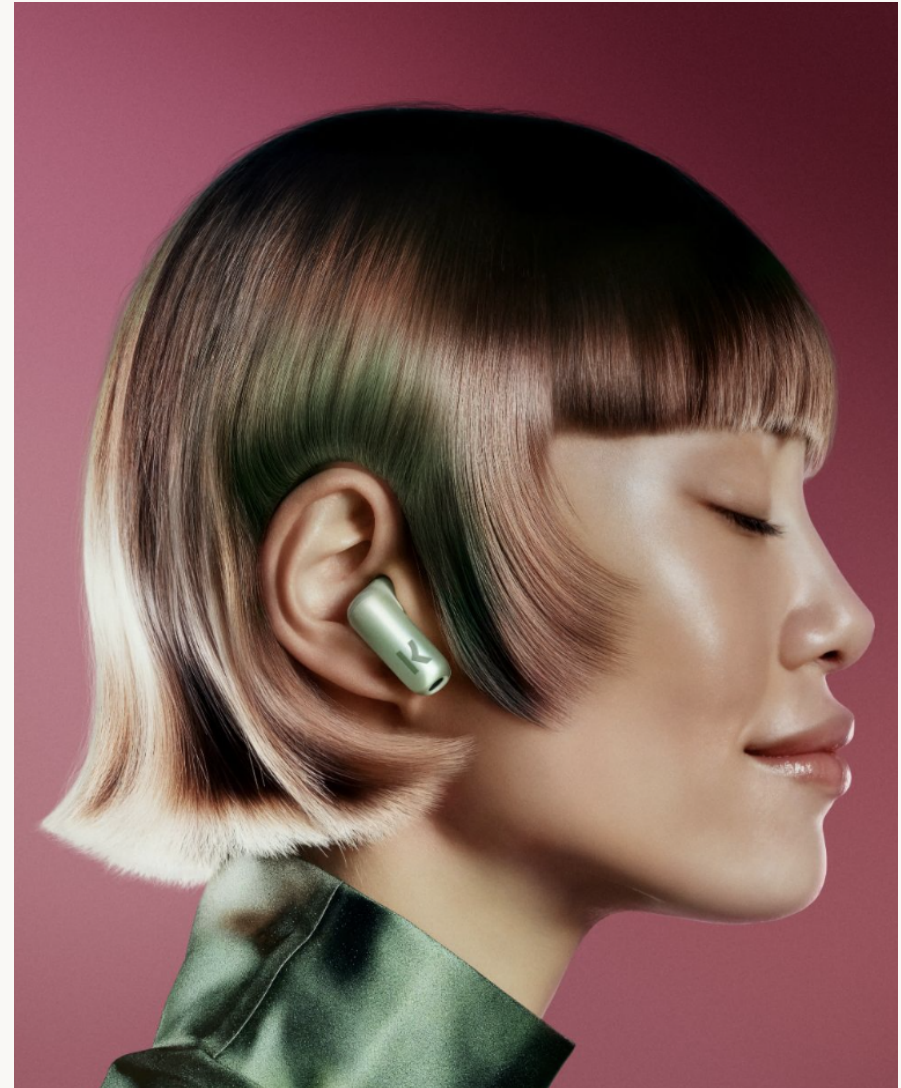
Grievance mechanisms

Klarna provides suppliers and their workers with designated channels, including the independently-run Whistleblowing tool, to report grievances related to working conditions or unfair treatment. This ensures a safe and confidential way for concerns to be raised and addressed promptly.

Governance and oversight

Klarna has dedicated teams in place to mitigate and reduce human rights impacts concerning value chain workers. Our Procurement, Third Party Risk Management, Customer Service, Vendor Governance, Legal,

and Compliance teams are responsible for implementing and overseeing various initiatives, including due diligence and monitoring of suppliers and customer service providers.



Social

Consumers and end-users



Our approach and policies

IRO Type	Material impact, risk or opportunity
Positive impact	Klarna respects and empowers our consumers' privacy when they engage with our products and services.
Negative impact	If incidents or data breaches occur that involve the release of sensitive or personal data of our customers, this could put in danger the anonymity and spending patterns of our customers, resulting in distress and harm.
Risk	Consumers could be misled or confused by unclear or misleading marketing, messaging and consumer terms.
Risk	Cyber security incidents or data breaches could result in Klarna being fined by Regulators and would risk losing customer trust, and in turn suffer revenue losses.

Klarna's strategy and business model are deeply informed by the interests, views, and rights of our consumers. By embracing user diversity, promoting financial responsibility, addressing pain points with existing financial services, and respecting consumer rights—including those related to data privacy—we have built a trusted and inclusive AI powered global payments network and shopping assistant. This approach not only drives our growth but also ensures that we remain aligned with the needs and values of our diverse customer base. Through continuous product development, consumer research, respect for consumer rights, and a focus on financial stability and inclusion, Klarna is committed to delivering exceptional value and fostering long-term relationships with our users.

When conducting the Double Materiality Analysis every consumer group that engages with or uses any of Klarna's products or services were considered. The material impacts identified in the DMA are relevant to all of Klarna's consumers. Klarna recognizes "vulnerable consumers" as part of our consumer segment, which includes providing tailored support and ensuring that employees are trained to recognize and assist vulnerable consumers appropriately. Read more

about how we support vulnerable consumers in the section [Financial stability, literacy and wellness](#).

Data privacy and cyber security

As a global payments network and shopping assistant, data privacy and cyber security are integral to Klarna's business model. Klarna utilizes personal data to enhance customers' shopping experiences while safeguarding their privacy. The guiding frameworks for these efforts are the *Data Privacy Policy* and the *Information Security Policy*, which establish clear guidelines for handling and protecting customer information.

Data privacy is more than a regulatory requirement—it is a cornerstone of Klarna's product and system development processes. Evolving legislation is viewed as an opportunity to build trust with consumers by offering transparency, flexibility, and choice in how their data is used. Ensuring robust cybersecurity measures is essential to protecting customers' data and maintaining their trust.

Transparent and clear consumer information

Klarna aims to provide clear and transparent information to consumers, which is both a fundamental part of its overall strategy and business model and a driving force that informs and adapts its strategy. By prioritizing transparency, fair treatment, and consumer trust, Klarna ensures that its business practices align with consumer expectations and regulatory requirements, fostering a sustainable and consumer-centric business model.

From an operational perspective, this commitment is evident in several key policies and practices, including the *Consumer Marketing Policy*, *Data Privacy Policy*, and *Vulnerable Consumer Policy*. From the

consumer's perspective, this commitment is demonstrated through clear communication about Klarna's offers and products at checkout and in terms and conditions, including information on interest-free credit products, upfront repayment plans, and the consequences of a missed payment.

To ensure customers have quick access to information about Klarna products, Klarna has launched Wikipink. On the Wikipink site—currently available in [Austria](#), [Denmark](#), [Finland](#), [Germany](#), [Norway](#), [Netherlands](#), [Sweden](#), the [United States](#), and the [United Kingdom](#)—Klarna reports key information about products and metrics. This platform provides clear information about which Klarna products are most used, the reminder fee structure, the reminder flow, how Klarna generates revenue, the dunning flow, credit checks, and similar statistics.

The aforementioned initiatives are part of Klarna's global efforts to lead the way in transparency and increase protection for consumers throughout their shopping and payment experience. This commitment is also part of Klarna's dedication to improving the financial well-being of consumers globally.

Respect for consumers' human rights

Klarna's commitment to respecting the human rights of our consumers is reflected in our efforts to provide fair, transparent, and accessible financial products. We recognize that financial exploitation and exclusion intersect with human rights issues, and we strive to offer solutions that promote financial inclusion and empowerment. Read more about Klarna's commitment to empower our consumers' personal finance management, including the protection of vulnerable consumers, in the section [Financial Stability, Literacy and Wellness](#).

Klarna has several policies that address consumer rights and the respect of consumer interest: the Ethics Policy, Code of Conduct, Vulnerable Consumer Policy and Vulnerable Consumer Instruction. Although these policies do not explicitly address human rights—since these are not typically a subject of concern for Klarna's relationship with customers—they ensure that consumer interests are respected and upheld.

Klarna's governing documentation related to consumers and end-users is in broad alignment with internationally recognized instruments such as the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises. The principles and practices outlined in our policies reflect a commitment to ethical business conduct, consumer protection, and data privacy, which are consistent with the spirit of these international instruments.

Instances of non-respect

Klarna is not aware of instances of non-respect of the UN Guiding Principles on Business and Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, or the Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises that involve consumers and end-users reported in Klarna's downstream value chain.

Customer engagement

Consumer perspectives are integral to Klarna's business model and strategy in managing actual and potential impacts. Klarna collects insights from consumers through a variety of channels, ensuring that their voices guide operational decisions and enhance overall customer experience.

Consumer surveys related to customer support

In alignment with our commitment to understanding and enhancing the user experience, Klarna collects customer feedback via a survey following their interactions with our first-line support on both phone and chat channels. These surveys focus on two key performance indicators: Contact Resolution (CR) and Customer Satisfaction (CSAT). CR assesses whether the customer's reason for contact was effectively resolved, while CSAT measures the customer's satisfaction with the support they received.

These metrics are not only crucial for evaluating the performance of our vendors but also serve as vital insights into the most effective ways to support our customers. By analyzing CR and CSAT scores, we can identify areas for improvement and ensure that our services meet customer expectations. This customer feedback also helps guide enhancements to our app and overall user experience.

Consumer research and insights

The Competitive and Consumer Insights team engages with consumers, retail partners, and Klarna employees using a combination of qualitative and quantitative methods. Through usability tests, concept tests, user interviews, diary studies, surveys, UX audits, and card

sorting, the team supports iterative design processes and identifies unmet user needs. Additionally, ad-hoc surveys provide a flexible approach to gather customer sentiment, feedback on new features, and insights into emerging market trends. Findings from these activities are leveraged to improve product design, address immediate concerns, and ensure products meet user expectations and requirements.

For example, Klarna employs two key survey tools on an ongoing basis to enhance customer experience and retention:

- The Customer Experience (CX) Tracker targets recent purchasers within 24 hours to collect immediate feedback on satisfaction and areas for improvement, utilizing metrics such as the Net Promoter Score (NPS).
- The Churn Tracker engages inactive customers to uncover reasons for attrition and identify retention opportunities. Both daily surveys are managed by the Insights team, enabling Klarna to pinpoint opportunities for enhancing the customer experience.

Data privacy feedback management

Klarna adopts a proactive approach to data privacy, integrating consumer perspectives into the development of new products and processes, and actively collects and analyzes feedback from consumers to understand their privacy concerns and expectations.

Klarna emphasizes:

- **Transparency:** Providing clear information about handling personal data to ensure consumers are well-informed.
- **Accountability:** Each team is responsible for assessing and managing data privacy risks within their scope, guided by consumer feedback.
- **Compliance:** Implementing appropriate technical and organizational measures to meet data privacy obligations, adapting practices based on consumer insights.
- **Responsive adjustments:** Promptly responding when customers exercise data protection rights, such as the right to be forgotten or rectification, and using this feedback to refine data privacy practices.

Continuous engagement with consumer perspectives ensures Klarna's approach to data privacy aligns with user needs and expectations.

Grievance mechanism & remedy

At Klarna, we are committed to handling customer complaints promptly, fairly, and effectively, in alignment with applicable laws, regulations, and guidelines. Our Complaints Policy ensures that complaints are managed appropriately, reflecting our dedication to customer satisfaction and continuous improvement.

We value all communication from our customers and categorize incoming cases into feedback, standard complaints, and regulatory-defined complaints. All complaints are addressed in a timely, non-discriminatory, diligent, and non-arbitrary manner.

Complaints handling process

Klarna's *Complaints Policy* ensures that consumer perspectives are central to managing actual and potential impacts. By engaging directly with consumers, escalating complex issues to specialist teams, and conducting thorough root cause analyses, Klarna continuously improves its complaints handling processes.

Consumers can submit complaints through various channels, including calls, letters, emails, social media, and chats. Uncomplicated cases of a less complex nature can be addressed by our 1st Line Service team, while more complex or serious cases are handled by the appropriate specialist complaints team. Market-specific public information is available on each country's Klarna.com website, providing clear guidance on how consumers can contact us with their concerns. This ensures that consumers are informed about their rights and the processes available to them.

For Nordic and European Union (EU) markets, Klarna appoints a Consumer Ombudsman to whom dissatisfied consumers can be referred. In other markets similar roles may exist, such as the Klarna Complaints Adjudicator in the UK. Additionally there is market-specific public information tailored to each market on the respective Klarna.com website.

Operational responsibility:

- The Group Management Team approves *the Complaints Policy*.
- The CEO ensures implementation and compliance with the policy.
- The lead of the Product Operations workstream has operational responsibility for compliance processes, resources, and tools.
- The Consumer Ombudsman handles escalated complaints, ensuring impartial decision-making.
- The complaints process owner in the Product Operations workstream oversees complaints handling according to the Complaints Policy and manages the registration and follow-up of complaints.

Effectiveness of engagement is assessed through:

- **Root cause analysis:** Classifying each complaint to determine primary causes and identify systemic issues.
- **Trend analysis:** Monitoring complaints to identify trends and significant changes in numbers.
- **Reporting:** Compiling monthly and annual reports reviewed by senior management and relevant stakeholders.
- **Compliance review:** Conducted by the Compliance team, including liaison with regulatory authorities as necessary.

Support for communication channels by business relationships

Our business relationships with customer service agencies and suppliers of customer service tools are governed by contractual agreements that require the availability of channels (service or tools) for consumers to raise concerns or needs. Through contractual obligations, regular audits, and ongoing communication, it is ensured that business relationships are aligned with Klarna's commitment to effective customer complaints handling, as outlined in Klarna's global Complaint Policy.

Tracking and monitoring of issues

Klarna maintains a systematic and traceable approach to handling complaints. All steps in the process and communications with consumers are documented and archived, ensuring clear and accurate records of all complaints and relevant documentation.

We compile internal monthly and yearly reports covering data, trends, improvements, and challenges. The effectiveness of our channels is ensured through regular reviews, customer satisfaction surveys, and stakeholder feedback. We actively involve stakeholders in the evaluation and improvement of these channels to maintain their effectiveness and user-friendliness.

Ensuring consumer awareness and accessibility to customer service

Klarna employs several strategies to ensure that consumers and end-users are aware of and trust the channels and processes available for raising concerns. Our system allows complaints to be raised at any

point in the consumer journey, enhancing accessibility and building stakeholder trust.

Information on how to raise a concern is readily available via the consumer's market-specific website and within the customer-facing Klarna app. Consumers are guided through the process of reaching out to Customer Service and, if necessary, raising a complaint, with clear instructions provided if they remain dissatisfied with our handling of their concern.

We strive to make the act of raising a complaint as effortless as possible. Our agents are equipped to record all information relating to a complaint during the initial contact and, where possible, aim to provide an immediate resolution. Internal resources provide stakeholders within Klarna with accessible and comprehensive information, advice, and expertise on the complaints process. This openness extends to our interactions with regulators and authorized bodies.

As an initiative to make customer service even more accessible and seamless, Klarna offers customer support, including the opportunity to raise complaints, through an AI-powered assistant designed to support customers with a variety of tasks, available 24/7 in more than 25 markets and supports over 35 languages. Consumers can contact Klarna at their convenience, engaging with the assistant in a flexible chatting environment. If it cannot resolve an issue, customers can request to talk to a human agent directly or can request a callback via the Klarna website.

Specific support for vulnerable consumers

In regard to vulnerable consumers, Klarna's *Vulnerable Consumer Policy* encourages extra care to be taken in regard to vulnerability when engaging with customers. Staff adapt communication methods to suit individual circumstances, ensuring clarity and understanding. Tailored support is offered, such as payment holidays, repayment plans, and waiving fees, with routines in place to allow agents the discretion to write off balances when warranted by the consumer's vulnerability. Additionally, information about free debt advice bodies and other support services is provided to consumers. Regular reviews are conducted to identify areas for improvement and ensure effective support, while vendor quality assurance teams evaluate cases to ensure that support is fair and appropriate.

Specific handling of data privacy concerns

Klarna provides multiple channels for consumers to raise concerns or needs related to data privacy. Customers can reach us through phone and email support, as well as online portals for submitting requests or complaints. Our detailed privacy notices inform consumers about their rights and how their personal data is processed, including contact information for any data-related concerns or requests. The effectiveness of these channels is ensured through regular audits, customer satisfaction surveys, and stakeholder feedback. In relation to data privacy specifically, we actively track, handle, and manage data privacy feedback from consumers through a comprehensive complaint reporting routine. The Feedback and Complaints Officer, together with the Insights, Complaints, and Incidents team, oversees the end-to-end complaint process. They ensure that consumer feedback is logged, analyzed, and categorized. This data is used to identify trends and root causes, assess the effectiveness of our response measures, and make necessary

improvements. Regular reports are generated for regulatory bodies, and insights are shared internally to inform continuous improvements. This systematic approach ensures we respond proactively to consumer privacy concerns, enhancing overall data privacy management.

Klarna upholds robust incident management and reporting processes to handle situations where we have caused or contributed to a material negative impact on consumers' data privacy. In the event of a personal data breach, we assess whether the breach poses a risk to data subjects' privacy. If so, we are required to report the breach to the Data Protection Authority within 72 hours of becoming aware of it.

We document the handling of every personal data breach in a manner that allows the Data Protection Authority to determine if we have made correct assessments in reporting and have taken all appropriate measures to limit, remedy, and prevent future breaches. The effectiveness of the remedies provided is assessed through follow-up reviews and stakeholder feedback to ensure that measures taken are sufficient and appropriate.

Specific handling of cybersecurity concerns

Klarna manages cybersecurity incidents through a structured and comprehensive approach underpinned by strong governance and accountability. The organization has established and communicated processes, roles, and responsibilities, to ensure effective information security incident management. Incidents are addressed following documented procedures, which include immediate actions to mitigate impact, prevent further damage, and maintain business continuity. Independent control testing (e.g., ISAE 3402 & 3000 type 2) and automated risk reporting support the validation and enhancement of these procedures.

Knowledge gained from handling incidents is utilized to strengthen security controls and improve monitoring systems. Klarna has procedures in place for the identification, collection, acquisition, and preservation of evidence related to security events, which is crucial for any legal or regulatory follow-up actions.

