



Klarna's Modern Slavery and Human Trafficking Statement 2020-2021

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

The term "modern slavery" is used to describe situations where a person is deprived of their liberty in order to exploit them for personal or commercial gain. It is a criminal offence, a violation of human rights and can take a number of forms, including: slavery, forced or compulsory labour, servitude, human trafficking, and trafficking for prostitution or sexual exploitation. Klarna is committed to ensuring that its business and supply chains are free from modern slavery. Klarna takes a zero-tolerance approach to modern slavery and will not knowingly support or deal with any business or supplier involved in such practices.

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

About Klarna

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

Klarna sees the identification and mitigation of modern slavery risks in supply chains as requiring ongoing attention and improvement – and is committed to addressing this issue through strong policies, training & education, and robust independent oversight.

Commitment to the Modern Slavery Act

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

During 2020, Klarna has reviewed and kept up-to-date internal policies, instructions, and governance demonstrating Klarna's commitment, requiring employees to raise concerns in relation to any identified or suspected non-compliance, and confirming that employees will not suffer any detriment for raising such concerns.

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

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

Supply chains

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

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

Key internal policies, manuals, and processes in relation to the Procurement team and supply chains include, but are not limited to, the following:

- Procurement;
- Outsourcing;
- Authorisation; and
- Supplier due diligence.

In 2020, Klarna followed due diligence processes to review new and existing supply chains, to identify any modern slavery risk areas which require risk management action. It also conducted ongoing monitoring of supply chain procurement processes, to highlight modifications that can be made to identify and prevent modern slavery issues from arising in its supply chains. The Procurement team, during 2020, worked with its plan of activities and met the targets:

- provided further training within Procurement and key third-party risk management teams, to help them recognise the risks and warning signs of modern slavery;
- included in standard terms & conditions references to compliance with the Modern Slavery Act; and
- conducted assessments of high-risk suppliers.

Reducing the risk of modern slavery in the Klarna supply chain is of high importance, and improving processes and approaches for this are progressively developing. One part of the risk mitigation is surveying the supply chain, where the manufacturing of 'merchandise' (Klarna-branded wear and

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products) have been identified as having higher than average risk of modern slavery. Klarna Bank AB (publ) is the principal purchaser of merchandise within Klarna Group. Klarna used a single trusted tier-one supplier with a very high commitment to ethical values in its supply chain management.

As part of Klarna's approach to improving and developing its supply chain management with regards to modern slavery, its Procurement team plans in 2021 to:

- finalise a new Supplier Code of Conduct – to make it easier for Klarna's suppliers to do the right thing by the promotion of lawful, professional and fair practices that integrate respect for human rights, business ethics, and the environment;
- roll out of updated terms & conditions to new suppliers;
- plan for roll out of updated terms & conditions to existing suppliers;
- continue building strong and transparent relationships with reputable suppliers; and
- supplier due diligence.

Merchant activities

In supporting Klarna's responsibilities, the Merchant Illegal Activities team also acts to recognise, address, and prevent modern slavery.

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

- ethical instructions for merchants (to give employees, merchants and other external parties guidance on Klarna's ethical standards; Klarna's aim is to quickly and consistently be able to assess what is in accordance with its values and expectations, and communicate this to merchants); and
- internal escalation flows also allow for behaviours indicating modern slavery to be identified and investigated.

Further, the Merchant illegal Activities team will ensure:

- employees interacting with or monitoring Klarna's merchants will undertake internal training to be able to identify, investigate and take action in relation to modern slavery; and
- the sale of any illegal or illegally acquired item is prohibited – this is monitored throughout the merchant lifecycle.

Additional training

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

In 2020, all new staff in Klarna's organisation were onboarded with training, including sessions facilitated by Compliance, on employees' responsibilities in recognising modern slavery; additionally, courses for new Leads, and new training on anti-money laundering & counter terrorist finance training was further rolled out in 2020, both involved workshops which included the signs of—and what to do when—modern slavery has been identified.

This continues into 2021, and the creation of further training—in particular on conduct risk—will also include the importance of employees' recognising and reporting modern slavery.

Ongoing plans and priorities

During 2021, Klarna will:

- continue to manage its activities, with oversight by Compliance, and collaborate with key stakeholders – to monitor and enhance its approach to tackling modern slavery;
- create and rollout further conduct risk learning – to include the subject of modern slavery and bring added focus and awareness-raising activity on key risk areas; and
- take a risk based approach – and review internal policies, instructions, and governance, to ensure alignment with good practice and ease of use.

Duty to report

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

To whom does this apply

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



This statement was approved by the Board of Directors on 18 March 2021.

This statement is approved by the Deputy CEO & Chief Operating Officer.

A handwritten signature in blue ink, appearing to read 'Knut Frängsmyr'.

Signed by Knut Frängsmyr

18 March 2021