

Notice of the Annual General Meeting of Cloetta AB (publ)

Shareholders of Cloetta AB (publ), reg. no. 556308-8144, are hereby invited to attend the Annual General Meeting, to be held on Tuesday, 6 April 2021. Due to the Covid-19 pandemic, the meeting will be carried out only through advance voting pursuant to temporary legislation. It will not be possible to attend the meeting in person or by proxy.

A statement by the chairman of the board and the CEO, addressed to the shareholders of Cloetta, will be posted on the company's website, www.cloetta.com, prior to the Annual General Meeting. The statement will be posted no later than 8 March 2021. The statements do not form part of the formal Annual General Meeting.

Right to attend the meeting

Shareholders who wish to participate in the Annual General Meeting shall be registered in the shareholders' register maintained by Euroclear Sweden AB on Thursday 25 March 2021, and shall notify the company of their intention to attend the Annual General Meeting no later than on Thursday 1 April 2021 (the weekday before the Annual General Meeting) by casting their advance vote in accordance with the instructions under the heading *Advance voting* below, so that the advance voting form is received by Euroclear Sweden AB no later than on Thursday 1 April 2021.

Nominee-registered shares

Shareholders whose shares are nominee-registered must temporarily re-register their shares in their own name in the shareholders' register maintained by Euroclear Sweden in order to be entitled to participate in the Annual General Meeting (so called voting registration). The shareholders' register as of the record date on Thursday 25 March 2021 will include voting registrations made no later than Monday 29 March 2021. Therefore, shareholders should inform their nominees well in advance before this date.

Advance voting

Shareholders may exercise their voting rights at the meeting only by voting in advance, through so called postal voting in accordance with section 22 of the Act (2020:198) on temporary exceptions to facilitate the execution of general meetings in companies and other associations.

A special form shall be used for advance voting. The form is available on Cloetta's website, www.cloetta.com. The advance voting form is considered as the notification of participation at the meeting.

The completed voting form must be received by Euroclear Sweden AB, being the administrator of the forms for Cloetta, no later than Thursday 1 April 2021. The completed form shall be sent to Cloetta AB, "Annual General Meeting", c/o Euroclear Sweden AB, Box 191, SE-101 23 Stockholm. The completed form may alternatively be submitted electronically either through BankID signing as per instructions available on <https://anmalan.vpc.se/euroclearproxy> or through sending the completed voting form by e-mail to GeneralMeetingService@euroclear.com. If a shareholder votes in advance by proxy, a power of attorney shall be enclosed with the form. The proxy form is available at www.cloetta.com. If the shareholder is a legal entity, a certificate of incorporation or a corresponding document shall be enclosed with the form. The shareholder may not provide special instructions or conditions in the voting form. If so, the vote (i.e. the advance vote in its entirety) is invalid. Further instructions and conditions are included in the form for advance voting.

Proposed agenda

1. Election of the chairman of the meeting
2. Drawing up and approval of voting list
3. Approval of the agenda
4. Election of two persons to verify the minutes
5. Determination as to whether the Annual General Meeting has been duly convened
6. Presentation of the annual report and the auditor's report, as well as the consolidated financial statements and the consolidated audit report, for the financial year 1 January - 31 December 2020
7. Resolution on adoption of the income statement and the balance sheet as well as the consolidated income statement and consolidated balance sheet

8. Resolution on disposition of the company's earnings according to the approved balance sheet, and record day for any dividend
9. Presentation of remuneration report for approval
10. Resolution on discharge from personal liability of the directors and the CEO
11. Resolution on the number of directors
12. Resolution on remuneration to be paid to the directors and to the auditor
13. Election of directors
14. Election of chairman of the board
15. Election of auditor
16. Resolution regarding rules for the nomination committee
17. Proposal regarding guidelines for remuneration to the executive management
18. Proposal regarding
 - (A) long-term share-based incentive plan (LTI 2021) and
 - (B) transfer of B-shares in Cloetta AB (publ) under LTI 2021
19. Resolution regarding authorisation for the Board of Directors to resolve upon repurchase and transfer of own B-shares
20. Resolution on amendment of the articles of association

Proposals

The nomination committee for the Annual General Meeting 2021, consisting of Lars Schedin, chairman, appointed by AB Malfors Promotor, Stefan Johansson, appointed by PRI Pensionsgaranti, Johan Törnqvist, appointed by Ulla Håkanson, and Mikael Norman, appointed by the Board of Directors of Cloetta AB, shall submit proposals to be resolved upon under items 1 and 11-16 on the agenda.