Activities are undertaken to restore the affected environment to functional operation, which may involve rebuilding systems, updating software, installing patches, modifying access controls, and changing configurations as needed. Clear and prompt communication with internal and external stakeholders, including regulators, is maintained throughout the incident management process. All our cybersecurity practices and incident responses comply with legal, regulatory, and industry standards to minimize legal risks and penalties.

Dedicated oversight and continuous improvement

Klarna has a dedicated Complaints Officer who ensures that the complaint process per market is up-to-date and in line with current regulations. A bi-annual control reviews all complaint content across Klarna's websites and other touchpoints, such as Terms and Conditions, ensuring consumers can trust the information presented to them.

The Regulatory Complaints team provides impartial review services of contested closed complaints, overturning decisions if necessary. Feedback on handling errors or other concerns is communicated directly to relevant internal teams for action and future mitigation. This team also cooperates and responds to external third-party agencies and regulators to address or support any complaints raised to them. Regular analysis is performed on complaints raised to identify trends and highlight areas of concern. Quality assurance involves sampling agent interactions, including complaints, and evaluating them against a

universal scorecard to ensure fairness and correctness of outcomes in line with our transparent, policy-driven procedures.

Insights derived from our complaint handling stimulate continuous learning and improvement, influencing our customer service and product offerings. Our internal routines emphasize consumer-centric problem-solving to achieve mutually agreed solutions with consumers wherever possible.

Compliance and risk management are prioritized through the Compliance Complaint Monitoring Program, ensuring adherence to regulatory standards and enabling effective corrective actions. Collectively, these strategies reinforce Klarna's reputation as a trustworthy and customer-centric organization.

Non-retaliation policy

Klarna upholds a strict non-retaliation policy to protect anyone, including consumers, who act as whistleblowers. If someone wishes to raise a concern about their interaction with Klarna, they can use the Whistleblowing tool, in addition to the other available channels mentioned above. This tool allows for anonymous reporting and is managed by an independent external party to ensure confidentiality and security.

As per our Anti-Discrimination, Harassment, and Bullying Instruction, which applies globally, no one should at any time feel a risk of retaliation, discrimination, or disciplinary actions for reporting such actions. Furthermore, no one should be treated less favorably because they have reported on, given evidence of, or complained about the behavior of someone who has harassed or discriminated against them. This holds true irrespective of the method chosen to report.

Actions

Process to address material negative impacts

Klarna's structured approach to managing negative impacts on consumers involves systematic identification, targeted actions, and robust remedy processes. By leveraging comprehensive documentation, root cause analysis, and collaboration with regulatory bodies, we ensure that issues are addressed promptly and effectively, fostering trust and satisfaction among our users.

Identification of appropriate action

We identify the need for action in relation to particular actual or potential negative impacts on consumers and end-users through our comprehensive complaints handling process set out in the Klarna *Complaints Policy* and *Consumer Complaints Instruction*. This process includes:

- **Systematic documentation:** All complaints are recorded and archived in the Service Center Portal, ensuring traceability and enabling follow-up.
- **Root cause analysis:** Each complaint is classified to determine its primary cause, allowing for the identification of systemic issues.
- **Trend analysis:** Complaints are analyzed to identify trends, unexpected increases or decreases in numbers, and prevalent root causes.
- **Monthly reports:** Klarna compiles monthly reports containing data and analysis of complaints to ensure recurring or systemic problems are identified and resolved.

Approach to Taking Actions

We take action on identified material negative impacts through:

- **Product and process improvements:** Insights from complaints are used to drive enhancements. Issues identified in complaint reviews are fed back to the appropriate areas of the business based on, for example, whether it's a product issue, process gap or training need.

- **Specialist teams for higher severity cases:** High severity and externally raised complaints are escalated to specialist Complaint Operations teams, which have broad mandates to provide bespoke solutions, including redress or goodwill as necessary.
- **Collaborative compliance:** We adhere to local regulations and guidelines, collaborating with regulatory bodies such as the Swedish Financial Supervisory Authority, UK Financial Conduct Authority, and Australian Financial Complaints Authority to ensure compliance and effective complaint resolution.

Remediation, redress, and compensation

When Klarna identifies that it has caused or contributed to a material negative impact on a consumer, we employ a formalized routine for remediation, redress, and compensation. While the specifics differ by market, the routines follow the general principle of striving to put customers back into the position they were in before any error from Klarna caused them difficulty. Remedies may include monetary compensation, refunds, write-offs, corrective actions, or other measures aimed at resolving issues and restoring fairness. Key aspects include:

- **Clear procedures and guidelines:** Employees handling complaints have access to up-to-date procedures and guidelines to support the complaint handling process.
- **Service level agreements (SLAs):** SLAs are tracked to ensure timely responses and resolutions. The aim is to resolve the vast majority complaints within seven days. High-priority complaints are assessed and acknowledged within one hour, with a goal to resolve within 72 hours.
- **Consumer Ombudsman:** For EU markets, we appoint a Consumer Ombudsman to whom dissatisfied consumers can be referred. Similar roles exist in other markets, such as the Klarna Complaints Adjudicator in the UK.
- **Internal and external escalation:** If a complaint cannot be resolved satisfactorily, consumers are informed of how to escalate the case internally or externally, including to relevant Alternative Dispute Resolution bodies.
- **Regular training:** Employees receive mandatory, certified training on complaint handling, including annual refreshers to ensure compliance with regulations and internal processes.
- **Monthly and annual reports:** Klarna compiles monthly and annual reports on complaints, ensuring continuous improvement and compliance with regulatory requirements.

We assess the effectiveness of the remedies provided through follow-up routines, including quality assurance and monitoring of consumer feedback. This approach enables us to identify and address recurring or systemic problems, as well as potential legal, conduct, and operational risks.

Actions taken to address consumer interests

Klarna is taking actions and dedicating resources targeted at consumer interests. These efforts are integral to our operations and reflect our commitment to consumer welfare.

User-focused products

When developing products, Klarna applies a consumer-centric approach. We provide insights to consumers about their payment patterns and facilitate responsible financial management through tools such as budgeting features. Additionally, we offer flexibility and choice in payments, empowering consumers to manage their finances effectively. When introducing new products, a thorough 'New Product Assessment' risk analysis is undertaken, where the impact on consumers is a key consideration.

Clear and ethical marketing and communication

Klarna provides employees involved in marketing with extensive guidelines, resources, and training to ensure adherence to our Consumer Marketing Policy and Instruction, as well as our Marketing Code of Conduct. These governing documents mandate that marketing and advertising activities be conducted with honesty and integrity, making it easy for consumers to understand and make informed choices about our products, and assign clear roles and responsibilities to employees in the marketing process. Klarna prioritizes consumer needs and transparent practices, with the aim of creating interfaces that simplify information and minimize confusion. We offer balanced

promotions, ensuring that our advertising complies with all legal requirements and is fair, clear, and not misleading or likely to mislead our consumers.

To ensure that our marketing, messaging, and consumer terms are not misleading or unclear, we have implemented comprehensive guidelines and compliance processes:

- **Compliance with laws and regulations:** We adhere to various consumer protection laws that prohibit deceptive or misleading advertising in every region where we operate, governing all marketing activities regardless of content. Legal and Compliance teams work together to monitor and respond to regulatory changes.
- **Rigorous review processes:** All marketing materials undergo a thorough review to ensure compliance with legal and regulatory requirements before publication. This includes fact-based representations and clear, prominent, and accurate descriptions of costs, benefits, and other material terms. We have established marketing checklists and conduct periodic audits and monitoring to ensure ongoing compliance.
- **Training and education:** We provide specific compliance training for our employees on this topic.
- **Marketing Code of Conduct:** Our Marketing Code of Conduct is available to all employees and emphasizes honesty, trust, and transparency in all marketing activities. It includes guidelines relevant to all markets in which we operate to ensure that advertisements are socially responsible and do not encourage debt or overspending. The code provides specific instructions on how to rectify problematic copy and avoid misleading claims.

Data privacy

At Klarna, consumer privacy and information security are key priorities. As a financial institution, we recognize the immense responsibility associated with handling personal data daily. We aim to use this data to enhance our customers' shopping experiences while ensuring their privacy is uncompromised.

Klarna's Data Privacy Policy outlines the principles for handling personal data to avoid negative impacts on consumers:

- **Compliance:** Striving to comply with all applicable data privacy obligations.
- **Risk-based approach:** Assessing data privacy risks based on market, product, and individual impact, and adjusting acceptable risk levels accordingly.
- **Proactivity:** Considering privacy impacts before and during the development of new products and processes.
- **Transparency:** Clear communication about data handling practices to consumers, ensuring they understand how their data is used and what choices they have.

Regarding the positive impact of Klarna's commitment to respecting and empowering consumer privacy, this is achieved through the development of data use policies that comply with global privacy laws, clear communication of the intended uses of customer data, easy access to data privacy support, and active response to consumer feedback on data privacy.

In 2024, Klarna continued to advance its data privacy initiatives, building on its previous successes with new developments, including:

- **Expanding testing resources:** enhanced our privacy testing capabilities by increasing resources and focusing on risk-based testing and reviews of critical privacy topics, ensuring robust protection for our customers.
- **Investing in governance tools:** To maintain consistent quality oversight, we introduced new governance tools that improve our ability to manage and monitor privacy-related processes effectively.
- **Streamlining privacy governance:** consolidated our privacy governance into a single, dedicated team for more coherent and effective implementation of our privacy policies.
- **Proactive regulatory monitoring:** proactively monitored the evolving regulatory landscape in the U.S. and swiftly updated our policies to reflect new regulations.
- **Data-driven governance:** continued our journey towards a data-driven approach to governance, facilitating informed decisions that benefit our customers.

To positively contribute to improved social outcomes for consumers and end-users, Klarna emphasizes transparency and communication by simplifying our privacy policy to be clear and easily understandable. We regularly update consumers on any changes to how their data is used, providing summaries and visual aids to help consumers quickly grasp key points.

We have developed privacy control tools that allow consumers to easily manage their privacy settings, providing them with control over their personal data. These tools also facilitate requests for access to, correction of, or deletion of their data in compliance with GDPR and other privacy regulations.

We track and assess the effectiveness of our actions by conducting regular data privacy audits, consumer satisfaction surveys, and monitoring compliance with our training programs.

Cybersecurity

Klarna is committed to the security of our services and the protection of our customers from cybercrime and fraud. We aim to have the best security in the industry, focusing on protecting the confidentiality of customer information and ensuring the availability, reliability, and integrity of our services.

To prevent cybersecurity incidents and data breaches, we employ a comprehensive and multifaceted approach involving various teams and strategies:

- **Proactive monitoring and incident response:** Klarna has robust processes to detect and respond to preemptive cyberattacks, risks, and threats. Klarna's Security Operations Center provides 24/7 incident response, including network monitoring, anomaly detection, and Distributed Denial of Service attack (DDoS) detection. The Large-Scale Incident Cybersecurity Senior Leads Virtual Team oversees and directs all cybersecurity aspects of large-scale incidents, focusing on threat identification, response, and mitigation to protect our infrastructure and data.
- Klarna's evolving identity architecture presents an opportunity to enhance access management by streamlining systems, optimizing role design, and leveraging recent security insights to strengthen the foundation for future growth and innovation.
- **Industry collaboration:** We actively collaborate on fraud and consumer protection topics across the financial industry. Klarna holds memberships and participates in discussions with organizations such as Cifas, local governments, the UK fraud prevention agency, and the Bedrägeriforum organized by the Swedish Ministry of Finance.

- **Employee training:** All employees are required to complete annual security awareness training to ensure they understand their role in combating security breaches and stay informed about the evolving cyber threat landscape.

Security awareness training	2024
Completion rate of security awareness training	81% ²¹

- **Secure product design and testing:** We strive to ensure that products are secure by design by following a Secure Software Development Life Cycle (SSDLC). Security testing is performed by our dedicated in-house team, a community of security researchers as part of our vulnerability disclosure policy and private bug bounty program through HackerOne, and independent third-party testing.
- **Continuous investment and improvement:** Klarna continues to invest in internal resources and capabilities for proactive and reactive measures to better respond to fraud and cybercrime attempts. We regularly review and update cybersecurity policies and procedures, leveraging lessons learned from incidents to strengthen our security posture. Regular fire drills and tests are conducted to ensure preparedness.
- **Security strategy development:** Klarna's cybersecurity approach aims to enable engineers to deliver business value while reducing security risks and increasing the overall security posture. This includes proactive and risk-based security assessments, full utilization of asset discovery and inventories, and continuous identification of gaps in critical areas.
- **Compliance and regulatory adherence:** Klarna ensures all cybersecurity practices and incident responses comply with legal, regulatory, and industry standards to minimize legal risks and penalties.
- **Operational resilience:** Klarna's operational resilience strategy ensures business continuity and minimizes disruptions by implementing robust incident response and recovery plans, regularly updating and testing business continuity plans, conducting resilience training and awareness programs, and continuously improving strategies based on insights from past incidents and drills.

Cybersecurity initiatives performed during 2024 include:

- **Darktrace deployment:** Aiming for 100% visibility on all sites to enhance threat detection capabilities.
- **Client deployment of SentinelOne:** Ensuring all clients are protected by SentinelOne, a next-generation endpoint protection platform.

²¹ Excluding employees on long term leave

- **Incident Management and Reporting Routine:** Establishing clear processes for incident management and reporting, including the use of tools like OpsGenie for alerting and on-call scheduling.
- **Utilization of AI:** Evaluating the use of AI in designing, building, and operating solutions to enhance security measures and reduce risks.

To positively contribute to improved social outcomes for consumers and end-users, Klarna:

- **Community outreach:** Participates in community outreach programs to promote cybersecurity awareness and education.
- **Transparent policies:** Designs its policies to be transparent and user-friendly, empowering consumers to control their personal information.
- **User feedback:** Regularly solicits feedback from its users to improve our security measures and address their concerns effectively.
- **Enhanced security initiatives:** Through a dedicated project, Klarna has upgraded its security measures, streamlined communication of key security features, and established a comprehensive internal resource to ensure our customers benefit from industry-leading protection.

To track and assess the effectiveness of these measures, Klarna:

- **Monitor security incidents:** Specifically monitor security-related incidents, including response time and customer satisfaction feedback.
- **Customer surveys:** Use a survey-based measurement tool that operates across eight markets. Surveys are sent daily to Klarna customers who have made a purchase in the past 24 hours.

Resources managing material impacts

The material impacts we identified both relate to data privacy. Klarna has a team of privacy professionals composed of multiple Data Protection Officers (DPOs) and Privacy Officers appointed for various entities within the Klarna group. This team is responsible for providing DPO-like services across all Klarna entities and jurisdictions, ensuring compliance with data protection regulations globally. In addition to the

DPOs and Privacy Officers, we have allocated resources for testing, data monitoring, operations, and engineering to be effective.

Role of the Data Protection Officer

The DPO at Klarna has several critical responsibilities, including:

- **Monitoring compliance:** Ensuring compliance with GDPR and other data protection laws, advising on data protection impact assessments (DPIAs), and serving as the point of contact for data protection authorities.
- **Risk management:** Conducting regular audits, risk assessments, and monitoring to uphold high standards of privacy and data protection. Overseeing the management of the Personal Data Registry to document all personal data processing activities.
- **Incident response:** Engaging in the incident response program, particularly in cases involving personal data breaches. Reviewing assessments of personal data breaches and advising on notifications to external third parties.
- **External communications:** Acting as the point of contact for data protection authorities and data subjects. Assisting with investigations conducted by privacy regulators and managing responses to both data protection authorities and consumers.
- **Reporting:** Reporting to the Audit, Compliance, and Risk Committee on a quarterly basis through the Quarterly Compliance Report, providing information deemed appropriate to inform and advise on obligations under data protection legislation.

Information is provided to customers via the Privacy Notice, which contains all relevant information regarding data handling practices, ensuring transparency and compliance with regulatory requirements.

Balancing business pressures

When tensions arise between preventing or mitigating negative impacts and business pressures, Klarna employs a risk-based approach.

- **Risk Assessment:** Risks are evaluated in accordance with the company-wide risk assessment framework.
- **Board Oversight:** The Board defines Klarna's risk appetite and is responsible for setting policies establishing the principles for risk management, ensuring that any risks falling outside the acceptable scope are promptly mitigated.
- **Accountability:** Each team is responsible for assessing and escalating risks within their area, making business decisions based on provided advice, and documenting their decisions to demonstrate compliance.

Targets

Klarna has established comprehensive policies and processes to manage its impacts on consumers and end-users. While Klarna tracks various metrics to monitor these impacts, it has not yet set time-bound and outcome-oriented targets related to them.

Metrics tracked regarding material impacts, risks, and opportunities:

- **Data privacy and information security complaints:** Klarna monitors the number of complaints or requests received from consumers, Klarna employees, and regulators concerning data privacy—including right to be forgotten requests—and information security. Any significant changes in complaint patterns are subject to further investigation.
- **Consumer contacts related to data privacy:** Instances of consumer contacts regarding data privacy and right to be forgotten requests are systematically tracked to ensure compliance and address any concerns promptly.
- **Marketing complaints:** Klarna tracks the number of consumer complaints received in regard to marketing practices. Significant changes in complaint patterns are thoroughly investigated.

Furthermore, Klarna's third line of defense conducts regular audits of our marketing activities.

Social

Financial stability, literacy and wellness



Our approach and policies

IRO type	Material impact, risk or opportunity
Positive impact	By using Klarna's personal finance tools, our customers are better in control of their finances which helps prevent getting into unmanageable levels of debt.
Risk	Klarna has a risk of accumulating losses if it provides credit to customers that may not be able to make their repayments
Risk	Klarna's reputation could suffer due to negative media attention if it provides credit to consumers that are unable to make their repayments.
Negative impact	If Klarna's underwriting process isn't diligent enough, this could cause vulnerable consumers to go into indebtedness.

Klarna is committed to empower consumers to take control of their finances by offering alternative, fair, and flexible payment options, as well as tools that promote smart spending habits. Financial stability, literacy, and inclusion are critical components of our business model and consumer engagement strategy, reflecting our mission to help people spend their money in a smarter way.

