

# Cloetta

Remuneration Report 2021





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This remuneration report provides an outline of how Cloetta's guidelines for executive remuneration (the "remuneration guidelines"), adopted by the Annual General Meeting 2021, have been implemented in 2021. The report also provides details on the remuneration of Cloetta's President and CEO (the "President"). In addition, the report contains a summary of Cloetta's outstanding share and long-term incentive plans. The report has been prepared in compliance with Chapter 8, Sections 53 a and 53 b of the Swedish Companies Act (2005:551), the Swedish Corporate Governance Code and the Rules on Remuneration of the

Board and Executive Management and on Incentive Programmes issued by the Swedish Corporate Governance Board.

Information required by Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) is available in Notes 6 and 7 on pages 90–91 and the disclosures in the section on the Remuneration of the Group Management Team on pages 64–65 in Cloetta's Annual and Sustainability Report 2021 (the "Annual Report 2021").

Information on the work of the remuneration committee in 2021 is set out in the corporate governance statement, which is available on page 62 of the Annual Report 2021.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 7 on page 91 of the Annual Report 2021.

## Key Developments 2021

### Overall company performance in 2021

Organic growth was 8.4 per cent and the impact of changes in exchange rates was –2.2 per cent. Sales of Branded packaged products increased organically by 5.8 per cent, driven by strong marketing and innovation initiatives.

Sales of Pick & mix increased organically

by 18.4 per cent driven by efforts to grow consumer confidence, premiumising the offering and increased consumer activation.

Operating profit margin, adjusted for items affecting comparability, increased to 9.4 per cent (8.7), driven by higher volumes and various margin-enhancing initiatives in Pick & mix, partly offset by higher marketing investments and higher indirect costs.

In 2021, Cloetta delivered very strong cash flow, resulting in a net debt/EBITDA of 2.0x, well below the long-term target of 2.5x. Based on the healthy cash flow, and combined with the quality of the improved profitability, the Board proposes that the dividend per share for 2021 will be restored to the pre-pandemic level of SEK 1.00 (0.75). For more information about the overall performance in 2021, please see pages 45–50 of the Annual Report 2021.

#### Overview of the application of the remuneration guidelines in 2021

The Remuneration Committee monitors and evaluates programs for variable remuneration for the President, both those that are outstanding and those that have been completed during the year. The actual and expected outcome of such programs have been reported to the Board and discussed at Board meetings during the year.

Based on the Remuneration Committee's evaluation of the President's remuneration, the Board has determined that the current

remuneration structure and remuneration level is appropriate, reflects market practice and is competitive and suitable for achieving Cloetta's objectives. After evaluation, both the Remuneration Committee and the auditor have concluded that Cloetta has complied with current remuneration guidelines and that there has not been any deviation or derogation from the procedure for the implementation of the remuneration guidelines, nor any derogations from the remuneration guidelines themselves during the 2021 financial year.

Under Cloetta's remuneration guidelines, remuneration of the Group Management Team shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The remuneration guidelines, adopted by the Annual General Meeting 2021, can be found on page 64-65 of the Annual Report 2021. The auditor's report regarding whether Cloetta has complied with the guidelines is available on Cloetta's website <https://www.cloetta.com>.

In addition to remuneration covered by the remuneration guidelines, the Annual



General Meetings of Cloetta have resolved to implement long-term incentive plans and on remuneration to the Board of Directors.

The Board has not reduced or reclaimed remuneration that has been paid.

The table below sets out total remuneration paid to Cloetta's President, as well as the costs incurred by the company for the remuneration of the President during 2020 and 2021.

## Total remuneration of the President and CEO

### Remuneration – costs incurred

Amounts in SEK thousand	Financial year	Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Other benefits	One-year variable	Multi-year variable				
Henri de Sauvage-Nolting	2021	5,200	94	5,075	-1,048	-	1,560	10,881	63% / 37%
	2020	5,000	92	5	529	-	1,500	7,126	93% / 7%

### Remuneration – paid

Amounts in SEK thousand	Financial year	Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Other benefits	One-year variable	Multi-year variable				
Henri de Sauvage-Nolting	2021	5,200	94	5	388	-	1,560	7,247	95% / 5%
	2020	5,000	92	3,649	257	-	1,500	10,498	63% / 37%

## Share-based remuneration\*

### Outstanding long-term incentive plans

Cloetta currently has three outstanding long-term incentive plans, LTI 2019, LTI 2020 and LTI 2021. During 2021, LTI 2018 vested. The long-term incentive plans serve to align the interests of the shareholders on the one hand, and the Group Management Team and other key employees on the other hand, in order to ensure maximum long-term value creation.

All of the long-term incentive plans require a personal shareholding in Cloetta. Following a three-year vesting period, the participants are allocated class B shares in Cloetta free of charge, provided that certain conditions are fulfilled. Under LTI 2018, the participants received so-called matching share rights, which entitled the participant to class B shares in Cloetta, conditional upon continued employment with Cloetta and that the personal shareholding in Cloetta is con-

tinuously maintained. The matching share rights under LTI 2018 were replaced by series A performance share rights in LTI 2019, 2020 and 2021, that also require a minimum average EBIT over the vesting period. In addition, under all of the long-term incentive plans, the participants receive so-called series B performance share rights, which entitle the participant to class B shares in Cloetta, conditional upon the fulfilment of two performance targets, one of which is related to Cloetta's net sales value and the other to Cloetta's EBIT in the respective vesting periods.