The Board of Directors has submitted proposals for decisions under items 4, 8 and 9 and 17-20 on the proposed agenda.

Item 1 – Election of the chairman of the meeting

The nomination committee proposes that Mikael Norman is elected as chairman of the meeting.

Item 2 – Drawing up and approval of voting list

The voting list which is proposed to be approved under item 2 shall be the voting list drawn up by Euroclear Sweden AB at the request of the company based on the meeting's share register and advance votes received. The list shall be controlled by the persons verifying the minutes.

Item 4 – Election of two persons to verify the minutes

The Board of Directors proposes that Carl Gustafsson, representative of Didner & Gerge Fonder, and Olof Svenfelt, or, if any or both of them are unable to attend the meeting, any of the persons assigned by the nomination committee, shall verify the minutes. The persons verifying the minutes shall also control the voting list and that received advance votes are correctly reflected in the minutes.

Item 8 – Resolution on disposition of the company's earnings according to the approved balance sheet, and record day for any dividend

The Board of Directors proposes a dividend of SEK 0.75 (0.50) per share. Proposed record day is 8 April 2021. If the Annual General Meeting approves this proposal, payment through Euroclear Sweden AB is expected to be made on 13 April 2021.

Item 9 – Presentation of remuneration report for approval

The Board of Directors proposes that the Annual General Meeting approve the remuneration report regarding remuneration to the CEO and the Board of Directors for the financial year 2020.

Item 11 – Resolution on the number of directors

The nomination committee proposes that the board shall consist of seven members elected by the Annual General Meeting with no deputies.

Item 12 – Resolution on the remuneration to be paid to the directors and to the auditor

The nomination committee proposes that the chairman of the board shall be paid a fee of SEK 685,000 (unchanged) and each of the other directors elected by the Annual General Meeting shall be paid a fee of SEK 315,000 (unchanged). Furthermore, it is proposed that fees shall be payable for work in the board's

committees with SEK 100,000 to each member of the audit committee (unchanged) and with SEK 150,000 to the chairman of the audit committee (unchanged) and with SEK 100,000 to each member of the remuneration committee (unchanged) and with SEK 150,000 to the chairman of the remuneration committee (unchanged). The proposal by the nomination committee constitutes a total fee to the board of SEK 3,275,000 (unchanged), including work on the committees.

Remuneration to the auditors shall be paid in accordance with approved invoices.

Item 13-14 – Election of directors and chairman of the board

The nomination committee proposes re-election of the board members Mikael Norman, Mikael Aru, Patrick Bergander, Lottie Knutson, Alan McLean Raleigh, Camilla Svenfelt and Mikael Svenfelt as board members. Information regarding the proposed board members is available on the company's website www.cloetta.com.

The nomination committee proposes that Mikael Norman shall be re-elected as chairman of the Board of Directors.

Item 15 – Election of auditor

The nomination committee proposes, in accordance with the audit committee's recommendation, that the registered auditing company, Öhrlings PricewaterhouseCoopers AB ("PwC"), shall be re-elected as auditor until the end of the next Annual General Meeting. PwC has informed that Sofia Götmar-Blomstedt will be appointed as the auditor in charge if PwC is re-elected as auditor.

Item 16 – Proposal regarding rules for the nomination committee

The nomination committee proposes the following (unchanged from previous year).