Our approach to personal finance management is directly linked to our real-time underwriting process, product design, and risk management. These areas are essential in mitigating risks such as bad debt accumulation and reputational harm. The negative impact relates directly to the real-time underwriting process—a key aspect of our business model—where insufficient diligence could lead to over-indebtedness of vulnerable consumers. The positive impact of offering personal finance tools is strategically aligned with our long-term goal of promoting responsible financial behavior, which is part of Klarna's commitment to enhancing customer financial health. Both impacts inform Klarna's strategic focus on responsible lending and product innovation, ensuring we mitigate risks while providing financial inclusion.

Our services include detailed spending overviews, in-app budgeting tools, auto discounts at checkout, and an AI-powered unbiased search tool, enabling consumers to make informed purchasing decisions and find the best products at the best prices. These offerings allow customers to choose flexible payment options, such as delaying payment or spreading the cost interest-free over a short period, supporting responsible financial behavior. Through these tools, Klarna enables consumers to maximize the value of every dollar and foster sustainable spending habits.

Vulnerable consumers

To address the risks and negative impact related to consumers' personal finance management, Klarna has established the *Vulnerable Consumer Policy*, which is central to our commitment to treat vulnerable consumers fairly and respectfully.

Definition and identification

Klarna defines vulnerable consumers following the definition of the UK Financial Conduct Authority (FCA): "Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care."

Klarna's approach to assessing which consumers and end-users may be at greater risk of harm involves a combination of defined criteria for identifying vulnerable consumers, relying on both trained employee judgment and, when necessary and available, supporting evidence. Employees are trained to use their discretion and common sense to recognize signs of vulnerability during interactions with consumers. While some cases may require supporting evidence, such as medical documentation, Klarna prioritizes providing support based on the consumer's reported circumstances and observed behavior. By understanding the factors that contribute to vulnerability and

emphasizing the importance of recognizing different types of vulnerability, Klarna ensures that vulnerable consumers are identified and managed in a fair and respectful manner. This comprehensive training and support enable employees to offer appropriate assistance tailored to the individual needs of consumers.

Several factors may indicate a consumer's vulnerability:

- **Health:** Conditions or illnesses that affect the ability to carry out day-to-day tasks.
- **Life events:** Major life events such as bereavement or relationship breakdown.
- **Resilience:** Low ability to withstand financial or emotional shocks.
- **Capability:** Low knowledge of financial matters or low confidence in managing money.

These factors are not definitive or exhaustive but help Klarna understand the circumstances or situations, both permanent and transient, that can indicate potential vulnerability.

Actions

Klarna has implemented several initiatives to support personal finance management.

Developing and implementing consumer products

The Financial Overview Dashboard within the Klarna App, provides consumers with tools to understand their spending habits and manage budgets. It offers a set of tools that gives them transparency and control over their personal finances:

- **Budgeting:** Allows consumers to set and track monthly spending limits. Available globally.

- **Categorization:** Automatically categorizes transactions to show consumers what they are spending money on. Available globally.
- **Monthly Spending Breakdown**
 - **Money Out:** Enables consumers to track and compare spending over time with interactive bar charts. Available globally.
 - **Money In:** Tracks incoming transactions over time, useful for users who have connected external accounts. Available in Austria, Belgium, Germany, Finland, France, United Kingdom, Netherlands, and Sweden.
- **Connected Accounts:** Allows consumers to link external bank accounts to see all balances and transactions in one place. Available in Austria, Belgium, France, Germany, Netherlands, Sweden, Finland and the UK.
- **UK Credit Opt-Out:** An in-app tool that enables consumers to 'switch off' Klarna's credit products without losing access to shopping features or 'Pay in full', providing more control over how and when they access credit.
- **Klarna Balance:** In selected markets (Sweden, Germany, France, Austria, Netherlands, Finland, Spain, Italy, Portugal, Ireland and Belgium), consumers can access savings accounts with competitive interest rates. Features like "Flex accounts" allow users to set savings goals and automate deposits through rituals like "Goal Getter" (a set amount deposited to the flex account on a weekly basis) and "Roundup" (rounds up each card payment to the nearest euro and deposits the excess change into the account).
- **New User Experience and Brand Design:** Launched in Q1 2024, Klarna's new brand identity aims to make the user experience clearer and more intuitive, ensuring that consumers can navigate our services with ease, enhancing overall satisfaction and trust.

In addition to the above, Klarna has integrated an educational video into the user journey on Klarna.com, available in the UK market, to address frequently asked questions and explain key concepts such as how payments are handled and what credit checks occur when paying with Klarna, enhancing transparency and consumer understanding.

Personal finance management initiatives

Financial literacy learning tools

Recognizing that many individuals find financial terms complex (research commissioned by Klarna revealing millions of UK adults (40%) think mastering money terms is harder than learning to speak a new language, and 64% of Gen Z believing foreign words to be easier than

money terms like APR, capital gains and compound interest), Klarna launched a financial education YouTube series in June 2024 with financial expert Bola Sol and TV chef Big Zuu. The series breaks down the most misunderstood terms in an engaging format.

Wikipink

Launched initially in the Nordics and expanded to Austria, Germany, the Netherlands, the UK, and the US, Wikipink is a platform that presents data on reminder fees, debt collection, and enforcement cases. It aims to foster transparency and set better standards in the credit industry.

Sustainable payment research project

In partnership with the Sustainable Finance Lab in Sweden, Klarna is conducting research to improve understanding of the Swedish consumer credit market and propose solutions to existing problems, aiming to contribute to a more sustainable credit market.

Internal routines and practices

Financial hardship routine

Aligning with the *Vulnerable Consumer Policy*, this routine sets out processes for recognizing signs of financial difficulty and offering support measures such as debt management plans and financial counseling.

Transparency in advertising

In alignment with Klarna's *Consumer Marketing Policy* and related governing documents, Klarna aims to ensure that all of its advertising is clear, truthful, and transparent to not mislead customers. In some markets, like the UK, Klarna is required to disclose the potential risks of its financial products prominently in its advertising.

Spending capacity based on repayment behavior

Klarna's transactional underwriting approach is tailored for increased financial flexibility while encouraging responsible spending for each unique consumer. Klarna assesses repayment risk in real time for every purchase. New customers start with lower spending capacity, which can increase over time with demonstrated on-time repayment behavior. This approach encourages responsible spending and minimizes consumer debt accumulation.

One should note that every purchase made with Klarna comes with a payment commitment which is generally due in a very short duration (no longer than 30 days). Unlike traditional credit card companies, which require consumers to make 12 monthly payments a year, Klarna customers must repay each purchase individually. This frequent repayment schedule provides Klarna with a wealth of payment data, which is crucial for refining our credit models and making effective underwriting decisions for future purchases. Consequently, consumers tend to carry minimal debt with Klarna, as they must repay existing balances promptly to continue spending.

Remedies for material impacts

Through the *Vulnerable Consumer Policy* and associated forbearance routines, Klarna can pause payments for over-indebted customers, allow extended repayment terms, or, in circumstances where the customer's situation is unlikely to improve, agree to write off the debt.

Klarna affordability guidelines

For longer-duration credit products, in addition to creditworthiness assessment, Klarna performs rigorous affordability assessments to validate customers' overall financial health and prevent over-indebtedness. This includes verifying that a customer's disposable income can cover additional long-term debt.

Roles and responsibilities

- **Employee Training:** Klarna provides tailored support and annual training to employees for handling vulnerable consumers. This training equips staff with the skills and knowledge needed to identify and support vulnerable consumers appropriately. In addition, the People Advisory team provides support to employees who interact regularly with vulnerable consumers.
- **Monitoring and Support:** Each business area within Klarna is responsible for monitoring and assisting vulnerable consumers in their day-to-day operations. This includes obtaining and recording explicit consent from consumers and providing tailored support applicable to their situation and circumstances.
- **Development of Products and Services:** In the development and design of products and services, Klarna considers implementing product features or services that could support the needs of vulnerable consumers.
- **Evaluation:** Klarna ensures that vulnerable consumers are treated in a fair and appropriate manner that meets their needs by implementing appropriate processes at key points in the customer journey to identify instances where the needs of vulnerable consumers are not met, and by regularly reviewing management information regarding outcomes for vulnerable consumers. Analyzing management information is important to understand whether the needs of vulnerable consumers are met and to ensure the effectiveness of the vulnerable consumer process.

In addition to the specific consideration for vulnerable consumers, Klarna confirms the age of any consumer using any payment service to ensure compliance with applicable age limit restrictions.

Finally, Klarna gives special consideration to the needs of vulnerable consumers during product and service development, with rigorous change management processes aligning with Klarna's vision on responsible lending. Periodic reviews are also conducted to ensure products and services continue to meet the needs of vulnerable consumers.

Targets and metrics

While Klarna has not set specific targets related to personal finance management, we track key objectives and metrics to ensure that our initiatives are effectively supporting consumers in managing their personal finances:

Financial overview feature usage: In 2024, 27 million users visited personal finance features in the Klarna App, including budgeting, spending breakdown, incoming transactions, and account balance features.

Budgeting feature engagement: In 2024, nearly 1 million users set or adjusted their budgets through the budgeting feature, allowing them to track and manage monthly spending.

Connected accounts: In 2024, 446,500 users have linked one or more external bank accounts or credit cards through the Connected Accounts feature, providing them with a broader view of their finances within the Klarna app.



Governance



Governance

Governance and oversight



Governance and oversight

About Klarna

Klarna Holding AB (corporate registration no. 556676-2356) is a Swedish public limited liability company. Its subsidiary, Klarna Bank AB, is licensed to carry out banking activities under the supervision of the Swedish Financial Supervisory Authority (SFSA). Klarna is categorized by the SFSA as a category 2 institution²².

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. Therefore this report includes relevant information for both Klarna Holding AB and Klarna Bank AB.

Up until 23 May 2024, Klarna Holding AB was the ultimate parent company of the Klarna Group. Klarna Holding AB remains the parent entity of Klarna Bank AB. Since 23 May 2024, Klarna Group Plc serves as the ultimate parent company of the Klarna Group, which refers to the consolidated structure of Klarna's various entities, organized under different groups for financial and regulatory purposes and which includes Klarna Holding AB. For the purposes of this report, Klarna Holding AB and its subsidiaries are collectively referred to as the "Banking Group". Klarna Group Plc, as a UK based entity, is not required to be included in the scope of this specific Corporate Governance Report. As such, its mention is limited to essential instances for clarity and context.

²² The categorization aims to reflect Klarna's systematic importance and is based on its size, complexity and scope of activities.

The Corporate Governance Report is produced according to the Swedish Annual Accounts Act (SFS 1995:1554). Klarna is not obliged to comply with and does not apply the Swedish Corporate Governance Code (SCGC).

When signing the annual accounts on March 28, 2025, the board of directors of Klarna Holding AB (the "Board") also approved the Corporate Governance Report.

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 Nasdaq Stockholm's 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 the instruction for the CEO). The *Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders*, and the

Policy for Klarna Bank AB Board Committees have been adopted by Klarna Bank AB's board of directors. The *Policy for Klarna Bank AB Board Committees* includes instructions for the operation of the board's committees. Additionally, Klarna's *Code of 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 *AML & CTF Policy*, *Compliance Policy*, *Conduct Risk Policy*, *Conflict of Interest Policy*, *Credit Policy*, *Data Privacy Policy*, *the Global Work Environment Policy*, *Remuneration Policy*, and the *Risk Management 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, for Klarna Bank AB, 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/>.

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 2024 neither decided on authorization to acquire nor convey own shares in Klarna. Consequently, the board of directors did not have such authorizations in 2024.

Mandate to issue shares and warrants

On December 23, 2024, the Klarna Holding AB general meeting authorized the Board to issue 5,594,090 shares.

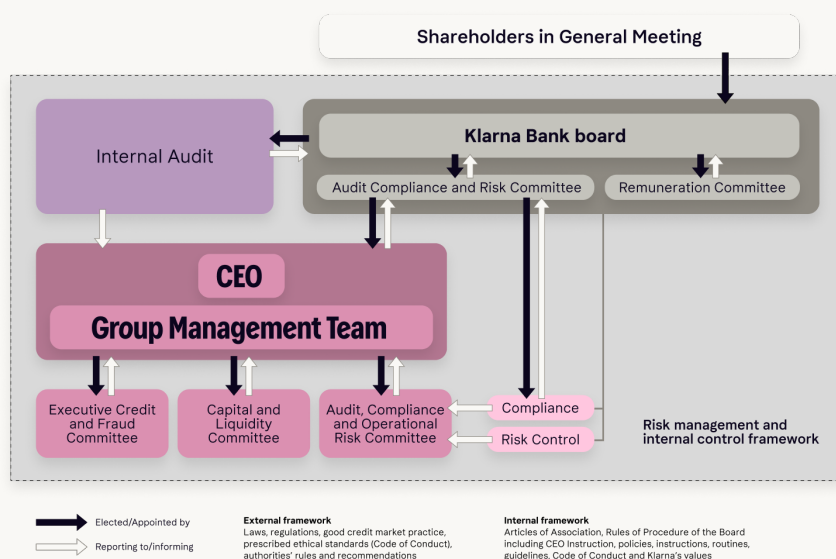
Klarna's qualified shareholders

Klarna Holding AB (publ) shareholders $\geq 10\%$ are as follows:

Shareholder	Shareholding	% of votes/ownership
Klarna Group Holdco Ltd	Direct	99.9%
Klarna Group Plc	Indirect	99.9%
Aktieselskabet Af 20.3.2020 (a subsidiary of Heartland A/S)	Indirect	10.1%

Klarna Bank AB is 95.1% directly and 99.7% indirectly owned by Klarna Holding AB.

Klarna Bank AB operating entity corporate governance structure



Composition of administrative, management, and supervisory bodies

Klarna Bank AB

Klarna's governance structure for the entity Klarna Bank AB is anchored by its board of directors, Group Management Team, Audit, Compliance & Risk Committee (ACRC), and Remuneration Committee (RemCo). These bodies collectively ensure effective oversight and strategic direction aligned with Klarna's commitment to sustainability, transparency, and long-term growth.

The board of directors

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 for a one-year term of office extending through to the next annual general meeting. Klarna is not required to have a nomination committee and as such the Board has not adopted a nomination policy.

The Board has adopted rules of procedure that regulate the Board's role and ways of working. The board of Klarna Bank AB has also adopted a *Policy for Klarna Bank AB Board 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, the members of the CXO team, and the heads of the control functions (Risk Control and Compliance).

The Chairperson

The Chairperson of the Board organizes and leads the work of the Board. According to the Rules of Procedure of the Board, the Chairperson 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 Klarna's activities in accordance with the external and internal frameworks. The CEO reports to 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. The CEO is Sebastian Siemiatkowski.

Composition of the boards of directors

The board of directors of Klarna Holding AB consists of:

- David Fock, Chief Product and Design Officer (Chair)
- Sebastian Siemiatkowski, CEO
- Camilla Giesecke, Chief Operating Officer

The board of directors for Klarna Bank AB, comprising both executive and non-executive members, is responsible for the company's strategy, organization, and operational management, holding significant responsibilities in ensuring adherence to business conduct standards.

- Executive Members: 1
 - Sebastian Siemiatkowski, CEO
- Non-Executive Members: 6
 - Michael Moritz
 - Sarah Smith
 - Lise Kaae
 - Omid Kordestani
 - Roger W. Ferguson Jr.
 - Andrew Reed
- Total Members: 7

David Fock, Chairman of the Klarna Holding AB board, Chief Product and Design Officer

David Fock became a member and the Chairperson of the Klarna Holding AB board of directors in October 2024. He has served as Klarna's Chief Product and Design Officer since February 2015. Mr. Fock joined Klarna in August 2010 and prior to his current role held various positions in design and sales, most recently as Klarna's Vice President of Product, Commerce. Prior to that, from January 2008 to May 2010, Mr. Fock founded and operated HML Systems AB, an online retailer, and served as the Chief Executive Officer of Clarion Bilstereo AB, a distributor of electronic products, from January 2006 to December 2007.

Camilla Giesecke, Klarna Holding AB board member, Chief Operating Officer

Camilla Giesecke became a member of the Klarna Holding AB board of directors in October 2024. She has served as Klarna's Chief Operating Officer since August 2022. Ms. Giesecke joined Klarna in February 2017 and held various leadership positions prior to her current role, most recently as Klarna's Chief Expansion Officer. From August 2006 through January 2017, Ms. Giesecke served as an investment professional at Investor AB, a Swedish investment firm, and in various leadership roles at its portfolio companies, such as Permobil AB, a medical equipment manufacturer, and Saab AB, a Swedish aerospace and defense company. Prior to that, Ms. Giesecke worked as an M&A analyst at J.P. Morgan Chase & Co. in London, United Kingdom. She holds a M.Sc. in Economics and Business Administration from the Stockholm School of Economics.

Sebastian Siemiatkowski, Klarna Bank AB and Klarna Holding AB board member, CEO

Sebastian Siemiatkowski co-founded Klarna in 2005 and has served as a member of the board of directors and as Klarna's Chief Executive Officer since February 2005. Under his leadership, Klarna has grown from a Stockholm-based startup into one of the world's leading fintech

companies, redefining the shopping and payments experience for millions of consumers and hundreds of thousands of merchants globally. Mr. Siemiatkowski has played a key role in shaping Klarna's strategic vision, product innovation, and international expansion. Beyond Klarna, he served as an advisory board member of SSE Business Lab, the startup incubator of the Stockholm School of Economics, from May 2015 to June 2019. He is a frequent speaker on financial technology, entrepreneurship, and the future of commerce. Mr. Siemiatkowski holds an M.Sc. in Economics and Business from the Stockholm School of Economics.

Michael Moritz, Chairman of the Klarna Bank AB board

Sir Michael J. Moritz KBE has served as a member of our board of directors since July 2010 and as the Chairperson of our board of directors since December 2020. He currently serves as senior advisor and member of the board of directors of Sequoia Heritage, a private investment partnership, and from 1986 to July 2023, he served as a partner at Sequoia Capital, a venture capital firm. In addition to our board of directors, Mr. Moritz currently serves on the boards of directors of Maplebear Inc. (doing business as Instacart), a delivery company, and several private companies, including TrialSpark, Inc., a pharmaceutical company. He previously served on the boards of directors of, among others, LinkedIn Corporation, a professional networking company, Green Dot Corporation, a financial technology company, PayPal Holdings, Inc., a digital payments company, Alphabet Inc., a multinational technology conglomerate, and Yahoo!, Inc., a web services provider. Mr. Moritz also serves as chairman of Crankstart. He holds a bachelor's degree in History from Christ Church, University of Oxford, and an MBA from the Wharton School at the University of Pennsylvania.