LTI 2018 vested in 2021. None of the two performance targets of LTI 2018 were met. The performance targets were related to growth in Cloetta's compounded sales value during the period 2018 to 2020 and EBIT level during 2020. In total, 136,625 class B shares in Cloetta were delivered to the participants under the program due to the matching share rights.

LTI 2019 will vest in 2022. The target levels set by the Board for the two performance targets were not met. The performance targets were related to growth in Cloetta's compounded sales value during the period 2019 to 2021 and EBIT level during 2021. As a result, Cloetta will not transfer shares to participants holding series A and series B performance share rights.

The first table below sets out further information with respect to LTI 2020 and LTI 2021.

The President participated in LTI 2018 which expired during 2021 and is currently participating in the following outstanding programs: LTI 2019, LTI 2020 and LTI 2021. Information of each of the outstanding programs may be found in the second table below.

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

## Main characteristics long-term incentive plans

	LTI 2021	LTI 2020	LTI 2019
AGM approval date	6 April 2021	2 April 2020	4 April 2019
Maximum number of B shares to be allocated	1,590,629	1,206,374	1,648,046
as percentage of total shares	0.6	0.4	0.6
as percentage of voting rights	0.5	0.4	0.5
Number of employees offered the opportunity to participate	48	45	45
Number of participants at inception date	38	30	30
Estimated number of B shares to be allocated, subject to possible recalculation	1,176,742	-	-
as percentage of total shares	0.4	0.0	0.0
as percentage of voting rights	0.3	0.0	0.0
Number of participants at reporting date	37	26	23

## Remuneration of the President and CEO in shares

The main conditions of share award plans					Information regarding the reported financial year					
Specifi- cation of plan	Perfor- mance period	Award date	Vesting date	End of retention period	Opening balance	During the year			Closing balance	Shares to be allocated if performance targets are met in full
					Shares held at the beginning of the year*	Shares invested*	Shares vested	Shares granted on vesting date	Shares subject to a performance condition*	
LTI 2018	2018–2020	April 2018	April 2021	n/a	14,471	-	14,471	14,471	-	n/a
LTI 2019	2019–2021	April 2019	Q2 2022	n/a	18,739	-	-	-	18,739	121,804
LTI 2020	2020–2022	April 2020	Q2 2023	n/a	24,382	-	-	-	24,382	158,483
LTI 2021	2021–2023	April 2021	Q2 2024	n/a	-	22,779	-	-	22,779	148,064
<b>Total</b>					<b>57,592</b>	<b>22,779</b>	<b>14,471</b>	<b>14,471</b>	<b>65,900</b>	<b>428,350</b>

\*) Shares represent the personal investment of the President and CEO to participate in the long-term incentive plans.

### Application of performance criteria

Cloetta's business strategy involves, inter alia, to strengthen the company's position as the leading confectionery company in Northern 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 being Sweden, Finland, the Netherlands, Denmark, Norway, Germany and the UK. It is essential for Cloetta to create an incentive for the Group 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 Group Management Team shall ensure that Cloetta can recruit and retain qualified employees and that the Group Management Team has the right focus and that right behaviour is encouraged. The types of remuneration shall be in line with market practice 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.

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 net sales and adjusted operating profit. 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 adjusted operating profit for the year exceeds the previous year's adjusted operating profit. Cloetta's Board of Directors is responsible for assessing the outcome in relation to variable salary to the President.

In relation to variable salary to the other members of the executive management team, the President is responsible for assessing the outcome which shall be confirmed by the remuneration committee.

Set out in the first table below is a description of how the criteria for payment of variable short- and long-term compensation have been applied for the President during the financial year 2021. The table shows realisation of 2021 targets.

The second table below presents the change of remuneration and company performance since 2017. The current President was appointed in 2017.

### Criteria for variable short-term compensation of the President and CEO<sup>1</sup>

	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Measured performance SEKm	Award/remuneration outcome SEK thousand
Henri de Sauvage-Nolting	Group net sales	50%	6,046	2,537.5
	Group operating profit, adjusted	50%	571	2,537.5
<b>Total</b>				<b>5,075.0</b>

<sup>1</sup>) For long-term compensation criteria, please refer to the section "share-based remuneration".

### Change of remuneration and company performance over the last five reported financial years

Annual change	2018 vs 2017		2019 vs 2018		2020 vs 2019		2021 vs 2020		2021
	SEK thousand	in %	SEK thousand	in %	SEK thousand	in %	SEK thousand	in %	SEK thousand
Total remuneration President	1,003	16%	2,749	37%	-3,074	-30%	3,755	53%	10,881
<b>Company's performance</b>									
Group net sales	434	8%	275	4%	-798	-12%	351	6%	6,046
Group operating profit, adjusted <sup>1</sup>	73	12%	66	10%	-248	-33%	76	15%	571
Average remuneration on a full-time equivalent basis of employees <sup>2</sup>	50	15%	11	3%	-8	-2%	-2	-1%	395

<sup>1</sup>) Comparative figures for 2020 have been restated as a consequence of the change in accounting treatment for cloud computing arrangements.

<sup>2</sup>) All employees of the Cloetta Group (excluding Group Management Team) have been included in the calculation of the average remuneration on a full-time equivalent basis.