1. The company shall have a nomination committee consisting of not less than four and not more than six members. Three of the members shall be appointed by the major shareholders and one member shall be appointed by the Board of Directors amongst its directors. These members of the nomination committee may appoint one additional member. In those cases, referred to in item 6 below, the number of members can amount to six.
2. Based on ownership register received as per 31 July, the chairman of the board shall each year, without delay, contact the three largest shareholders in the company in terms of votes, and offer such shareholders to, within reasonable time, each appoint a representative to be part of the nomination committee. If any of these shareholders elects to renounce from its right to appoint a representative, the right to appoint a representative shall be transferred to the largest shareholder in turn in terms of votes which is not already entitled to be represented on the nomination committee. The nomination committee shall not include a representative of a shareholder that itself or through others conducts competing activities with the group.
3. The member of the nomination committee who represents the shareholder controlling the largest number of votes shall chair the nomination committee.
4. The members of the nomination committee are appointed for a term up until a new nomination committee has been appointed.
5. The composition of the nomination committee shall be announced as soon as the nomination committee has been formed and, in all events, no later than on 30 September the year before the next Annual General Meeting.
6. In the event that the ownership structure of the company is changed after 31 July and not later than on 31 December the year before the next Annual General Meeting, and if a shareholder that has become one of the three largest shareholders in terms of votes following this change asks the chairman of the nomination committee to be represented on the nomination committee, such shareholder is entitled to, in the nomination committee's discretion, either appoint an additional member to the nomination committee or to replace the member who represents, following the change of the ownership structure, the smallest shareholder in terms of votes.
7. If a member of the nomination committee that represent a shareholder resigns or otherwise is unable to continue as member, the nomination committee shall – if time allows and if the change is not due to a specific circumstance e.g. that the shareholder has sold its shares – request the shareholder that had appointed that member to, within reasonable time, appoint a new member of the nomination

committee. If the shareholder is no longer eligible for the nomination committee or if it renounces its right to appoint a member, the right to appoint such new member shall be transferred to the largest shareholder in turn in terms of votes which is not already represented on, or has renounced its right to appoint a member to, the nomination committee. If a member that has been appointed by the other members of the nomination committee resigns or is otherwise unable to continue as member, the other members of the nomination committee may elect a new member.

8. The members of the nomination committee are not to receive any remuneration from the company. However, the company shall be liable for costs incurred by the nomination committee in its work.
9. The nomination committee shall present proposals regarding
 - Chairman of the Annual General Meeting
 - Number of members of the Board of Directors
 - Members of the Board of Directors to be elected by the Annual General Meeting
 - Chairman of the Board of Directors
 - Remuneration to the Board of Directors elected by the Annual General Meeting, distributed between the chairman of the board, the deputy chairman of the board, if any, and the other members of the Board of Directors, and remuneration for work on the committees
 - Remuneration to the auditor
 - Election of auditor
 - Rules for the nomination committee
10. At shareholders' meetings other than the Annual General Meeting, the nomination committee shall submit proposals for elections, if any, to take place at such shareholders' meeting.

Item 17 – Proposal regarding guidelines for remuneration to the executive management

The Board of Directors proposes that the meeting resolves to adopt the following guidelines for remuneration to the executive management to be in force until further notice, however no longer than until the Annual General Meeting 2025. The guidelines cover the CEO and the other members of Cloetta's executive management. These guidelines apply to agreements concluded, and amendments made to existing agreements, after the guidelines have been adopted by the Annual General Meeting 2021. The guidelines do not apply to remuneration which is resolved upon by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Cloetta's business strategy involves, *inter alia*, to strengthen the company's position as the leading confectionery company in North-western Europe. In order to achieve this, the company is working to grow sales, especially organically, and to further improve the profitability on the company's main markets; Sweden, Finland, the Netherlands, Denmark, the UK, Norway and Germany. It is essential for Cloetta to create an incentive for the executive management team to drive commitment, forward thinking and activities that drive sales and strengthen Cloetta's brands in a way which is sustainable in the long-term. The remuneration to the executive management shall ensure that Cloetta can recruit and retain qualified employees and that the executive management team has the right focus and that right behaviours are encouraged. The types of remuneration shall be market-based and competitive based on the conditions on the markets where Cloetta operates and shall be designed in a way that motivate the members of the executive management team to do their utmost to create shareholder value.

For more information about the company's business strategy, see the company's website www.cloetta.com.

Types of remuneration, etc.

The remuneration to the executive management may comprise a fixed and a variable part as well as pension benefits and other benefits. In addition thereto, the general meeting may, and irrespective of these guidelines, resolve upon, among other things, share-based and share price-based remuneration, so called incentive plans. The purpose of the incentive plans shall be to increase the value for the group's shareholders by promoting and maintaining the executive management team's and senior managers' commitment for the group's development, and thereby align the interests of the executive management team and key employees with the shareholders' in order to ensure maximum long-term value creation. The plans are distinctly linked to the business strategy and thereby to sustainability as well as the company's long-term value creation through the defined performance targets.