Lise Kaae, Klarna Bank AB board member

Lise Kaae has served as a member of our board of directors since December 2020. She has served as the chief executive officer of

Heartland A/S, a holding and investment company, since August 2017. Ms. Kaae previously served as the chief financial officer of Bestseller A/S, a fashion company, from May 2008 to July 2017. Prior to that, she worked in various roles at entities affiliated with PricewaterhouseCoopers International Limited, an accounting firm, from August 1992 to April 2008, most recently as a partner. In addition to our board of directors, Ms. Kaae has served as a member of the boards of directors of Novonesis A/S, an international biotechnology company, since March 2024, of Bestseller A/S, since November 2017, of Normal A/S, a Danish retail chain, since October 2014, and of VKR Holding A/S, a holding company, since March 2020, and currently serves as a managing director and/or member of the board of directors of several subsidiaries within, and affiliates of, the Heartland group. She holds an MSc in Business Economics and Auditing from the Aarhus School of Business.

Sarah Smith, Klarna Bank AB board member

Sarah Smith has served as a member of our board of directors since December 2020. She previously worked at The Goldman Sachs Group, Inc. ("Goldman Sachs"), a global financial firm. Ms. Smith joined Goldman Sachs in 1996 and was named a managing director in 1998 and a partner in 2002. During her tenure, Ms. Smith served as the controller and chief accounting officer of the firm until 2017 and subsequently as the chief compliance officer from 2017 to 2020. She then served as a senior advisor to Goldman Sachs from 2020 until her retirement in 2021. In addition to our board of directors, Ms. Smith has served as a member of the board of directors of Aon plc, a global insurance company, since April 2023, and several private companies, including Via Transportation, Inc., a re-engineering public transit company, since June 2021, and 98point6 Inc., a healthcare software company, from February 2021 to March 2024. She has also served as a member of the board of trustees of the Financial Accounting Foundation, the parent organization of the Financial Accounting Standards Board and the Governmental Accounting Standards Board,

since January 2021, and has served as a trustee of the Nuveen Churchill Private Capital Income Fund since April 2022. Ms. Smith holds a Dip. in Accounting from the City of London University and is a fellow of the Institute of Chartered Accountants in England and Wales.

Andrew Reed, Klarna Bank AB board member

Andrew Reed has served as a member of our board of directors since March 2024. Mr. Reed is a Partner at Sequoia Capital, a venture capital firm, which he joined in February 2014. In addition to our board of directors, Mr. Reed has served as a member of the board of directors of several private companies, including Vanta Inc., a security and compliance automation company, since April 2021, Bolt Technology OÜ, a mobility and delivery company, since January 2022, Figma, Inc., a design platform, since February 2024, and Strava, Inc., a social networking company for athletes, since November 2023. He holds a B.A. in Economics and Classics from Amherst College.

Omid Kordestani, Klarna Bank AB board member

Omid R. Kordestani has served as a member of our board of directors since December 2020. He previously served as the executive chairman of Twitter, Inc. (now X Corp.), a social networking company, from October 2015 to June 2020, and as a member of its board of directors until October 2022. Prior to that, he worked in various leadership roles at Alphabet Inc., a multinational technology conglomerate, from May 1999 to April 2009 and then again from August 2014 to October 2015, most recently as a special advisor to the chief executive officer and the company's founders. In addition to our board of directors, Mr. Kordestani has served as a member of the board of directors of Pearson, plc, a learning company, since April 2022, and as its chairman since May 2022. He holds a B.S. from San Jose State University and an M.B.A. with a focus on Organizational Leadership from Stanford University.

Roger W. Ferguson Jr., Klarna Bank AB board member

Roger W. Ferguson, Jr. has served as a member of our board of directors since May 2021. He has been a partner and the chief investment officer and chairman of the Investment Committee of Red Cell Partners, an incubation and venture capital enterprise focused on the healthcare and defense sectors, since August 2022. Mr. Ferguson served as the president and chief executive officer of TIAA, a financial services company, from April 2008 to April 2021. From 2006 to 2008, he served as the chairman of Swiss Re America Holding Corporation, head of financial services and a member of the executive committee of Swiss Re, a global reinsurance company. Prior to that, Mr. Ferguson was a member of the Board of Governors of the U.S. Federal Reserve System from 1997 to 2006 and served as its vice chairman from 1999 to 2006. He also worked as an associate and partner at McKinsey & Company, a global management consulting firm, from 1984 to 1997. Mr. Ferguson began his career as an attorney at the New York City office of Davis Polk & Wardwell LLP. In addition to our board of directors, Mr. Ferguson has served as a member of the boards of directors of Alphabet Inc., a multinational technology conglomerate, since June 2016, where he serves as chair of the audit committee, International Flavors & Fragrances, Inc., a creator of flavors and fragrances, since April 2010, where he serves as chair of the board of directors, and Corning Incorporated, a manufacturing company, since April 2021, where he serves as chair of the compensation committee. Mr. Ferguson currently serves on the boards of the Institute for Advanced Study and the Memorial Sloan Kettering Cancer Center. He is a fellow of the American Philosophical Society and the American Academy of Arts & Sciences and is a member of the Smithsonian Institution's Board of Regents, the Economic Club of New York, the Council on Foreign Relations and the Group of Thirty. Mr. Ferguson holds a B.A in Economics, a J.D., and a Ph.D. in Economics, all from Harvard University.

Board committees

The overall responsibility of the Board cannot be delegated. The Klarna Bank AB board of directors 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 Bank AB Board Committees*. Each committee regularly reports on its work to the Klarna Bank AB board of directors. Committee members are appointed by the Klarna Bank AB board of directors for a period of one year at a time.

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 2024 and provided regular updates to the Klarna Bank AB board of directors on matters pertaining to its responsibilities.

- Non-Executive Members during 2024: 3
 - Sarah Smith (Chair)
 - Roger W. Ferguson Jr. (appointed on September 18, 2024)
 - Lise Kaae
 - Mikael Walther (appointment ended on October 24, 2024)
- Total Members: 3

Remuneration Committee

The Remuneration Committee (RemCo) is responsible for preparing and presenting proposals to the Klarna Bank AB board of directors on remuneration issues. This duty includes proposals regarding Klarna's *Remuneration Policy* and on remuneration to members of the Group Management Team. The Klarna Bank AB board of directors 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 Klarna Bank AB board of directors 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 Klarna Bank AB board of directors at the closest following board meeting.

- Non-Executive Members during 2024: 4
 - Omid Kordestani (Chair)
 - Michael Moritz
 - Sarah Smith
 - Andrew Reed (appointed on December 10, 2024)
- Total Members: 4

Meetings and attendance

The table shows the number of meetings held in 2024 by the board of directors and its committees²³ as well as the attendance of the individual board members:

	Klarna Holding AB board of directors ²⁴	Klarna Bank AB board of directors	Audit Compliance and Risk Committee	Remuneration Committee	Independence in relation to the company	Independence in relation to significant shareholders
2024						
Number of meetings	7	8	9	3		
(of which were held per capsulam)	2	3	0	1		
David Fock²⁵	1	-	-	-	No	No
Sebastian Siemiatkowski	7	8	-	-	No	No
Camilla Giesecke²⁶	1	-	-	-	No	No
Michael Moritz	6	8	-	3	Yes	Yes
Sarah Smith	6	8	9	3	Yes	Yes
Lise Kaae	6	8	9	-	Yes	No
Andrew Reed²⁷	4	7	-	-	Yes	Yes ²⁸
Omid Kordestani	6	8	-	3	Yes	Yes
Roger W. Ferguson Jr.²⁹	6	8	3	0	Yes	Yes
Mikael Walther³⁰	6	7	6	0	Yes	No
Matt Miller³¹	1	1	0	0	Yes	No

²³ The committees in the table are committees of the Klarna Bank AB board of directors.

²⁴ On October 17, 2024, the appointments of Michael Moritz, Sarah Smith, Lise Kaae, Andrew Reed, Omid Kordestani and Roger W. Ferguson Jr., on the Klarna Holding AB board of directors ended. Camilla Giesecke and David Fock (Chair) were appointed as new board members along with Sebastian Siemiatkowski who remained on the board.

²⁵ David Fock was appointed to the Klarna Holding AB board of directors on October 17, 2024, and only one (1) meeting has taken place since his appointment.

²⁶ Camilla Giesecke was appointed to the Klarna Holding AB board of directors on October 17, 2024, and only one (1) meeting has taken place since her appointment.

²⁷ Andrew Reed was appointed to the Klarna Holding AB and Klarna Bank AB boards of directors on March 12, 2024. He was appointed as an additional member of the RemCo on December 10, 2024.

²⁸ Andrew Reed is a Managing Member in Sequoia Capital and serves as a board member of Klarna Group Plc. Sequoia Capital is a shareholder in Klarna Group Plc, a UK-based entity. Within the framework of the Swedish regulated Banking Group, Sequoia Capital is not regarded as a qualified shareholder; therefore, we have documented Andrew Reed's independence concerning significant shareholders.

²⁹ Roger W. Ferguson Jr. was appointed to the ACRC on September 18, 2024 and has attended three (3) ACRC meetings since his appointment.

³⁰ Mikael Walther's appointment on the Klarna Holding AB board ended on October 17, 2024. His appointment on the Klarna Bank AB board ended on October 24, 2024.

³¹ Matt Miller's appointments on the Klarna Holding AB board and on the Klarna Bank AB board ended on March 12, 2024.

Group Management Team

The Group Management Team is responsible for matters of common concern across corporate functions, strategic issues, business plans, financial forecasts, and reports. Group Management Team meetings are held weekly or as convened by the CEO. CXO meetings are held monthly.

- Members of the Group Management Team:
 - Sebastian Siemiatkowski, Chief Executive Officer (CEO)
 - David Fock, Chief Product and Design Officer (CPDO)
 - Camilla Giesecke, Chief Operating Officer (COO)
 - Niclas Neglén, Chief Financial Officer (CFO)
 - David Sandström, Chief Marketing Officer (CMO)
 - Yaron Shaer, Chief Technology Officer (CTO)
 - David Sykes, Chief Commercial Officer (CCO)
 - Joachim Reuss, Chief Risk Officer (CRO)
 - Harjot Lidher, Chief Information Security Officer (CISO)
 - Joaquín Calderón, Chief Compliance Officer
 - Arvind Varadhan, Chief Credit Risk Officer
 - Boudien Moerman, Chief Legal Officer (CLO)
- Total Members: 12

Group management committees

The CEO has, besides the Group Management Team, three separate committees at his disposal for the purpose of managing operations. Group Management Committee meetings are held monthly.

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.

Representation of employees and other workers

Klarna engages directly with its workforce and through workers' representatives to ensure a comprehensive understanding of employee needs and perspectives. Engagement occurs during onboarding, feedback sessions, and significant organizational changes. Additionally, continuous communication is fostered through management chats, business updates, and company wide All-Hands meetings, ensuring direct and transparent information flow between management and employees. Additionally, team and domain leads provide weekly updates on challenges and progress, enhancing the efficiency of information sharing. Klarna's Chief Operating Officer oversees all employee engagement processes, ensuring the integration of employee feedback into company strategies and operations.

Experience and training

Members of Klarna's administrative, management, and supervisory bodies are assessed for both theoretical and practical experience relevant to banking, financial markets, legal requirements, strategic planning, risk management, accounting, auditing, and other areas critical to Klarna's business. This assessment includes evaluating their past positions, length of service, and the complexity of businesses they have managed. Additionally, Klarna's leadership team brings extensive global experience, having worked with companies across various sectors and geographic locations worldwide, which strengthens Klarna's capacity to navigate diverse markets and regulatory landscapes.

To ensure that the board of directors, the CEO, and key function holders have the right skills, knowledge, and experience, the Board has adopted the *Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders*. This policy assesses the individual's experience and reputation to ensure they are a good fit for the company. It also evaluates their ability to commit the time and effort needed to perform their duties effectively.

The COO is responsible for the assessment at appointment of members of the Group Management Team (excluding the CEO) and key function holders and subsequently at least every two years, or sooner if events observed through ongoing monitoring 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 Swedish Financial Supervisory Authority.

The CEO's performance and qualifications are evaluated in the same manner 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.

The board of Klarna Bank AB sets an annual training plan, and the Compliance Function is responsible for its implementation. 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. This ensures that the board is continuously informed and updated on relevant matters that affect the company.

Diversity

Klarna recognizes that having a diverse Board is crucial to ensuring the Board can perform its duties effectively and has the knowledge and experience needed to navigate the various social, business, and cultural conditions of the markets in which Klarna operates. The Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders emphasizes that all Board assignments should be made based on merit, with the goal of maintaining and enhancing the Board's overall effectiveness. In order to achieve this, Klarna seeks 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. Klarna strives to ensure that board members complement each other to cover expertise vital for Klarna.

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:



The ultimate responsibility for risk management rests with the Board, which sets Klarna's risk appetite and policies establishing the principles for risk management. It also oversees and promotes a sound risk culture of risk awareness and understanding across the organization to encourage informed decision making. The board of Klarna Bank AB is supported by the Audit, Compliance, and Risk Committee (ACRC) in performing its duties regarding risk management.

The Group Management Team is 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 Banking 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 control 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 and report directly to the CEO. They also attend and report to the Audit, Compliance and Risk Committee (ACRC) and the Board.

Internal Audit, as the **third line of defense**, provides risk assurance through independent periodic reviews of governance structures and control systems. This includes regular evaluations of Klarna's risk management framework and an annual review of the second line of defense's control functions. Internal Audit reports directly to the board of Klarna Bank AB, offering reliable and objective assurance to both the board and the CEO on the effectiveness of controls, risk management, and governance processes.

The board of Klarna Bank AB has decided to outsource Klarna's Internal Audit Function to Deloitte and has adopted a *Policy on Group Internal Audit*. The Internal Audit Function regularly reports audit results, identified risks, and improvement suggestions to the board and ACRC. It also informs the CEO, Group Management Team, and relevant departments on internal audit matters. The board of Klarna Bank AB annually establishes a plan for 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 2024 annual general meeting AGM as external auditor for the period up to the 2025 annual general meeting.

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 *Policy on Non-Audit Services Provided by External Auditors* 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.

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 Management 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 Management 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 Group Management Team 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 Klarna Bank AB 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 in exposures.

Credit risk 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 exposure concentration to individual partner 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 movements in market prices impacting Klarna's earnings or capital position.

Klarna does not actively take market risk but due to its multi-currency business and different duration of its assets and liabilities market risk is an inherent risk of the business. Interest rate risk specifically arises via a mismatch of terms in assets and liabilities where duration of funding is longer compared to the duration of credits granted to consumers.

Klarna seeks to match lending in foreign currencies with a financial liability in the same currency and any mismatches may be hedged to minimize the impact changes in currency rates may have on Klarna's realized earnings. Similarly, Klarna seeks to match changes in interest rate on borrowings with interest rates on lending and, where needed, hedge mismatches.

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 therefore keeps sufficient levels of liquidity at hand at all times, ensuring that 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 exists across all of Klarna's business processes. 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 in the event of disruption.

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 zero tolerance for entering into or maintaining business relationships where there is knowledge or suspicion that Klarna's products or services are being used for money laundering or terrorist financing. In such cases, Klarna will immediately terminate the relationship and take appropriate action in accordance with regulatory requirements.

ICT and Security risk is defined as: the risk of failures or breaches in information or communication systems 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 and security management framework. This includes frequent IT security/vulnerability assessments and testing, ongoing system monitoring, software change management controls, strict access management controls and regular training, including security awareness training and exercises. ICT and Security risk controls are tested and measured continuously.

Business risk is defined as: the risk of suboptimal strategy selection or sustainability 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 plan's achievability under different circumstances. The achievement of the business plan is then reviewed monthly by the Group Management Team 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.

Sustainability risks are identified through a periodic double materiality assessment to determine key prudential and non-prudential themes that could impact Klarna. For prudential regulation, sustainability risk, including ESG factors, is integrated into risk management practices such as the *Credit Policy* and stress testing scenarios. Non-prudential regulation involves collaboration across Klarna to assess external data and communications, including ESG reports and voluntary reporting initiatives. To deliver its sustainable, global growth strategy in an efficient and responsible 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 and appropriately managed.

Risk reporting

In the *Risk Management 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 Banking Group's performance and make informed decisions.

Insider administration

As Klarna's equity 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.

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

Klarna does not maintain a permanent insider register under EU Market Abuse Regulation No 596/2014 (MAR). 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.

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 Corporate Secretariat team reporting to the Chief Legal Officer.



Governance

Sustainability governance



Sustainability governance

Klarna's governance structure ensures a comprehensive approach to managing ESG impacts, risks, and opportunities, with clear roles and responsibilities assigned across different levels of the organization.

The board of Klarna Bank AB and senior management receive quarterly updates on significant developments regarding material impacts, risks, opportunities, and the effectiveness of related strategies, policies, actions, and due diligence processes. These updates include information on the execution and outcomes of policies, actions, metrics, and targets. The flow of information is facilitated through internal mechanisms, including reports prepared by Klarna's independent Risk Control Function, the sustainability lead, and the CMO, underscoring the commitment to oversight on Environmental, Social, and Governance (ESG) factors. Additionally, the CFO ensures communicating relevant financial and non-financial risks to the Board.

Material impacts, risks, and opportunities addressed

During the reporting period, Klarna's administrative, management, and supervisory bodies addressed various material themes identified in the updated Double Materiality Assessment (DMA). The ACRC addressed ESG topics in three of its meetings in Q1, Q2 and Q3 in 2024. The Board addressed ESG topics at its meeting in Q4, 2024.

Management roles

Specific management-level positions report to respective members of the Group Management Team, ensuring a clear line of communication regarding ESG matters:

- Chief Marketing Officer: Holds overarching accountability for sustainability programs, including impacts, risks, and opportunities.

- Chief Operating Officer: Holds overarching accountability for people-related impacts, risks, and opportunities.
- Chief Financial Officer: Holds overarching accountability for governance-related impacts, risks, and opportunities.
- Chief Risk Officer: Holds overarching independent accountability for overseeing business risk, including sustainability risk, impacts, and opportunities.
- Chief Compliance Officer: Holds overarching independent accountability for ensuring business compliance, including impacts, risks, and opportunities.
- Chief Information Security Officer: Holds overarching accountability for information and data security, including impacts, risks, and opportunities.
- Sustainability Lead: Directly responsible for delivering Klarna's environmental programs and overseeing impacts, risks, and opportunities, reporting to the Chief Marketing Officer.

Reporting lines

Management-level positions tasked with day-to-day management of ESG impacts, risks, and opportunities report to their respective Group Management Team members, who in turn report to the CEO. The Group Management Team, including the CEO, reports to the Board, ensuring integrated oversight of ESG matters.

Target setting and monitoring

Targets related to material ESG impacts, risks, and opportunities are set by the respective teams owning ESG matters within their scope of work. The Board oversees these targets through the annual approval of the ESG report, which outlines Klarna's ESG strategy, targets, and progress. The ACRC assists the Klarna Bank AB board by providing detailed quarterly reports on ESG risks and achievements, enabling the board to oversee progress towards sustainability objectives.

Sustainability-related expertise

Klarna recognizes the importance of equipping our administrative, management, and supervisory bodies with the necessary skills and expertise to oversee sustainability matters effectively.

- Group Management Team: The Sustainability team provides regular updates to members of the Group Management Team, enhancing their understanding of ESG issues, impacts, risks, and opportunities.
- Audit, Compliance & Risk Committee: Quarterly risk reports provided by the Risk Control team to the ACRC offer an overview of continuous ESG risk monitoring. Detailed deep dives included in these reports strengthen the Klarna Bank AB board's insights into the current ESG risk landscape for both Klarna and the industry.

While our management and supervisory bodies do not assess the availability of sustainability expertise directly, the required skills are being assessed through the hiring process by the sustainability lead and hiring manager. The team independently accesses training and consults with external experts, ensuring that their expertise remains aligned with our evolving sustainability priorities and challenges.

Risk management and internal controls over sustainability reporting

Klarna maintains robust risk management and internal control processes to ensure transparency, compliance, and accuracy in sustainability reporting. The ESG report is reviewed by stakeholders, Group Management, and ultimately approved by the Klarna Holding AB board of directors.

In 2024, Klarna's risk assessment involved over 10 team sessions and 18 stakeholder discussions, focusing on risk identification, mitigation, and monitoring. Key risks include:

Potential inaccuracies in sustainability reporting

Risk description: Inaccuracies or gaps in sustainability reporting can harm Klarna's reputation, undermining stakeholder trust and suggesting a lack of transparency or commitment to sustainability.

Mitigation: Develop a robust reporting framework to ensure comprehensive and accurate disclosures. Enhance stakeholder engagement and introduce strong validation measures to maintain credibility.

Use of estimations

Risk description: Reliance on estimations in sustainability reporting may affect the accuracy and reliability of disclosures, potentially leading to misinterpretation or misleading conclusions.

Mitigation: Strengthen reporting processes by leveraging recognized data sources and methodologies. Improve data accuracy by strengthening data collection processes, including the use of sources recognized globally by regulatory authorities.

Integration into internal functions and processes

Findings from our ESG risk assessment related to reporting are integrated into Klarna's risk monitoring system, informing relevant internal functions and decision-making processes. Our integration actions include:

- Data validation: Engage departments such as finance, operations, and compliance to validate sustainability data, ensuring accuracy and completeness.
- Stakeholder engagement: Maintain open communication with stakeholders to address data-related concerns promptly and transparently.
- Risk incorporation: Incorporate identified risks into the ESG report development, which undergoes several review stages:
 - Stakeholder Review: Initial content review by stakeholders.
 - Group Management Team Review: Ensuring alignment with strategic objectives.
 - External Audit: Independent validation of the report content.

Governance

Business conduct



Governance of business conduct

Conduct risk management

The board of directors is ultimately responsible for the conduct risk management framework at Klarna Bank AB. This includes understanding the nature and level of conduct risk, ensuring appropriate controls and instructions are in place to mitigate these risks, and ensuring that Klarna Bank AB operates within the board-agreed risk appetite.

Conduct risk is defined and divided into two categories in Klarna Bank AB's *Conduct Risk Policy*:

- **Conduct reputational risk:** Actions or inactions by Klarna or associated parties that fail to meet ethical, integrity, or societal expectations, potentially harming Klarna's reputation.
- **Customer outcome risk:** Actions or inactions by Klarna that lead to customer harm, such as misleading communications and marketing, or products or services designed, operated, or used in ways that result in poor customer outcomes.

The Chief Executive Officer (CEO) plays a crucial role in ensuring the company's adherence to business conduct standards. The CEO is responsible for implementing the organizational structure, instructions, and routines necessary to comply with the *Conduct Risk Policy*. This includes setting the tone for the culture and conduct of all staff in the organization and championing the requirements of the policy.

Ethical standards and principles

The Klarna Bank AB board of directors is responsible for establishing and defining Klarna Bank AB's ethical principles and standards. It approves the *Ethics Policy* on an annual basis and regularly evaluates its effectiveness and suitability.

Internal fraud risk management

The Klarna Bank AB board of directors is responsible for understanding the nature and level of internal fraud risk, ensuring appropriate internal fraud risk controls and instructions are in place to mitigate these risks, and ensuring that Klarna Bank AB operates within established guidelines and expectations.

Oversight of consumer credit lending

The Klarna Bank AB board of directors maintains awareness and oversight of the key requirements of consumer credit lending laws across the markets where Klarna Bank AB operates. This is crucial to ensure a fair, responsible, and transparent lending process, safeguarding the interests of both Klarna and consumers.

Vendor management

The Klarna Bank AB board of directors is responsible for establishing and communicating the standards and requirements documented in the *Vendor Management Policy* throughout the company. It ensures that Klarna Bank AB has sufficient governance, organizational, and operational resources to execute an effective vendor management program.

Corporate culture and business conduct

IRO type	Material impact, risk or opportunity
Positive impact	A healthy and ethical corporate culture has the potential to lead to happy, motivated and engaged Klarna employees and help drive the company towards shared goals.
Risk	If Klarna encourages or is engaged in unethical behavior or poor business conduct it risks incurring legal consequences, losing market trust or harm its reputation.

Klarna is committed to upholding the highest standards of ethical conduct and fostering a corporate culture that emphasizes customer focus, innovation, and inclusivity. Klarna's approach to business conduct is grounded in comprehensive policies and frameworks that guide Klarna's operations globally, ensuring compliance with legal standards and the protection of customer interests, including: *Ethics Policy, Code of Conduct, Global Work Environment Policy, Conduct Risk Policy, Whistleblowing Policy* and *Internal Governance and Control Policy*.

Corporate culture

Klarna's culture is built on integrity, inclusivity and a commitment to our contributors, consumers and merchants. Klarna takes pride in our diverse team of employees who are located in offices across three continents and represent more than 100 nationalities.

We strive to unlock the full potential of our employees to drive our success. Key attributes of working at Klarna include:

- **Supportive team dynamics:** A positive and collaborative work environment is promoted.
- **Autonomy and trust:** Employees are empowered with independence and trust from their leads, fostering role autonomy.
- **Impactful work:** Meaningful contributions are encouraged, and employees are supported in embracing challenging tasks for professional growth.
- **Recognition and appreciation:** Employee contributions are valued through recognition, awards, and competitive compensation.
- **Supportive leadership:** Constructive feedback and clear expectations on development are provided.
- **Clear organizational goals:** An environment of open dialogue, transparency, and alignment with company objectives is maintained.

Klarna's culture is foundational to Klarna's success, driven by ethical values, inclusivity and employee well-being. Klarna foster a supportive environment such that Klarna's employees thrive and significantly contribute to the company's achievements.

Operating model

Klarna's operating model is designed to foster agility, innovation, and a customer-centric approach. Klarna's employees are organized in cross-functional teams and groups, based on problem spaces, comprising members from diverse competences who take full accountability for their business areas. Key elements include:

- **Cross-functional problem spaces.** To enable accountability and ownership and prevent silos, Klarna organizes around problems it solves for its customers.
- **Alignment and autonomy:** Teams adhere to Klarna's established practices and ways of working, ensuring a consistent rhythm across the organization. This enhances collaboration and decision-making at the team level.
- **Leadership:** Leads are members of the team, and everyone, including leads, contributes directly to the team's work. This promotes and ensures deep knowledge at the team level.
- **Flexibility:** Employees can move between teams into new problem spaces, ensuring flexibility on the Line of Accountability while maintaining more stability through the Line of Competence.

Employee engagement

Klarna cultivates a culture that strives for everyone to feel connected and valued, supported by open communication, ample learning and development opportunities, and continuous evaluation of its ways of working. The cornerstones for employee engagement are customer obsession, the operating model, and a focus on innovation guided by ethical integrity. Read more about employee engagement in the [Own Workforce](#) section.

Reporting and escalation mechanisms

Klarna has established mechanisms for identifying, reporting, and investigating concerns about unlawful behavior or behavior that contradicts its *Ethics Policy*, *Code of Conduct*, or other internal rules.

Employees are encouraged to discuss suspected unethical or unlawful behavior in confidence with their Lead, People Advisory, or Compliance, or report it through Klarna's anonymous whistleblowing system. The *Whistleblowing Policy* provides additional guidance on the use of this channel.

When a conduct matter arises, the issue should be handled individually, on a case-by-case basis, to determine the most suitable course of action. The internal process for escalation may involve the Accountable Lead, Domain Lead, and the relevant member of the Group Management Team. If a decision cannot be made at a lower level, the case is escalated accordingly.

A potential breach of the *Ethics Policy* must be reported to the CEO and the Chief Compliance Officer. If the breach potentially constitutes a crime, the CEO is responsible for investigating and taking appropriate measures, such as reporting to the authorities. The Chief Compliance

Officer reports material breaches to the CEO and the Board, including the actions taken and any preventive measures proposed.

Klarna's Service Desk portal and Slack workflows are accessible to all employees for reporting incidents, including corruption and bribery incidents, with support from the People Advisory team. The third-party whistleblowing system, WhistleB, is accessible to internal as well as external stakeholders.

Anti-bribery and corruption

Klarna has procedures to investigate business conduct incidents, including incidents of corruption and bribery, promptly, independently, and objectively. Klarna has a zero-tolerance approach towards bribery and corruption. The *Anti-Bribery and Corruption* Instruction provides comprehensive guidelines for maintaining high ethical standards and avoiding any activities involving bribery or corruption. All benefits and gifts must be documented in accordance with the *Conflict of Interest Policy* and routine. All decisions related to benefits are then logged.

Employees are encouraged to anonymously report suspicions or attempts at bribery and corruption, or breaches of any external or internal rules, through the whistleblowing system as outlined in the *Whistleblowing Policy*.

Upon submission via the Whistleblowing tool, the Whistleblowing Committee is notified, and a Case Officer is promptly appointed to assess the case. Investigations are conducted independently by the Case Officer, who gathers necessary evidence and maintains strict confidentiality throughout the process. The Chief Compliance Officer oversees the investigation process and reports the outcome to the Audit, Compliance, and Risk Committee.

In case of a breach of the Anti-Bribery and Corruption Instruction, the employee risks criminal liability according to local anti-bribery legislation and labor-law related measures taken by Klarna, such as formal warnings or dismissal.

Employee training and awareness

All employees play a crucial role in Klarna being a good corporate citizen by creating trust with stakeholders and complying with laws and regulations. Employees must complete mandatory compliance training (e-learning), which requires annual recertification. The training covers topics including the Code of Conduct, whistleblowing, conflicts of interest, sanctions, anti-money laundering, and counter-terrorist financing. Additional tailored training is provided based on roles and responsibilities, or market requirements – for example, in the United Kingdom, employees undertake mandatory Conduct Rules training.

Compliance training	2024
Completion rate of mandatory online compliance training	84% ³²

³² Excluding employees on long term leave



Governance

Anti-money laundering & counter terrorist financing



Our approach and policies

IRO type	Material impact, risk or opportunity
Risk	Klarna's payment services could be targeted by criminals to launder money or commit terrorist financing.

While Klarna primarily handles low-value transactions, its services can still be misused by criminals. Klarna is committed to assisting in the fight against money laundering and terrorist financing by taking a proactive approach to Anti-Money Laundering (AML) and Counter Terrorist Financing (CTF) risk management.

Klarna has implemented a comprehensive AML and CTF program with the clear aim of preventing, detecting, and mitigating inherent and residual money laundering and terrorist financing risks in line with applicable regulatory provisions. As part of this program, Klarna has numerous transaction monitoring rules in place to screen for misuse of products through scenarios such as structuring, unusual payment patterns to high-risk retail partners, the purchase of terrorist goods and unusual high spending.

Klarna's primary services are payment services, factoring and consumer credit with low average value and short durations. All credit is linked to specific purchases of goods and services. In the context of AML and CTF, Klarna does not:

- Offer traditional banking products globally to its retail partners or consumers, with the exception of a current account in Germany and savings accounts in Germany and Sweden.
- Offer cryptocurrencies.
- Offer precious metals or allow currency exchange.
- Offer corporate banking.
- Have an investment banking arm or offer trading products like securities or enable commodity sales.

- Offer products and services that are inherently higher risk, such as traditional trade financing (Letters of Credit) or money remittance (e.g., Western Union).
- Accept cash or cheques or any other form of physical currency.
- Operate ATMs.
- Operate branches or subsidiaries for customers to walk in.

Group-wide standards and policies

Klarna Bank AB (publ) sets out the group-wide minimum standards for AML and CTF across the Klarna corporate group, which includes all branches and subsidiaries in all jurisdictions. Klarna has established a global AML and CTF program that applies a coherent approach across geographies and subsidiaries. Most AML and CTF relevant processes are centrally governed for all branches and subsidiaries, including Know Your Customer (KYC) processes and transaction monitoring.

To set a common standard of compliance with regulatory requirements and market expectations, Klarna has created a set of binding governing documents: the global *Anti-Money Laundering & Counter Terrorist Financing Policy* and local Anti-Money Laundering & Counter Terrorist Financing Instructions to cover its AML risks, and its Global Sanctions Policy and Global Sanctions Instructions to cover its sanctions risks. Local adjustments due to local regulations and varying product offerings are, where needed, detailed in local instructions.

Klarna Inc., through which Klarna's US products are offered, is a US-registered Money Services Business. As part of Klarna's global AML program, Klarna Inc. has its own BSA/AML Officer appointed and maintains its own US-specific AML policies including the *US Bank Secrecy Act* and *Anti-Money Laundering Policy*, which also includes its OFAC Sanctions Compliance Program in line with applicable US regulations and also incorporate the group-wide minimum standards that are passed down through Klarna Bank AB.

Correlation between fraud prevention and AML & CTF

In the context of financial crime, Klarna's AML & CTF Framework is separated from Klarna's consumer fraud processes. Teams working with fraud prevention involve monitoring activities and controls across the entire consumer journey, including account creation, transaction placement, and post-purchase activities. This comprehensive approach ensures that fraud risk exposure is minimized and that there is a robust system in place to detect and prevent fraud, which inherently includes AML and CTF considerations. For retail partners, the fraud reviews are incorporated in the onboarding set of checks and are a contributing factor in the AML processes at the onboarding and on an ongoing basis.

Actions

The proper functioning of the AML and CTF framework is monitored through quality assurance by the first-line functions and regular compliance testing. All observations and findings, including key metrics on the performance of the program, are reported to the AML Steering Committee. Klarna applies a zero-tolerance view to overdue findings.

Klarna takes several actions as part of AML controls and due diligence measures as mandated by law and the governing documents to ensure compliance and mitigate risks associated with money laundering activities. The below listed actions cover all activities of the Klarna corporate group. They apply primarily to the retail partners and distribution partners integrating with Klarna's payment and shopping services and involve customers, employees, and regulatory authorities.

In December 2024, the SFSA concluded a review, initiated in 2022, of Klarna's compliance with anti-money laundering regulations. The SFSA

issued Klarna Bank AB a remark (Sw. anmärkning) and a SEK 500m fine for AML/CTF compliance. While no violations were found in our transactions, the SFSA at the time deemed aspects of our KYC, CDD, and risk management insufficient under the Swedish AML Act. We have maintained constructive dialogue with the SFSA throughout the process which is part of our commitment to a robust and secure financial environment.

Overarching measures

- **Up-to-Date governing documents:** Klarna annually updates and secures senior management approval for governing documents, ensuring that policies and instructions remain current and effective.
- **Business-Wide risk assessment:** As a cornerstone of our AML program, Klarna conducts an annual assessment to identify and evaluate AML and CTF risks, assess the existing control environment, and issue recommendations for improvement, prioritizing their implementation.
- **Jurisdiction risk list:** Klarna has established, and regularly updates, its jurisdictional risk appetite for the group and sets group-wide standards to prohibit business activities in certain jurisdictions.
- **Model risk management:** Klarna has a dedicated process to evaluate, validate, and ensure the quality of models used for AML purposes, such as customer risk scoring and transaction monitoring, to detect and address possible errors before implementation.
- **New markets and New Product Approval process:** This process ensures that money laundering and terrorist financing risks are assessed and mitigated for the launching of new markets, products and services.
- **Know your customer and customer due diligence measures:** Klarna applies Know Your Customer and Customer Due Diligence measures, including Enhanced Due Diligence where required and Ongoing Due Diligence to ensure that customer information is kept current throughout the entire customer lifecycle for its customers.
- **Internal reporting:** Klarna conducts ongoing monitoring and tracking of AML and CTF activities, including key performance indicators (KPIs) and key risk indicators (KRIs), by the senior management member responsible for AML, to ensure the right priorities and allocation of sufficient resources. The CEO and the board of Klarna Bank AB receive a quarterly Compliance report.
- **Whistleblowing:** Klarna maintains a system that allows employees to anonymously report suspected violations of AML and CTF rules without fear of threats, retaliation, or other hostile acts.