Any variable salary shall be limited to the equivalent of one fixed annual salary. The variable salary shall be linked, directly or indirectly, to the achievement of the financial targets set by Cloetta's Board of Directors, which relate to organic sales growth and EBIT margin. The targets shall be measured in relation to the development of the entire group or be linked to the development of e.g. a region or otherwise to the executive's area of responsibility. Variable salary shall generally be paid based on performance over a period of twelve months (the calendar year) and shall be based on the company's most recently published financial information. Variable salary shall only be paid if the profit for the year exceeds the previous year's profit¹. Cloetta's Board of Directors is responsible for assessing the outcome in relation to variable salary to the CEO. In relation to variable salary to the other members of the executive management team, the CEO is responsible for assessing the outcome which shall be confirmed by the remuneration committee.

Pension benefits may vary depending on agreements and practices in the country where the individual is employed. Defined contribution pension benefits are strived for. Swedish executives' pension terms shall comply with or correspond to, and thus be limited to, general pension plan in accordance with the ITP plan² in relation to the executives who are covered by collective bargaining agreements. The executives who are not covered by collective bargaining agreements shall have the right to defined contribution pension provisions amounting to no more than 30 per cent of the fixed annual cash salary. The company's CEO shall have the right to defined contribution pension provisions amounting to no more than 30 per cent of the fixed annual cash salary. Variable salary and other benefits shall not be pension-qualifying unless otherwise provided by law or collective bargaining agreements. In addition to the pension provisions stated above, Swedish executives have the right to exchange salary for additional pension provisions provided that it is cost neutral for Cloetta. For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted in order to comply with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines. Pension provisions for executives whose employments are governed by rules other than Swedish may however not exceed 30 per cent of the fixed annual cash salary.

The executive management's non-monetary benefits shall facilitate the executives' work and correspond to what can be considered reasonable in relation to practices on the market where the relevant executive operates. Such other benefits shall correspond to not more than 15 per cent of the total remuneration. For executives who are stationed outside their place of residence for a period of time, the value of the benefits in total may not exceed 25 per cent of the fixed annual salary in order to facilitate the executive's work. In addition, in connection with the transition to work in another place, one-off benefits of a maximum of 15 per cent of the fixed salary may be paid, for example for costs relating to moving.

Termination of employment

Upon termination of employment agreements by Cloetta, the notice period shall not exceed twelve months, and any severance pay may not exceed one fixed annual cash salary in addition to the notice period.³ Upon termination made by the executive, a notice period of not more than six months shall apply, or any longer notice period which follows from statute and general principles of law. Severance pay shall not be paid upon terminations made by the executive.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these guidelines for remuneration, salary and employment conditions for the company's employees have been taken into account by including information on the employees' total income, the components of the remuneration as well as the increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

¹ In this case, Cloetta's profit for the year for 2020 shall be adjustable by the Board of Directors due to certain one-off effects that had a positive impact on Cloetta's profit for the year for 2020.

² One of Cloetta's executives has a certain agreement regarding early retirement in addition to benefits under the ITP plan; an agreement which was entered into by Leaf Sverige AB, which Cloetta acquired in 2012. Due to this early retirement agreement, the pension provisions for the relevant executive may exceed 35 per cent of the fixed annual cash salary.

³ One of the executives have an employment agreement that entitles to severance payment exceeding twelve months' salaries, in accordance with an agreement entered into by Leaf International B.V., which Cloetta acquired in 2012.

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for remuneration to the executive management team as well as any deviations from the guidelines. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and present the proposal for a resolution by the Annual General Meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate plans for variable remuneration to the executive management team, the application of the guidelines for remuneration to the executive management team as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent in relation to the company and the executive management team. In the Board of Directors' work regarding remuneration-related matters, the CEO of the company and the other members of the executive management are not present in so far as the questions concern their own remuneration.

Deviation from the guidelines

The Board of Directors may temporarily resolve to deviate from the guidelines set out above, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability. If the Board of Directors deviates from the guidelines for remuneration to the executive management team this shall be reported in the remuneration report to the upcoming Annual General Meeting.

Item 18 – Resolution regarding (A) long-term share-based incentive plan (LTI 2021) and (B) transfer of B-shares in Cloetta AB (publ) under LTI 2021

The Board of Directors proposes that the Annual General Meeting resolves on a long-term share-based incentive plan (LTI 2021) for Cloetta AB (publ) ("Cloetta") and on a transfer of B-shares in Cloetta in accordance with item (A) and (B) below.