- **External reporting:** Klarna submits periodic AML, CTF, and sanctions reports to local regulators where applicable.
- **Transaction monitoring and suspicious activity reporting:** Klarna monitors all customer transactions for deviating or potentially suspicious activity and files reports with the competent authorities in Klarna's markets where suspicious activity has been identified. Employees are prohibited from "tipping off" any person that might prejudice an existing or potential future investigation. Klarna is committed to cooperating with all competent authorities to prevent AML and CTF.
- **Termination of customer relationships:** Klarna terminates relationships where a customer may be outside of Klarna's risk appetite or where it is not possible to fulfill Klarna's customer due diligence obligations.
- **Third-Party reliance and outsourcing:** Klarna has defined clear guidelines for outsourcing and third-party reliance, assesses potential money laundering and terrorist financing risks associated with these relationships, and implements control measures.
- **Record retention:** Klarna retains documentation of AML and CTF measures and all AML-relevant customer documents throughout the business relationship and for at least five years after its conclusion.
- **Independent review of the AML Program:** Klarna ensures a regular independent review of the AML program by an independent third party, such as Internal Audit, on a risk-based approach, typically conducted annually.
- **Quality control framework:** Klarna regularly evaluates whether AML processes are functioning as intended and in accordance with group minimum requirements.

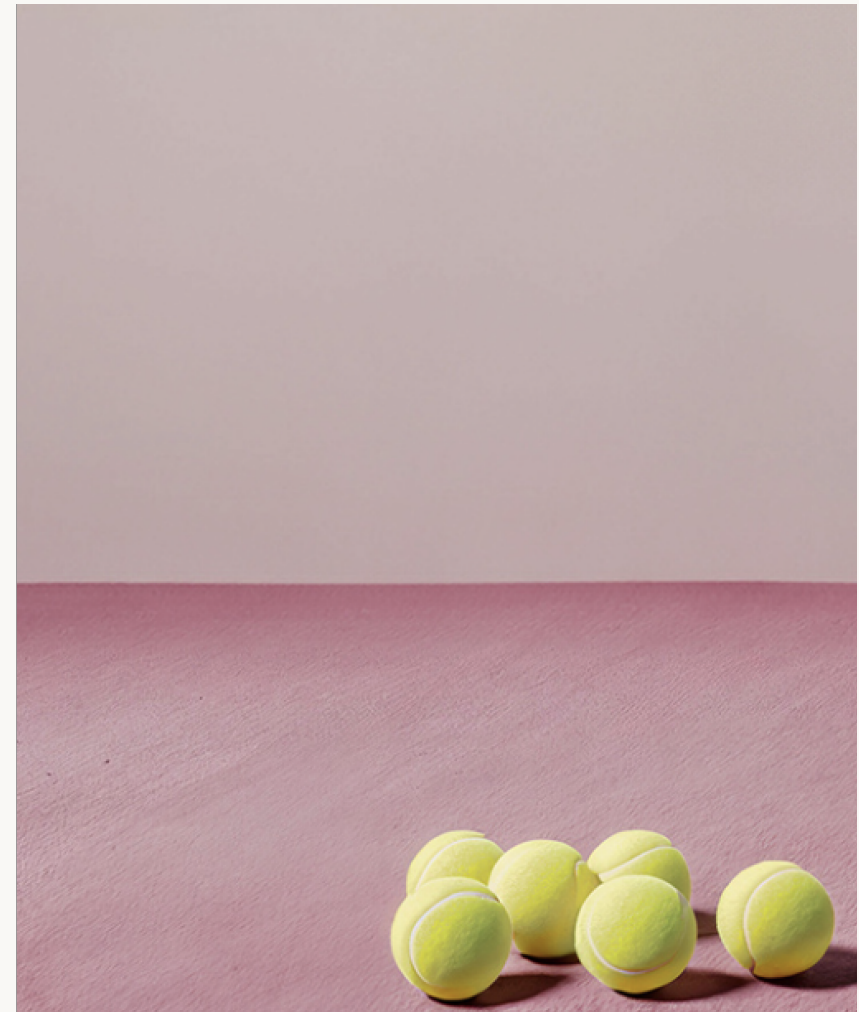
Employee-related measures

- **Suitability and reliability:** Ensures all employees are reliable and have suitable backgrounds, competence, experience, skills, language, and understanding of money laundering and terrorist financing commensurate with their duties.
- **Training:** Klarna provides annual mandatory compliance training and ongoing programs to ensure employees can detect and handle suspected money laundering and terrorist financing.
- **Protection:** Klarna has implemented measures to protect employees from threats, retaliation, harassment, discriminatory employment actions, or any other hostile actions related to fulfilling their AML and CTF duties, such as having reported suspected money laundering or terrorist financing activity.

Progress and continuous improvement

Klarna maintains a robust AML and CTF program that meets all legal requirements in all markets. Nevertheless, the group is committed to

continuously improving the AML and CTF program and reacting swiftly to new risks or money laundering and terrorist financing typologies. Areas of improvement identified during internal quality controls, Compliance findings, regulatory inspections, or audits are prioritized and addressed promptly.



Appendices



Data points that derive from other EU legislation

The table below includes all of the data points that derive from other EU legislation as listed in ESRS 2 appendix B, indicating where the data points can be found in our report and which data points are assessed as 'Not material'.

Disclosure Requirement and related datapoint	SFDR	Pillar 3	Benchmark Regulation	EU Climate Law	Section
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex 1		Commission Delegated Regulation (EU) 2020/1816 ⁽²⁷⁾ , Annex II		Governance
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		Governance
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex 1				Governance
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicators number 4 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 ⁽²⁸⁾ Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Revenue and sector alignment
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex 1		Delegated Regulation (EU) 2020/1816, Annex II		Revenue and sector alignment
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex 1		Delegated Regulation (EU) 2020/1818 ⁽²⁹⁾ , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Revenue and sector alignment
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Revenue and sector alignment

ESRS E1-1				Regulation (EU) 2021/1119, Article 2(1)	Klarna's climate transition plan
Transition plan to reach climate neutrality by 2050 paragraph 14					
ESRS E1-1		Article 449a		Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2	Klarna's climate transition plan
Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book-Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity			
ESRS E1-4	Indicator number 4 Table #2 of Annex 1	Article 449a		Delegated Regulation (EU) 2020/1818, Article 6	Klarna's climate targets
GHG emission reduction targets paragraph 34		Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics			
ESRS E1-5	Indicator number 5 Table #1 and Indicator n. 5 Table #2 of Annex 1				Not relevant
Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38					
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex 1				Klarna's energy consumption
ESRS E1-5	Indicator number 6 Table #1 of Annex 1				Not relevant
Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43					
ESRS E1-6	Indicators number 1 and 2 Table #1 of Annex 1	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity		Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)	Greenhouse gas emissions overview
Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44					
ESRS E1-6	Indicators number 3 Table #1 of Annex 1	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics		Delegated Regulation (EU) 2020/1818, Article 8(1)	Greenhouse gas emissions overview
Gross GHG emissions intensity paragraphs 53 to 55					
ESRS E1-7				Regulation (EU) 2021/1119, Article 2(1)	Klarna's support of carbon dioxide removal
GHG removals and carbon credits paragraph 56					

ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66		Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II	Not material
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.	Climate scenario analysis
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book - Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral	Not material
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69		Delegated Regulation (EU) 2020/1818, Annex II	Climate-related opportunities
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 Table #1 of Annex 1 Indicator number 2 Table #2 of Annex 1 Indicator number 1 Table #2 of Annex 1 Indicator number 3 Table #2 of Annex 1		Not material
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex 1		Not material
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex 1		Not material
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex 1		Not material

ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex 1	Not material
ESRS E3-4 Total water consumption in m ³ per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex 1	Not material
ESRS 2- SBM 3 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex 1	Not material
ESRS 2- SBM 3 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex 1	Not material
ESRS 2- SBM 3 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex 1	Not material
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex 1	Not material
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex 1	Not material
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex 1	Not material
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex 1	Not material
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex 1	Not material
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I	Preventing child and forced labor
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I	Preventing child and forced labor
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex I	Commitment to human rights

ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21		Delegated Regulation (EU) 2020/1816, Annex II	Our approach and policies
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I		Not relevant
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I		Our approach and policies
ESRS S1-3 grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I		Own workforce complaints and remediation
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II	Health and safety measures
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I		Health and safety measures
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II	Gender pay gap and equal opportunity initiatives
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I		Not stated
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I		Not stated
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD Guidelines paragraph 104 (a)	Indicator number 10 Table #1 and Indicator n. 14 Table #3 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	Not stated
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and n. 13 Table #3 of Annex I		Our approach and policies

ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 and Indicator n. 11 Table #1 of Annex 1		Our approach and policies
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and n. 4 Table #3 of Annex 1		Our approach and policies
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex 1	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Our approach and policies
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19		Delegated Regulation (EU) 2020/1816, Annex II	Our approach and policies
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex 1		Not stated
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 and Indicator number 11 Table #1 of Annex 1		Not relevant
ESRS S3-1 non-respect of UNGPs on Business and Human Rights, ILO principles or OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex 1	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Not relevant
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex 1		Not relevant
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 and Indicator number 11 Table #1 of Annex 1		Our approach and policies

ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex 1	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Instances of non-respect
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex 1		Not relevant
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex 1		Not relevant
ESRS G1-1 Protection of whistle- blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex 1		Reporting and escalation mechanism
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex 1	Delegated Regulation (EU) 2020/1816, Annex II)	Anti-bribery and corruption
ESRS G1-4 Standards of anti- corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex 1		Anti-bribery and corruption

Alignment with TCFD recommendations

Theme	Recommended disclosures	Report section	Report sub-section	Page
Governance	a) Describe the board's oversight of climate-related risks and opportunities	Governance and oversight	Sustainability due diligence and oversight	p. 173
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Governance and oversight	Risk management and internal controls over sustainability	p. 105
Strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	Climate change	Klarna's climate risk and resilience assessment	p. 38
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	Climate change	Klarna's climate risk and resilience assessment	p. 38
	c) Describe the resilience of the organization's strategy, taking into consideration different climate related scenarios, including a 2 °C or lower scenario	Climate change	Resilience of business model and strategy to climate risk	p. 41
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks	Climate change	Klarna's climate risk and resilience assessment	p. 38
	b) Describe the organization's processes for managing climate-related risks	Governance and oversight	Risk management and internal controls over sustainability	p. 105
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	Governance and oversight	Risk management and internal controls over sustainability	p. 105
Metrics and targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Climate change	Klarna's climate risk and resilience assessment	p. 38
	b) Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions and the related risks	Climate change	Klarna's carbon footprint	p. 30
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Climate change	Klarna's climate targets	p. 33

Policy overview

Topic	Policy	Summary
S4	Data Privacy Policy	Klarna's Data Privacy Policy, effective globally, outlines our internal approach to data privacy, ensuring compliance with applicable laws and respecting privacy expectations. The policy emphasizes principles such as compliance with data protection regulations, proactivity, transparency in communicating data handling practices, and accountability in handling personal data.
S4	Information Security Policy	Klarna's Information Security Policy is a comprehensive document that outlines our commitment to protecting the confidentiality, integrity, authenticity, and availability of information. It applies to all Klarna group entities and staff, emphasizing information security as critical to our business success and legal compliance. The policy establishes an Information Security Management System (ISMS) to manage risks and ensure sustainable growth.
S4	Consumer Marketing Policy	Klarna's Consumer Marketing Policy provides a global framework for marketing activities, ensuring compliance with laws, regulations, and internal requirements. The policy outlines the roles and responsibilities of internal and external stakeholders, including managers, employees and agencies working on our behalf, in our marketing activities. It emphasizes compliance with consumer protection, finance, and data privacy laws, ensuring transparency, fairness, and accountability in marketing practices.
S4	Complaints Policy	The Complaints Policy outlines a structured process for handling complaints across all markets, ensuring compliance with local and global regulations such as SFSA, EBA, BaFin, and ASIC guidelines. It covers both consumer and business complaints, ensuring that our handling process is compliant with regulatory requirements.
G1, S1, S4	Ethics Policy	Klarna's Ethics Policy guides the ethical conduct of all employees, board of directors members, and consultants globally. It incorporates laws like the Dodd-Frank Act and the UK Modern Slavery Act 2015, to ensure business integrity and compliance with ethical standards. The policy covers areas such as: employee conduct, consumer relations, partner conduct, conflict of interest and data privacy. It provides specific instructions for escalating ethical issues and includes a Modern Slavery and Human Trafficking Statement to emphasize transparency and zero tolerance for modern slavery in business operations and supply chains.
G1, S1, S4	Code of Conduct	Klarna's Code of Conduct is a set of guidelines and values that shape the behavior of Klarna employees, individuals representing Klarna companies, members of the board of directors, and consultants. It serves as a guide to relationships with each other, customers, partners, and other stakeholders, aiming to promote good business relations and ethical actions.
S1	Anti-Discrimination Harassment & Bullying Instruction	Klarna maintains a zero-tolerance stance toward discrimination, harassment, and bullying of any kind. The Anti-Discrimination, Harassment, and Bullying Instruction is designed to ensure a respectful, inclusive, and safe working environment for all and provides detailed guidelines on inappropriate conduct and procedures for addressing such behavior.
G1, S1, S2, S4	Whistleblowing Policy	The Whistleblowing Policy provides a clear framework for reporting and addressing unethical, illegal, or improper conduct within Klarna. Its purpose is to encourage reporting, protect whistleblowers, promote a culture of integrity, detect and prevent misconduct, ensure compliance with relevant laws and regulations, and strengthen trust within the organization. The policy applies to any person connected to Klarna, including employees, consultants, outsourcing partners, suppliers, and potential employees.
G1	Conflict of Interest Policy	Klarna's Conflict of Interest Policy is designed to effectively identify and manage potential and actual conflicts of interest across its global operations – to safeguard the interests of Klarna, its customers and other stakeholders. It applies to all operations and legal entities within Klarna, including employees, consultants, and Board members.
S1	Global Work Environment Policy	Klarna's Global Work Environment Policy is a comprehensive framework designed to foster a safe, inclusive, and supportive workplace for all contributors. The policy emphasizes well-being, compliance with applicable regulations, and shared responsibility for maintaining a positive work environment. It applies globally across all Klarna operations, including employees, consultants, and board members.
S2	Supplier Code of Conduct	Klarna's Supplier Code of Conduct sets clear ethical and legal standards for all suppliers working with the company, promoting integrity, transparency, and strict compliance with laws and regulations. Applicable globally, the Code is a default contractual requirement for all suppliers. Its purpose is to create a foundation for ethical collaboration, clarify supplier responsibilities, and align business practices with Klarna's values and legal obligations.

S1	Remuneration Policy	Klarna's Remuneration Policy outlines a balanced and differentiated remuneration structure that supports the ability to attract and retain talent, promotes equal and fair treatment, and ensures compliance with existing regulations. The policy addresses negative impacts and risks related to working conditions and applies to all employees globally.
S2	Modern Slavery and Human Trafficking Statement	Klarna's MSA statement emphasizes its zero-tolerance policy for modern slavery and outlines its commitment to ethical and responsible business practices. It aims to ensure that neither modern slavery nor human trafficking occurs within its operations or supply chains.
Financial stability, literacy and wellness	Vulnerable Consumer Policy	Klarna's Vulnerable Consumer Policy is designed to ensure that employees approach and handle vulnerable consumers in accordance with both internal and external rules. The policy applies globally to all parts of our operations and businesses that deal with vulnerable consumers. It defines the role and main responsibilities of how Klarna should handle vulnerable consumers, emphasizing the importance of treating all consumers in a clear, fair, and respectful manner, with specific attention given to those defined as vulnerable.
Anti-money laundering and Counter Terrorist Financing	Anti-Money Laundering & Counter Terrorist Financing Policy	Klarna's Anti-Money Laundering & Counter Terrorist Financing (AML & CTF) Policy is a global policy aimed at preventing, identifying, and reporting money laundering and terrorist financing. The policy outlines Klarna's AML program and approach to risk. It enforces zero tolerance for illegal activities, requires Know Your Customer measures, and continuous monitoring and reporting of suspicious activities to Financial Intelligence Units (FIUs). It protects whistleblowers while ensuring data privacy.
Anti-money laundering and Counter Terrorist Financing	BSA/AML (Bank Secrecy Act/Anti-Money Laundering) Policy	Klarna's BSA/AML (Bank Secrecy Act/Anti-Money Laundering) Policy applies specifically to Klarna Inc.'s operations in the United States and ensures compliance with U.S. laws, such as the Bank Secrecy Act and relevant regulations under the Office of Foreign Assets Control. It includes key components like the Customer Identification Program (CIP) and "Know Your Customer" (KYC) procedures, transaction monitoring, Suspicious Activity Reporting (SAR), OFAC/Sanctions requirements such as rejection/blocking report requirements, and recordkeeping, among others.
Anti-money laundering and Counter Terrorist Financing	Sanctions Policy	Klarna's Global Sanctions Policy outlines Klarna's Sanctions program and sets standards and procedures to ensure Klarna and its employees conduct business in accordance with applicable sanctions laws and regulations, to help mitigate potential regulatory and reputational risks associated with potential sanctions violations.
N/A	Compliance Policy	Klarna's Compliance Policy establishes the principles for ensuring compliance with global legislation and internal rules across all operations. It mandates a compliance culture integrated at all business levels, focusing on roles, responsibilities, compliance programs, and reporting. The Policy applies globally to all contributors and group entities and is based on diverse legislation and requirements including the GDPR, Banking Act, and FCA Handbook.
G1	Conduct Risk Policy	The Conduct Risk Policy ensures ethical practices, compliance with legal standards, and the safeguarding of customer interests across all Klarna group operations. This policy provides a structured approach for managing, monitoring, and upholding conduct standards, mitigating risks related to conduct, reputation, and customer outcomes.
G1	Policy on Internal Governance and Control	Our Policy on Internal Governance and Control provides a comprehensive framework to manage operations, risks, and compliance across Klarna Bank AB and its subsidiaries. It defines the roles and responsibilities of the Board of Directors, CEO, and various committees to ensure effective internal governance. The policy aligns with the European Banking Authority Guidelines on Internal Governance (EBA/GL/2021/05) and other regulatory requirements, emphasizing risk management, compliance, and outsourcing.
G1	Policy for Suitability, Training and Diversity of the Board, Management and Key Function Holders	Klarna's Policy for Suitability, Training, and Diversity of the Board, Management, and Key Function Holders ensures the ongoing suitability and diversity of its governance bodies, enhancing overall governance and market integrity. The policy applies to Klarna and its subsidiaries.
E1	Climate Commitment	Klarna's Climate Commitment outlines the company's approach to addressing climate change across its operations and beyond. This document, applying to Klarna and its subsidiaries, details measures to limit Klarna's carbon footprint, including reducing emissions, applying an internal carbon tax, and investing in climate projects through the Climate Transformation Fund.
S2	Vendor Management Policy	The Vendor Management Policy focuses on managing third-party risks and ensuring compliance with U.S. financial regulatory standards, specifically for Klarna Inc. and its collaboration with WebBank.

Gov	Policy for Klarna Bank AB Board Committees	Klarna's Policy for Klarna Bank AB Board Committees outlines the structure, responsibilities, and governance processes for the Audit, Compliance and Risk Committee (ACRC) and the Remuneration Committee (RemCo). It details procedures for committee appointments, decision-making, reporting, and maintaining documentation, highlighting a commitment to transparency and governance excellence.
Gov	Risk Policy	Klarna's Risk Policy outlines the framework for identifying, assessing, and managing risks across the organization to support sustainable growth and regulatory compliance. The policy applies to all operations within Klarna, emphasizing alignment with local laws while establishing a three lines of defense model for risk governance.
Gov	Operational Risk Policy	Klarna's Operational Risk Policy provides a global framework for managing and reporting operational risks, ensuring alignment with risk appetite and regulatory requirements. The policy employs a three lines of defense model involving Business Line Management, Risk Control and Compliance, and Internal Audit, and includes processes for risk assessment, internal controls, incident management, and business continuity.
Gov	Credit Policy	Klarna's Credit Policy provides a comprehensive framework for managing credit risks across all operations, legal entities, and individuals. The policy emphasizes the identification, control, monitoring, and management of credit risks in compliance with the Swedish Banking and Financing Business Act and local market practices, upholding ethical standards and best practices. It includes processes for risk identification, credit origination, monitoring, and ESG considerations.
Gov	Policy on Group Internal Audit	Policy on Group Internal Audit establishes the responsibilities and independence of the internal audit function, ensuring compliance with SFSA, EBA guidelines, and local regulations.
Gov	Policy on Non-Audit Services Provided by External Auditors	The Policy on Non-Audit Services Provided by External Auditors ensures compliance with EU audit reform. It defines prohibited services, permitted non-audit services, and the approval process to maintain auditor independence and regulatory compliance.

GHG emissions calculation methodology

Klarna calculates its greenhouse gas (GHG) emissions for all Klarna group entities using an operational control approach in line with the GHG Protocol Accounting and Reporting Corporate Standard. This ensures that Klarna accounts for all emission sources over which it has operational control. Klarna calculates its full value chain GHG emissions—including Scope 1, Scope 2, and Scope 3—in accordance with GHG Protocol guidance. Our GHG inventory covers all relevant emissions categories without applying exclusion thresholds. We receive annual external verification for our adherence to GHG Protocol standards through third-party validation of our calculations for Scope 1, Scope 2, and Scope 3.1 emissions.

The following calculation approach has been applied to the different GHG emissions scopes and categories:

Scope 1 emissions

For leased offices other than those in Stockholm and Berlin, where direct data may not be available, Klarna estimates direct emissions from stationary combustion using secondary activity data. Benchmarks for fuel consumption per floor area by building type and fuel type breakdown are sourced from the Building Performance Database. Estimated consumption data is then multiplied by relevant CO₂e emission factors for each fuel type, using US EPA and DEFRA emission factors.

Refrigerant leakage is estimated based on building floor area, utilizing the EPA HFC Accounting Tool. Refrigerant quantities are multiplied by

their 100-year Global Warming Potential (GWP) as specified by the Intergovernmental Panel on Climate Change (IPCC).

This estimation approach covers Klarna's own operations. While this represents a conservative method—considering Klarna's offices are generally new or refurbished with above-average energy efficiency—it ensures a high level of accuracy. Klarna plans to include additional offices in its primary data collection processes. Ongoing consolidation of leased offices will organically reduce the number of offices requiring estimated fuel consumption.

Scope 2 emissions

Emissions related to electricity consumption at Klarna-leased offices other than those in Stockholm and Berlin are estimated using benchmarks for electricity consumption per floor area. Consumption data is multiplied by relevant location-based CO₂e emission factors for electricity generation.

For market-based electricity, emissions are calculated similarly but also consider renewable electricity purchases and clean energy programs. Purchased heat, steam, or cooling emissions are accounted for in Scope 2, consistent with GHG Protocol guidance. These emissions are estimated using benchmarks for district heating and cooling consumption per floor area by country, multiplied by relevant CO₂e emission factors.

This estimation covers Klarna's own operations. Despite the conservative nature of using building sector averages, given Klarna's energy-efficient office spaces, this approach ensures accuracy. Klarna plans to include additional offices in its primary data collection and anticipates reductions in estimated consumption due to office consolidation.

Scope 3 emissions

Purchased goods and services

Klarna calculates emissions for most purchased goods and services using Watershed's Comprehensive Environmental Data Archive (CEDA) database or the EPA's Environmentally Extended Economic Input-Output (EEIO) emission factors, applied to annual supplier and procurement spend data. Spend is aggregated by accounting category and mapped to the most accurate EEIO category. Inflation or deflation adjustments convert emission factors to the US dollar value for the year of the activity, using industry-level price index data from the US Bureau of Economic Analysis.

Select vendor spends are mapped to those vendors' unique revenue intensity estimates when available and reported to CDP. Total spend is multiplied by EPA emission factors or vendor-specific factors to calculate CO₂e emissions. To prevent double counting, supplier spend data accounted for under other scopes is excluded from this analysis. For cloud computing emissions, Klarna uses cloud usage data or spend data to estimate electricity consumed and calculate emissions by applying regional factors. Klarna also estimates indirect emissions associated with cloud vendors.

This estimation covers upstream value chain emissions. While accuracy levels vary—with EEIO estimates offering lower accuracy—supplier-specific estimates and cloud computing emissions provide robust accuracy. Klarna will continue to incorporate more supplier-specific data as suppliers publicly report GHG emissions.

Capital goods

Klarna calculates emissions for capital goods using CEDA or EEIO emission factors applied to annual spend data, adjusted for inflation or deflation. This estimation covers upstream emissions, and Klarna plans

to improve data accuracy by increasing the inclusion of supplier-specific data as it becomes available.

Fuel-and-energy-related activities

Klarna estimates emissions in this category for three components:

1. **Transmission and Distribution Losses:** Electricity lost during transmission and distribution is estimated using regional grid loss rates from eGRID and Ecoinvent, applying the correct electricity emission factors.
2. **Natural Gas Leakage:** Fugitive emissions are evaluated using a Tier 1 approach based on data from the 2019 Refinement to the 2006 IPCC Guidelines, covering exploration, production, processing, and transmission stages.
3. **Upstream Well-to-Tank Emissions:** Emissions for stationary combustion and electricity transmission and distribution losses are estimated using DEFRA emission factors.

These estimations cover upstream emissions and are considered robust. Klarna has no current plans to improve data quality in this category, as it reflects common industry practice and Klarna's ability to reduce these emissions is limited beyond reducing energy consumption.

Waste generated in operations

Klarna estimates waste emissions by evaluating the number of employees working from each office location, assuming this matches the number commuting daily. Using the CalRecycle benchmarks, Klarna estimates waste produced per employee per day. Emissions are calculated for landfill and recycling using emission factors from DEFRA and the USEPA.

This estimation covers downstream emissions and is considered sufficiently robust. Klarna has no plans to improve data quality for this category.

Business travel

Klarna estimates emissions from business travel for flights, hotels, and other travel types as follows:

- **Flights:** Distance traveled is calculated using flight routes, and emissions are calculated using DEFRA emission factors grouped by flight category (long haul, medium haul, short haul). When data is unavailable, spend data is used with EEIO emission factors.
- **Hotels:** The number of nights stayed is calculated using check-in and check-out dates, applying country-specific emission factors from DEFRA. If data is unavailable, spend data is used with EEIO emission factors.
- **Other Travel:** Emissions are calculated using CEDA or EEIO emission factors applied to annual spend data.

This estimation covers upstream emissions and is considered robust. Klarna has no plans to improve data quality for this category.

Employee commuting

Emissions from employee commuting are estimated for both commuting and remote work:

- **Commute:** We estimate the number of commuting employees by location and apply office occupancy statistics. Remote employees are excluded. Average commute mix and distance for each location are estimated using government data (e.g., US Census Bureau, Eurostat). Miles traveled by car, public transit, walking, and biking are calculated and multiplied by the emissions factor for each method. Emission factors from the EPA are used for cars and public transit; walking and biking are assumed to have zero emissions.
- **Remote Work:** Energy use for home offices is estimated assuming 150 square feet per home office. Benchmarks for residential electricity and natural gas consumption per square foot are sourced from the Department of Energy's Building Performance Database. Energy usage is adjusted to reflect increased use during working hours and multiplied by regional emissions factors.

This estimation covers upstream emissions and is considered sufficiently robust. We have no plans to improve data quality for this category.

Upstream leased assets

For co-working spaces where energy consumption data is unavailable, we estimate emissions using square footage and activity-based

emission factors for electricity and natural gas. Emissions are calculated based on assumed activity, following a market-based approach for Scope 2 emissions where relevant data is available. This estimation covers upstream emissions and is considered robust. We have no plans to improve data quality for this category.

End-of-life treatment of sold products

Klarna issues and ships physical debit and credit cards to consumers. The cards as well as the associated packaging have a minor climate impact at their end of life. The associated GHG emissions are less than 5 tons of CO₂e per year, i.e. less than 0.005% of Klarna's annual value chain footprint. Klarna therefore categorises these emissions as not material, in line with the GHG Protocol standards. Klarna calculates and monitors the development of these emissions as part of its annual GHG calculation.

Categories not relevant to Klarna

Due to the nature of our business, the following Scope 3 categories are not relevant:

- **Upstream Transportation and Distribution:** Not relevant as Klarna has virtually no physical goods in its supply chain.
- **Downstream Transportation and Distribution:** Not applicable since Klarna does not ship physical products.
- **Processing of Sold Products:** Not applicable as Klarna sells no products requiring processing.
- **Use of Sold Products:** Not applicable since Klarna does not sell products or services with emissions in their use phase.
- **Downstream Leased Assets:** Not relevant as Klarna does not lease any assets downstream.
- **Franchises:** Not applicable since we Klarna has no franchises.
- **Investments:** Not relevant as Klarna has no investments as defined by the GHG Protocol standard.

EU Taxonomy statement

In accordance with the EU Taxonomy Regulation, Klarna must provide quantitative and qualitative disclosures containing:

- 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 objectives³³, 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;
- contextual qualitative information that supports the quantitative disclosures.

This section of the report contains the quantitative and qualitative disclosures required for 2025, calculated on the basis of information for the Financial Year 2024³⁴. To comply with the EU 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) 2021/451³⁵ (FINREP). To assess the eligibility and alignment of exposures, Klarna is often dependent on the information provided by third parties (customers, financial and non-financial counterparties). In some cases, this information is not available. Therefore, Klarna has used alternative methods and estimates, which are described below under the section Assumptions and data limitations.

Quantitative information

Since January 1, 2024, the EU Taxonomy Regulation requires credit institutions to report on the Green Asset Ratio (GAR) and associated Stock and Flow KPIs as per the mandatory templates in Annex VI of the Disclosure Delegated Act³⁶. This includes the eligibility of exposures for the activities covered in the Environmental Delegated Act, as well as the nuclear and gas-related activities following the templates provided in Annex XII of the Disclosure Delegated Act.

This results in the following list of mandatory templates:

- the "Summary of KPIs" template;
- the "Assets for the calculation of GAR" 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.

As of the end of 2024, Klarna's GAR Stock, based on EU Taxonomy eligibility, accounted for 0.18% of its total covered assets for both the Turnover and Capex KPIs. The alignment figures were 0.008% for the Turnover KPI and 0.010% for the Capex KPI. These eligibility and alignment results are derived exclusively from Klarna's exposures to in-scope credit institutions, calculated in accordance with the parameters and definitions set in the Regulation. Klarna has no exposure to fossil fuels or nuclear energy-related activities, as confirmed in the Annex XII disclosure template, which includes research, construction, operation,

³³ Reporting on the alignment for the four environmental objectives will be required starting January 1, 2026

³⁴ The KPI calculation uses counterparties' eligibility and alignment KPIs related to FY 2023 due to the lack of availability for FY 2024. This is further explained in the 'Assumptions and data limitations' section of this report

³⁵ [EUR-Lex - 02021R0451-20240901 - EN - EUR-Lex](#)

³⁶ [Delegated regulation - 2021/2178 - EN - EUR-Lex](#)

or funding of facilities that produce electricity or heat from these sources.

The low eligibility score (and thus alignment) results from various factors, primarily related to the limited relevance of the current scope of the EU Taxonomy for Klarna's business, particularly regarding Klarna's predominant exposures, namely households. Other factors include data constraints and materiality evaluations³⁷. Further elaboration on this can be found in the "Qualitative information" section of this report.

Qualitative information

Credit institutions are also required to disclose accompanying qualitative information to provide transparency and understanding of the reported metrics as set out in Annex XI of the Disclosures Delegated Act. This section provides insights into the eligibility and alignment percentages, limitations, details on changes to the mapping of exposures, and commentary on the scope of the regulation.

Scope of assets and activities covered by the GAR

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.

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

Category	Description of the category
Total covered assets	Total loans and advances, debt securities, equities and repossessed collaterals and all other on-balance sheet assets on 31 December 2024 for Klarna Holding AB excluding exposures to central governments, central banks, and supranational issuers. ³⁸
GAR – Covered assets in both the 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. Additionally, under the Taxonomy Regulation for credit institutions, the credit institutions must be split between European and non-European counterparties and between NFRD and non-NFRD counterparties. ³⁹
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. Additionally, under the Taxonomy Regulation for credit institutions, the other financial corporations must be split between European and non-European counterparties and between NFRD and non-NFRD counterparties. ⁴⁰
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 counterparties.
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. Assets for the calculation of GAR according to the Disclosure Delegated Act only cover certain specified household exposures: loans collateralized by residential immovable property, building renovation loans, motor vehicle loans. ⁴¹
Local governments financing	Financing granted by institutions to local governments.
Assets excluded from the numerator for GAR calculation (covered in the denominator)	

³⁷ For exposures where only high-level (not granular) information is available, a materiality assessment is conducted to assess the relevance of the potential eligibility.

³⁸ Klarna Bank AB is the entity holding the banking license. Thus, Klarna Bank AB is the one authorized to conduct operations in compliance with the Swedish Banking and Financing Business Act (lending, accepting deposits and Forex operations). Klarna Bank AB is a subsidiary of Klarna Holding AB.

³⁹ [EUR-Lex - 02021R0451-20240901 - EN - EUR-Lex](#)

⁴⁰ [EUR-Lex - 02021R0451-20240901 - EN - EUR-Lex](#)

⁴¹ https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2023_6780

Non-NFRD companies	Companies that do not fall within the scope of the Non-Financial Reporting Directive (NFRD) such as SMEs and non-EU country counterparties. Since granular data is currently not 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 reflects a conservative approach with regards to the materiality consideration for the eligibility of covered non-financial undertakings.
Derivatives	According to EBA guidance, only derivatives not held for trading are covered under this section, and derivatives held for trading should be included in the trading book. ⁴²
On-demand inter-bank loans	Balances receivable on demand with credit institutions.
Cash and cash-related assets	Cash and cash equivalents.
Other assets	Other assets cover tangible assets, intangible assets, prepaid expenses, accrued income, and household exposures that are excluded from the numerator. Following the Q&A published by the European Banking Authority on 25 August, 2023, Klarna's Household exposures are not covered under the categories specified in the template. In addition, exposures to local government for which the use of proceeds are unknown are also covered in the 'Other assets' category. ⁴³
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 by an institution either with the intent to trade, or in order to hedge positions held with the intent to trade as defined in point (86) of Article 4(1) of Regulation (EU) No 575/2013. As of 31 December 2024, Klarna does not have a trading book. ⁴⁴
Total assets	Total loans and advances, debt securities, equities, and repossessed collaterals and all other on-balance sheet assets on 31 December 2024 for Klarna Holding AB.

Changes in the mapping of exposures compared to FY 2023

In preparation for this year's reporting, Klarna undertook a thorough review of the mapping of its exposures which are covered in the GAR calculation. This was largely driven by the publication of frequently asked questions (FAQs) and guidance documents that clarified regulatory requirements. These guidelines provided insights and interpretations of the Regulations, enabling Klarna to refine its taxonomy reporting approach. Clarifications from the Regulation have resulted in reclassifications that impact Klarna's reporting, as detailed in Table 2 below.

The updated mapping aligns with current regulatory expectations, thereby improving the transparency and reliability of the information we provide. While the previous year's reporting has also been updated in the tables to reflect these changes, and allow fair comparisons across the years, this does not alter Klarna's eligibility and alignment numbers for FY 2023.

The specific categories that have been reclassified compared to last year's report are detailed in the table below.