(A) LONG-TERM SHARE-BASED INCENTIVE PLAN

The Board of Directors proposes a long-term share-based incentive plan for 2021 with the same structure as previous year. The main motive for LTI 2021 is to align the interests of the executive management team and key employees with the shareholders' in order to ensure maximum long-term value creation. Similar to last year's long-term share-based incentive plan, LTI 2021 will incentivise a group-wide focus for the participants on increased profit and growth. The incentive plan is also important for Cloetta to be able to recruit and retain senior employees.

Participants in LTI 2021

LTI 2021 comprises up to 48 employees as a maximum, consisting of the executive management team and senior managers within the Cloetta group, divided into three categories. These employees are considered to have a large impact on the results of Cloetta. The first category comprises the CEO and the other 9 members of the executive management team, the second category comprises of up to 10 senior managers, who belongs to a certain management level. The third category comprises of up to 28 senior managers, consisting of individuals who have a certain other employment level.

Personal shareholding, grant of performance share rights and vesting period

To participate in LTI 2021, the participant must have a personal shareholding in Cloetta ("Investment Shares") and that those shares are allocated to LTI 2021. The Investment Shares may be acquired specifically for purposes of LTI 2021, or be shares already held by the participant, provided that these have not been allocated to the previous incentive plans. The CEO and the executive management team may as a maximum invest 12 per cent of the participant's fixed annual salary for 2020 before tax, the participants in the second category may as a maximum invest 10 per cent of the participant's fixed annual salary for 2020 before tax, and the participants in the third category may as a maximum invest 8 per cent of the participant's fixed annual salary for 2020 before tax in LTI 2021.

For the first category of participants, each Investment Share gives entitlement to six and a half (6.5) performance share rights. For the second category, each Investment Share gives entitlement to five (5) performance share rights. For the third category, each Investment Share gives entitlement to three and a half (3.5) performance share rights. The performance share rights will be granted to the participant following the Annual General Meeting 2021 in connection with, or shortly after, an agreement is made between the participant and Cloetta concerning participation in LTI 2021.

Terms for the performance share rights

For the performance share rights the following conditions apply:

- The performance share rights are granted free of charge.
- The participants are not entitled to transfer, pledge or dispose of the performance share rights or perform any shareholders' rights regarding the performance share rights during the vesting period.
- Allocation of B-shares shall normally take place within two weeks after announcement of Cloetta's interim report for the first quarter of 2024.
- Allocation of B-shares based on performance share right is conditional upon that the participant remains employed within the Cloetta Group until the announcement of Cloetta's interim report for the first quarter of 2024, and also not before that terminated her or his employment, been made redundant or dismissed and that the participant continues to hold all the Investment Shares. Allocation of B-shares on the basis of performance share rights requires, in addition, fulfilment of performance targets.
- Cloetta will not compensate the participants in the plan for dividends made in respect of the shares that the respective performance share right qualifies for.

Performance targets

The performance share rights are divided into Series A and Series B according to the different performance targets that LTI 2021 includes and that drive long-term value for Cloetta. Of each participant's allocation of performance share rights shall one (1) be of Series A and the rest of the performance share rights shall be of Series B.

Series A Allocation shall be made if Cloetta's average annual EBIT level for 2021-2023 is at least SEK 1 million higher than the EBIT level for 2020.

Series B The Board of Directors has established a minimum level and a maximum level for the performance target. The maximum level, which entitles to full allocation, is that Cloetta's compounded net sales value is at least 2 per cent annually for 2021-2023 and that Cloetta's EBIT margin for 2023 is at least 12 per cent. The minimum level is a compounded net sales value that is at least 0 per cent annually for 2021-2023 and an EBIT margin that is at least 9.2 per cent for 2023. Where the level of fulfilment is between the minimum and maximum levels, allocation will occur on a linear basis, whereby both the performance target linked to the average increase in the company's net sales value and the target linked to Cloetta's EBIT margin are given equal importance in terms of entitling the participant to B-shares.⁴

Formulation and administration

The Board of Directors, or a specific committee appointed by the Board of Directors, shall be responsible for the formulation and administration of LTI 2021, and the terms that will apply between Cloetta and the participant in the plan, within the scope of the terms and directions set out herein. In connection therewith, the Board of Directors shall be authorised to establish divergent terms for the plan regarding inter alia the vesting period and allocation of Cloetta shares in the event of termination of employment during the vesting period as a result of e.g. early retirement. The Board of Directors shall be authorised to make the necessary adjustments to fulfil specific rules or market prerequisites in other jurisdictions. In the event that the delivery of shares to persons outside of Sweden cannot be achieved at reasonable cost and with reasonable administrative efforts, the Board of Directors may decide that the participating person may instead be offered cash-based settlement. Before the number of shares which shall be allocated in accordance with the performance share rights is finally determined, the Board of Directors shall assess if the outcome of LTI 2021 is reasonable. This assessment shall be made in relation to Cloetta's financial results and position, the conditions on the share market and otherwise. If, in this assessment, the Board of Directors finds that the outcome is not reasonable, the Board of Directors shall reduce the number of shares which shall be allocated.

Scope

As a maximum, 1,590,629 B-shares in Cloetta can be allocated to the participants under LTI 2021, which represents approximately 0.6 per cent of all shares and 0.5 per cent of all votes in the company. The number of B-shares included in LTI 2021 shall, under conditions that the Board of Directors stipulates, be subject to

⁴ For the purpose of determining the level of fulfilment of the performance targets, Cloetta's EBIT and net sales value will be adjusted so to be unaffected by structural changes such as acquisitions and divestures as well as extra ordinary items.

recalculation where Cloetta implements a bonus issue, a share split or a reverse share split, a rights issue or similar measures, taking into account customary practice for similar incentive plans.

Hedging

The Board of Directors has considered two alternative hedging methods for the LTI 2021; either a hedging arrangement (equity swap) with a bank securing delivery of B-shares under the plan or transfer of B-shares in Cloetta to entitled participants in the LTI 2021. The Board of Directors considers the latter alternative to be preferable. The Board of Directors has therefore proposed that the Annual General Meeting shall resolve on transfer of B-shares in Cloetta that are held by the company (see item (B) below) as well as to authorise the Board of Directors to execute acquisitions of B-shares in Cloetta (see item 19 on the agenda). The Board of Directors also proposes that the Board of Directors shall have the right to execute transfers of B-shares in Cloetta, which are held by the company, on Nasdaq Stockholm to cover costs for social security contributions under the LTI 2021. Should the Annual General Meeting, however, not approve of the Board of Directors' proposal regarding transfers and repurchases of B-shares, the Board of Directors shall have the right, if this item (A) is approved by the general meeting, to enter into an equity swap as described above with a bank to secure the obligation of the company to deliver B-shares under the plan. Such an equity swap with a bank may also be used for the purpose to cover social security costs that accrue under the LTI 2021.

Estimated costs, and value, of LTI 2021

The performance share rights cannot be pledged or transferred to others, but an estimated value for each right can be calculated. The Board of Directors has estimated that the value of each performance share right is SEK 23.60. This estimate is based, *inter alia*, on the closing price for the Cloetta share on 11 February 2021. Based on the assumption that all persons who have been offered participation in the plan participate, that they make the maximum investment, that there is a 100 per cent fulfilment of the performance targets and that they continue as employees of Cloetta, the aggregate estimated value of the performance share rights is approximately SEK 38 million. This value is equivalent to approximately 0.6 per cent of the market capitalisation for Cloetta as of 11 February 2021. Historic performance for earlier Cloetta long-term share incentive plans shows an average pay out of 19 per cent of the maximum number of shares.

The costs are treated as personnel expenses in the profit and loss accounts during the vesting period, in accordance with IFRS 2 on share-based payments. In the profit and loss accounts, social security costs will accrue in accordance with UFR 7 over the vesting period. The size of these costs will be calculated based on the Cloetta share price development during the vesting period and allocation of the performance share rights. Based on the assumptions stated above and a constant share price during the plan, and a vesting period of three (3) years, the total cost of LTI 2021 including social security costs is estimated to amount to approximately SEK 43 million which on an annual basis is approximately 1.2 per cent of Cloetta's total personnel expenses during the financial year 2020. LTI 2021 has no limitation on maximum profits per performance share right for the participants and therefore no maximum social security costs can be calculated as it depends on the share price.