⁴² https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Draft%20Technical%20Standards/2022/1026173/Annex%20II%20-%20Instructions%20for%20ESG%20prudential%20disclosures%20templates.pdf

⁴³ [2023_6780 ESG P3 - Template 7 Decision tree KPI GAR for Households | European Banking Authority](#)

⁴⁴ [EUR-Lex - 02013L0036-20241230 - EN - EUR-Lex](#)

Table 2 - Overview of the reclassification of exposures

Category of exposures	Reclassification	Rationale	Impact on the Disclosures
Households exposures	From row 24 'Households' to row 47 'Other categories of assets'.	The EBA Q&A clarifies that for retail exposures the GAR should only apply to the categories defined for credit institutions in the EU Taxonomy Regulation; namely, motor vehicle loans, loans collateralised by residential immovable property and building renovation loans. According to the Q&A, retail exposures other than the ones stated above should be included in 'Other categories of assets (e.g. goodwill, commodities, etc) and therefore are excluded from the numerator but covered in the denominator of the GAR. ⁴⁵	Retail exposures that were previously categorized under Households exposures and included in the numerator are now only accounted for in the denominator, following clarifications provided by the Regulator. This change results in a reduction, compared to the previous year, in the proportion of assets covered in the numerator of the GAR and therefore assessed for eligibility and alignment.
Non-EU counterparties	From covered in both the numerator and the denominator to covered only in the denominator.	As per Article 7(3) of Delegated Regulation (EU) 2021/2178, exposures to undertakings that are not subject to the NFRD shall be excluded from the numerator of the GAR. Since granular data is not currently available within Klarna's system to assess whether an EU counterparty falls within the scope of the NFRD, 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.	Non-EU exposures previously considered under financial undertakings and non-financial undertakings and included in the numerator and denominator are now only covered in the denominator. This change results in a reduction, compared to the previous year, in the proportion of assets covered in the numerator of the GAR and therefore assessed for eligibility and alignment.
Local government financing	From 'Other local government financing' to 'Other categories of assets'.	The European Commission (C/2024/6691) has clarified that financial instruments or lending to local governments where the use of proceeds is unknown should be excluded from the numerator of the GAR. ⁴⁶	Local government exposures previously included in the numerator are only covered in the denominator. This change results in a reduction, compared to the previous year, in the proportion of assets covered in the numerator of the GAR and therefore assessed for eligibility and alignment.
Multilateral development banks (MDBs)	From 'Central governments and Supranational issuers' to 'SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations' (for European MDBs) and 'Non-EU country counterparties not subject to NFRD disclosure obligations' (for non-European MDBs).	As per Annex V, MDBs, not being entities in scope of the NFRD, are excluded from the numerator of the GAR. Therefore, they fall under the 'Assets excluded from the numerator for GAR calculation (covered in the denominator)' category. Consequently, both types of exposures were reclassified into the most appropriate sub-category.	Exposures to MDBs, which were previously excluded from the GAR calculation (both from the numerator and denominator), are now included in the denominator, resulting in an increase in the overall denominator of the GAR.

⁴⁵ https://www.eba.europa.eu/single-rule-book-qa/qna/view/publicId/2023_6780

⁴⁶ See questions 15 and 47 of [EUR-Lex - 52024XC06691 - EN - EUR-Lex](#)

Methodology

The key performance indicator for credit institutions under the EU Taxonomy is the Green Asset Ratio (GAR). This metric represents the proportion of the institution's exposures that are related to taxonomy-aligned activities compared to its total covered assets. The GAR categorizes the institution's main lending and investment exposures into four groups: financial undertakings, non-financial undertakings, households, and local governments.

To calculate the GAR, a structured, four-step process was applied:

- Identification and Allocation of Exposures: Allocate Klarna's exposures to counterparties in accordance with the definitions provided in Annex VI 'Table 1. Assets for the Calculation of GAR'.
- Eligibility Assessment and Calculation: Assess the eligibility of each exposure based on whether the counterparty engages in activities listed under the EU Taxonomy. Calculate taxonomy eligibility by determining the proportion of the exposure to eligible activities for each counterparty category.
- Alignment Assessment and Calculation: Reviewing alignment of eligible exposures and determining the proportion of the exposure to aligned activities for each counterparty category.
- Reporting: Consolidate and structure the calculated data into GAR templates for standardized disclosure (see Appendix for further details).

Assumptions and data limitations

Given the nuances associated with each counterparty category, a tailored approach, incorporating specific assumptions to address data limitations, was adopted for the four categories to ensure consistency with the specific requirements and technical criteria outlined in the EU Taxonomy Regulation.

Financial Undertakings

The category is assessed, both for eligibility and alignment KPIs, based on the exposure Klarna has towards the financial undertaking counterparties and their latest available eligibility and alignment reporting, which was available for the first time in 2024.

When assessing the eligibility and alignment of exposures towards financial undertakings, Klarna faced data limitations due to reliance on the most recently publicly available data. The assessment is therefore based on the previous year's (FY 2023) eligibility and alignment KPIs of the counterparties, which provides an approximate picture for the current year. Klarna depends on its counterparties' Taxonomy reporting to calculate its own eligibility and alignment KPIs. However, because FY 2024 KPIs are not yet available, Klarna's report uses the FY 2023 figures.

Non-Financial undertakings

To identify EU Taxonomy eligible exposures to non-financial undertakings, NACE industry codes are used, aligning with the EU Taxonomy's classification structure under the Climate Delegated Act and Environmental Delegated Act. At the time of assessment, only one-digit NACE codes were available in Klarna's systems, which might not accurately capture the breadth of companies' activities. Consequently, this could lead to underestimating or overestimating a counterparty's eligibility. Given the low potential for eligible exposures and the lack of granularity of data available, these exposures were not assessed for eligibility nor alignment. To address this data gap and enable more accurate future analysis, Klarna is actively developing a detailed 4-digit NACE code mapping of its non-financial counterparties.

Households

The exposures to households currently included in the GAR under the EU Taxonomy Regulation cover only three categories, namely loans collateralized by residential immovable property, building renovation loans, and motor vehicle loans. Klarna has either no exposure towards or no granular information available for these three categories of exposures. Therefore, these were not considered for eligibility or alignment.

Local governments

For the financial year 2024, Klarna's exposure to in-scope local governments amounted to zero and therefore did not present potential for eligibility. In addition, there were no local government exposures for which the use of proceeds was known. Therefore, no exposures were assessed for alignment.

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

Klarna has previously identified that its credit model has significant potential to contribute to economic activities under the transition to a Circular Economy objective, such as "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, as detailed previously, the GAR for credit institutions has so far limited eligible household exposures to three categories. These categories do not capture the potentially eligible exposures of Klarna under the Circular Economy environmental objective, as Klarna's household exposures are mostly related to retail and consumer goods.

Klarna acknowledges its role in promoting sustainability by providing consumers with more comprehensive information to help them make informed purchasing decisions. In line with this, the company is engaged in various sustainability initiatives. These include providing consumers with sustainability information about products and brands throughout the shopping journey, offering donations touch points, and encouraging second-hand shopping and reselling opportunities.

Summary of KPIs

		Total environmentally sustainable assets (Turnover)	Total environmentally sustainable assets (Capex)	Turnover KPI*	Capex 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	10,533,331.24	12,668,805.86	0.008%	0.010%	79.71%	77.86%	20.29%
		Total environmentally sustainable activities (Turnover)	Total environmentally sustainable activities (Capex)	Turnover KPI	Capex 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)	310,037,294.88	324,970,124.73	4.79%	5.01%	N/A	N/A	N/A

Institutions shall disclose forward looking information for this KPIs, including information in terms of targets, together with relevant explanations on the methodology applied.

* 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

Note 1: Across the reporting templates: cells shaded in black should not be reported.

Note 2: Fees and Commissions (sheet 6) and Trading Book (sheet 7) KPIs shall only apply starting 2026. SMEs' inclusion in these KPI will only apply subject to a positive result of an impact assessment.

Assets for the calculation of GAR - Turnover

Disclosure reference date T

	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				
GAR - Covered assets in both numerator and denominator	2,886,959,014	224,333,037	10,515,265	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	2,886,959,014	224,333,037	10,515,265	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,364,890	10,533,331	-	-	-			
Financial undertakings	2,088,022,022	224,333,037	10,515,265	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,364,890	10,533,331	-	-	-			
Credit institutions	1,456,042,591	224,333,037	10,515,265	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,364,890	10,533,331	-	-	-			
Loans and advances	942,667,345	139,064,450	6,063,329	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	139,096,303	6,081,396	-	-	-			
Debt securities, including UoP	513,375,246	85,268,587	4,451,935	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	85,268,587	4,451,935	-	-	-			
Equity instruments																														

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Cash and cash-related assets	15,908																														
Other categories of assets (e.g. Goodwill, commodities etc.)	108,763,407,583																														
Total GAR assets	124,474,240,570	224,333,037	10,515,265	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,364,890	10,533,331	-	-	-
Assets not covered for GAR calculation	31,679,136,000																														
Central governments and Supranational issuers	1,017,210,073																														
Central banks exposure	30,661,925,927																														
Trading book																															
Total assets	156,153,376,570	224,333,037	10,515,265	-	-	-	31,853	18,067	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	224,364,890	10,533,331	-	-	-
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																															
Financial guarantees																															
Assets under management																															
Of which debt securities																															
Of which equity instruments																															

Disclosure reference date T-1

	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 transitional	Of which enabling			
GAR - Covered assets in both numerator and denominator																														
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3,726,782,363	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Financial undertakings	2,834,838,353	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Credit institutions	2,320,248,135	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Loans and advances	236,424,257	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Debt securities, including UoP	2,083,823,878	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Equity instruments		-																												
Other financial corporations	514,590,218	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
of which investment firms																														
Loans and advances																														

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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 amortized 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.

Assets for the calculation of GAR - Capex

Disclosure reference date T

	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 enabling						
<u>GAR - Covered assets in both numerator and denominator</u>	2,886,959,014	227,454,772	12,607,296	-	-	-	151,213	61,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-						
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	2,886,959,014	227,454,772	12,607,296	-	-	-	151,213	61,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227,605,984	12,668,806	-	-	-				
Financial undertakings	2,088,022,022	227,454,772	12,607,296	-	-	-	151,213	61,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227,605,984	12,668,806	-	-	-				
Credit institutions	1,456,042,591	227,454,772	12,607,296	-	-	-	151,213	61,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	227,605,984	12,668,806	-	-	-				
Loans and advances	942,667,345	139,711,866	7,330,588	-	-	-	151,213	61,510	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	139,863,078	7,330,209	-	-	-				
Debt securities, including UoP	513,375,246	87,742,906	5,276,708	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	87,742,906	5,276,708	-	-	-				
Equity instruments																																				
Other financial corporations	631,979,431	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					

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Derivatives	112,054,504																													
On demand interbank loans	5,528,550,101																													
Cash and cash-related assets	15,908																													
Other categories of assets (e.g. Goodwill, commodities etc.)	108,763,407,583																													
Total GAR assets	124,474,240,570	227,454,772	12,607,296	-	-	-	151,213	61,510	-	-	-	-	-													227,605,984	12,668,806			
Assets not covered for GAR calculation	31,679,136,000																													
Central governments and Supranational issuers	1,017,210,073																													
Central banks exposure	30,661,925,927																													
Trading book																														
Total assets	156,153,376,570	227,454,772	12,607,296	-	-	-	151,213	61,510	-	-	-	-	-													227,605,984	12,668,806			
Off-balance sheet exposures																														
Undertakings subject to NFRD disclosure obligations																														
Financial guarantees																														
Assets under management																														
Of which debt securities																														
Of which equity instruments																														

Disclosure reference date T-1

		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)				
	Total [gross] carrying amount (SEK)	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					
<u>GAR - Covered assets in both numerator and denominator</u>																																				
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	3,726,782,363																																			
Financial undertakings	2,834,838,353																																			
Credit institutions	2,320,248,135																																			
Loans and advances	236,424,257																																			
Debt securities, including UoP	2,083,823,878																																			
Equity instruments																																				
Other financial corporations	514,590,218																																			
of which investment firms																																				
Loans and advances																																				

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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 amortized 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.

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 (BIO)	Mn EUR	Of which environmentally sustainable (BIO)	Mn EUR	Of which environmentally sustainable (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			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.

GAR KPI Stock - Turnover

Disclosure reference date T

	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)				
% (compared to total covered assets in the denominator)	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 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	0.18%	0.008%	-	-	-	0.000%	0.000%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.180%	0.008%	-	-	-	2.319%			
Financial undertakings	0.18%	0.008%	-	-	-	0.000%	0.000%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.180%	0.008%	-	-	-	1.677%			
Credit institutions	0.18%	0.008%	-	-	-	0.000%	0.000%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.180%	0.008%	-	-	-	1.170%			
Loans and advances	0.11%	0.005%	-	-	-	0.000%	0.000%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.112%	0.005%	-	-	-	0.757%			
Debt securities, including UoP	0.07%	0.004%	-	-	-	0.000%	0.000%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.069%	0.004%	-	-	-	0.412%			
Equity instruments																														
Other financial corporations																											0.508%			

[illegible]

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Disclosure reference date T-1

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[illegible]

1. Institution shall disclose 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 environmentally sustainable (Taxonomy-aligned). This information would enrich the information on the KPI on environmentally sustainable assets compared to total covered assets.
4. Credit institutions shall duplicate this template for revenue based and CapEx based disclosures.

GAR KPI Stock - Capex

Disclosure reference date T

% (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)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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Disclosure reference date T-1

	% (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)
GAR - Covered assets in both numerator and denominator		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
Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	-							

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GAR KPI - Flow Turnover

	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 transitional	Of which enabling	Proportion of total new assets covered			
GAR - Covered assets in both numerator and denominator																														
Loans and advances, debt securities and equity instruments not HFT eligible for GAR calculation	99.9 %	4.79 %				0.01 %	0.00 5%																100 %	4.79 4%				13.3 5%		
Financial undertakings	99.9 %	4.79 %				0.01 %	0.00 5%																100 %	4.79 4%				13.3 5%		
Credit institutions	99.9 %	4.79 %				0.01 %	0.00 5%																100 %	4.79 4%				13.3 5%		
Loans and advances																														
Debt securities, including UoP																														
Equity instruments																														
Other financial corporations																														
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																														

[illegible]

1. Institution shall disclose 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.

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 transitional	Of which enabling	Proportion of total new assets covered		
GAR - Covered assets in both numerator and denominator																													
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	99.7 7%	4.99 %				0.23 %	0.02 %																100 %	5.01 0%					13.3 6%
Financial undertakings	99.7 7%	4.99 %				0.23 %	0.02 %																100 %	5.01 0%					13.3 6%
Credit institutions	99.7 7%	4.99 %				0.23 %	0.02 %																100 %	5.01 0%					13.3 6%
Loans and advances																													
Debt securities, including UoP																													
Equity instruments																													
Other financial corporations																													
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																													

[illegible]

1. Institution shall disclose 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.

Annex XII

Template 1 - Nuclear and fossil 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

Template 2 - Taxonomy-aligned economic activities (denominator)

Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentage)					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Total applicable KPI	0	0%	0	0%	0	0%

Template 3 - Taxonomy-aligned economic activities (numerator)

Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentage)					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of other taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the numerator of the applicable KPI	0	0%	0	0%	0	0%
Total amount and proportion of taxonomy-aligned economic activities in the numerator of the applicable KPI	0	0%	0	0%	0	0%

Template 4 - Taxonomy-eligible but not taxonomy-aligned economic activities

Economic activities	Amount and proportion (the information is to be presented in monetary amounts and as percentage)					
	CCM + CCA		Climate change mitigation (CCM)		Climate change adaptation (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activity referred to in Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Amount and proportion of other taxonomy-eligible but not taxonomy-aligned economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	0	0%	0	0%	0	0%
Total amount and proportion of taxonomy-eligible but not taxonomy-aligned economic activities in the denominator of the applicable KPI	0	0%	0	0%	0	0%

Template 5 - Taxonomy non-eligible economic activities

Economic activities	Amount	%
Amount and proportion of economic activity referred to in row 1 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.26 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%
Amount and proportion of economic activity referred to in row 2 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.27 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%
Amount and proportion of economic activity referred to in row 3 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.28 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%
Amount and proportion of economic activity referred to in row 4 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.29 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%
Amount and proportion of economic activity referred to in row 5 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.30 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%
Amount and proportion of economic activity referred to in row 6 of Template 1 that is taxonomy-non-eligible in accordance with Section 4.31 of Annexes I and II to Delegated Regulation 2021/2139 in the denominator of the applicable KPI	0	0%
Amount and proportion of other taxonomy-non-eligible economic activities not referred to in rows 1 to 6 above in the denominator of the applicable KPI	0	0%
Total amount and proportion of taxonomy-non-eligible economic activities in the denominator of the applicable KPI	0	0%

Statement on due diligence

Sustainability due diligence and oversight

Klarna's approach to sustainability due diligence builds on the following core elements:

Core elements of due diligence	Paragraphs in the Sustainability Report	ESRS section	Page
a) Embedding due diligence in governance, strategy and business model	Klarna's approach to sustainability due diligence builds on its Double Materiality Assessment (DMA). It includes the continuous assessment of impacts, risks and opportunities (IROs). Various teams across Klarna that work on aspects of ESG address the identified IROs. The Klarna Bank AB board receives updates about the risks and progress of actions concerning IROs in the quarterly risk report provided to the ACRC.	GOV-2	105
b) Engaging with affected stakeholders in all key steps of the due diligence	Klarna engages directly with stakeholders like customers through surveys, with suppliers through its Supplier Code of Conduct and with employees through engagement surveys, training and internal management updates. These engagements help to ensure that stakeholders' perspectives inform the business' due diligence efforts. Additionally, employees, through the Whistleblowing tool, can raise concerns about human rights issues.	SBM-2	25
c) Identifying and assessing adverse impacts	Klarna mitigates adverse impacts through mechanisms such as its Supplier Code of Conduct and the Whistleblowing tool. Klarna identifies and monitors adverse impacts by conducting third-party due diligence and site audits for suppliers in parts of the value chain, particularly focusing on human rights and labor issues.	SBM-3	19
d) Taking actions to address those adverse impacts	Klarna takes corrective actions on adverse impact case by case through audits, third-party due diligence, and enforcement of its Supplier Code of Conduct, Modern Slavery Act, Ethics Policy and Whistle Blowing.	S4-4 S2-3	75, 65
e) Tracking the effectiveness of these efforts and communicating	Klarna monitors its progress through quarterly updates to the ACRC, internal audits, and customer feedback mechanisms. The effectiveness of due diligence efforts is communicated annually in ESG reports.	GOV-5	106

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Klarna Holding AB, corporate identity number 556676-2356

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2024 and that it has been prepared in accordance with the Annual Accounts Act according to the prior wording that was in effect before 1 July 2024.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm 28 March 2025

Ernst & Young AB

Hamish Mabon

Authorized Public Accountant



Klarna