If Cloetta were to enter into an equity swap with a bank, the interest cost for the equity swap is estimated to amount to approximately SEK 2.4 million based on market conditions as of 11 February 2021 at a three-year term. In addition, the equity swap may lead to both positive and negative cash flows, which, while not affecting the profit and loss account, will be booked directly against equity and may be recorded as debt in the balance sheet.

Effects on key ratios

In the event of full participation in LTI 2021, Cloetta's personnel expenses are expected to increase with approximately SEK 16 million annually (including social security costs). On a pro-forma basis for 2020, these costs are equal to a negative effect on Cloetta's operating margin of approximately 0.3 per cent units and a decrease of earnings per share of approximately SEK 0.04. Nevertheless, the Board of Directors considers that the positive effects on Cloetta's financial performance which are expected from an increased shareholding by the participants, and the possibility of additional allocation of shares in Cloetta under the plan, outweigh the costs related to LTI 2021.

The preparation of the proposal

LTI 2021 has been initiated by the Board of Directors in Cloetta. The plan has been prepared and reviewed by the Remuneration Committee and dealt with at meetings of the Board of Directors during the beginning of 2021.

Other incentive plans in Cloetta

Please refer to Cloetta's annual and sustainability report 2020, note 23 or the company's website www.cloetta.com for a description of other share-based incentive plans in Cloetta.

The proposal by the Board of Directors

Referring to the description above, the Board of Directors proposes that the Annual General Meeting resolves on LTI 2021.

Majority requirement for LTI 2021

A resolution on LTI 2021 in accordance with the Board of Directors' proposal is valid where supported by shareholders holding more than half of the votes cast at the Annual General Meeting.

(B) TRANSFER OF B-SHARES IN CLOETTA AB (PUBL) UNDER LTI 2021

The Board of Directors' proposal on a resolution to transfer B-shares in Cloetta as set out below, provides that the Annual General Meeting first has resolved on a long-term share-based incentive plan (LTI 2021) in accordance with item (A) above.

Background

In order to implement LTI 2021 in a cost-effective and flexible manner, the Board of Directors has considered different methods for how the delivery of B-shares in Cloetta to the participants by allocation according to LTI 2021 can be ensured.

Based on these considerations, the Board of Directors intends to ensure delivery by transferring repurchased own B-shares to the participants. Such transfer of repurchased B-shares in Cloetta requires a particularly high majority regarding the decision at the Annual General Meeting. To the extent that the Board of Director's proposal for a decision on the transfer of repurchased shares to the participants does not receive the required majority, the Board of Directors instead intends (in accordance with what is set out in item (A) above) to enter into an equity swap with a bank to ensure delivery of B-shares to the participants.

Transfer of B-shares in Cloetta to participants in the LTI 2021

The Board of Directors proposes that the Annual General Meeting resolves to transfer B-shares in Cloetta in accordance with the following.

- Not more than 1,590,629 B-shares in Cloetta may be transferred (or the higher number of B-shares due to recalculation as a result of a bonus issue, a reversed share split or a share split, rights issue, or similar measures)
- The B-shares may be transferred to participants in the LTI 2021 who under the terms for the LTI 2021 are entitled to receive shares.
- Transfer of B-shares shall be made at the time and otherwise according to the terms pursuant to the LTI 2021.

The reason for deviating from the shareholders' preferential rights is that the transfer of B-shares is part of the execution of the LTI 2021. Therefore, the Board of Directors considers the transfer of B-shares, in accordance with the proposal, benefits the company.

Majority requirement

The Board of Director's proposal for a resolution above regarding transfer of B-shares requires that the proposal is supported by shareholders representing at least nine tenths of both the votes cast and the shares represented at the meeting. The board's proposal in accordance with this item (B) is conditional upon the Board of Director's proposal on LTI 2021 being approved by the Annual General Meeting (item (A) above).

Item 19 – Resolution regarding authorisation for the Board of Directors to resolve upon repurchase and transfer of own B-shares

The Board of Directors proposes that the Annual General Meeting authorises the Board of Directors to, on one or more occasions for the period until the end of the next Annual General Meeting, resolve to acquire a maximum number of B-shares so that the company holds a maximum of ten per cent of all B-shares in Cloetta at any time following the acquisition. Acquisitions shall be conducted on Nasdaq Stockholm and at a price per B-share that is within the price range for the share price prevailing at any time (the so-called spread), i.e. the range between the highest ask price and the lowest bid price. In the event that the acquisitions are effected by a stock broker as assigned by the company, the share price may, however, correspond to the volume weighted average price during the time period within which the B-shares were acquired, even if the volume weighted average price on the day of delivery to Cloetta falls outside the price range. Payment for the B-shares shall be made in cash.

The Board of Directors further proposes that the Annual General Meeting authorises the Board of Directors to, on one or more occasions for the period until the end of the next Annual General Meeting, resolve upon transfer of own B-shares. The number of B-shares transferred may not exceed the total number of B-shares held by Cloetta at any time. Transfers may be conducted on Nasdaq Stockholm or elsewhere, including a right to resolve on deviations from the shareholders' pre-emption rights. Transfer of B-shares on Nasdaq Stockholm shall be made at a price within the price range applicable at any given time. Transfer of B-shares outside Nasdaq Stockholm shall be made at a price in cash, or in value of property received, that corresponds to the share price, at the time of the transfer, of the transferred B-shares in Cloetta, with any deviation that the board deems appropriate in the individual the case.

The purpose of the above authorisations, regarding acquisition and transfer of own B-shares, is to enable financing of acquisitions of businesses through payment with own B-shares and to be able to continuously adjust Cloetta's capital structure and thereby contribute to increased shareholder value, as well as to enable hedging of costs and delivery of shares related to the implementation of the Cloetta's, at any given time, share-based incentive plan.

Item 20 – Resolution on amendment of the articles of association

The Board of Directors proposes that the Annual General Meeting resolves to amend the articles of association so that a new article 9, regarding postal voting, is introduced (with consequential changes to the numbering of subsequent articles). The new article 9 of the articles of association will have the following wording:

§ 9 Postal voting

Before a general meeting, the Board of Directors may decide that the shareholders shall be able to exercise their vote by post before the general meeting.

Miscellaneous

The Board of Directors further proposes that the Board of Directors, the CEO or the person that any of them may appoint, shall be authorised to make the minor adjustments in the above resolutions as may be required in connection with registration at the Swedish Companies Registration Office and/or Euroclear Sweden AB.

Special majority requirements

A resolution by the general meeting in accordance with item 19 and 20 is valid when supported by shareholders representing at least two thirds of both the votes cast and the shares represented at the general meeting, while a resolution by the general meeting in accordance with item 18 B above is valid only when supported by shareholders representing at least nine tenths of both the votes cast and the shares represented at the general meeting.

Number of shares and votes

At the time of issuing this notice there were in the aggregate 288,619,299 shares outstanding in Cloetta AB distributed on 5,735,249 A-shares and 282,884,050 B-shares. The total number of votes is 340,236,540 whereof 57,352,490 of the votes are represented by A-shares and 282,884,050 of the votes are represented by B-shares. Cloetta AB held, at the time of issuing this notice, no own shares in treasury.

Shareholder's right to request information

The Board of Directors and the CEO shall, if any shareholder so requests and the Board of Directors believes that it can be done without material harm to the company, provide information regarding circumstances that may affect the assessment of an item on the agenda or circumstances that may affect the assessment of the company's financial situation. A request for such information shall be made in writing to Cloetta AB, Att: the Board of Directors, P.O. Box 6036, SE-171 06, Solna, Sweden, or by e-mail to nathalie.redmo@cloetta.com, no later than on 27 March 2021. The information is provided by the company by being kept available at the company and on www.cloetta.com, no later than as of 31 March 2021. Within the same period of time, the information will also be sent to the shareholders who so request and who state their postal or email address.

Available documents

The Board of Directors and the nomination committee's complete proposals, together with other documents that must be available in accordance with the Swedish Companies Act and The Swedish Code of Corporate Governance, will be kept available no later than on 16 March 2021 on the company's website www.cloetta.com and at the company on address Solna Business Park, Englundavägen 7D, Solna, Sweden. The documents will also be sent to the shareholders who so request and who state their postal or email address.

Prior to the Annual General Meeting 2021, the company will for the first time prepare a remuneration report. The report will be kept available in the same way as the above-mentioned documents.

Processing of personal data

For information on how your personal data is processed, see

<https://www.euroclear.com/dam/ESw/Legal/Privacy-notice-bolagsstammor-engelska.pdf>

Stockholm, March 2021

Cloetta AB (publ)

The Board of Directors