

Corporate governance report

The aims of good corporate governance are to create the conditions for active shareholder engagement, to uphold a clear and sound balance of power between the company's governing bodies and to ensure the provision of correct information to the market. The corporate governance report is part of the company's administration report and is reviewed by the company's auditors. The results of the review are presented in the auditor's report on page 141.

The purpose of corporate governance is to ensure that the company is managed as effectively as possible in the interests of the shareholders, but also that Cloetta complies with the rules required by legislators and the stock exchange, among other things in the form of corporate governance. Corporate governance is also aimed at creating order and systems for both the Board and the management. In addition, by having well defined structures, rules and processes, the Board can ensure that the management and employees are focused on developing the business and thereby creating shareholder value.

Cloetta AB (publ) is a Swedish public limited company, with corporate identification number 556308-8144, whose class B shares are traded on Nasdaq Stockholm. The company is domiciled in Ljungsbro, Linköping, and its head office is in Stockholm.

External governance systems

Cloetta AB (publ) operates under both external governance systems and the company's own internal steering systems. The external governance systems, which provide the framework for Cloetta's corporate governance, include the Swedish Companies Act, the Swedish Annual Accounts Act, other relevant laws, Nasdaq Stockholm's Rules for Issuers and the Swedish Code of Corporate Governance. Governance, management and control are divided between the shareholders at the AGM, the Board of Directors and the President in accordance with Swedish corporate law, the Swedish Code of Corporate Governance and the Articles of Association.

Internal governance systems

The most important internal steering instrument consists of the Articles of Association that are adopted by the general meeting of shareholders. The Articles of Association contain obligatory information of a fundamental nature to the company. These articles specify the object of the company's operations, the size of the share capital, the voting rights attached to the different classes of shares and the permitted number of Board members. The Articles of Association contain no special provisions regarding the appointment and dismissal of Board members or amendments to the Articles of Association. The full Articles of Association can be viewed at www.cloetta.com. Other steering instruments include the Board's work plan and the Board's instructions for the President. In addition, the Board has adopted a number of policies and instructions containing rules for the entire Group's operations, which are evaluated yearly.

Swedish Code of Corporate Governance

Since 1 July 2008, all companies whose shares are traded on Nasdaq Stockholm are required to apply the Swedish Code of Corporate Governance, regardless of their market capitalisation. Cloetta is thus subject to compliance with the Swedish Code of Corporate Governance, which is based on the "comply or explain" principle. This means that a company can deviate from the Code's provisions without this entailing a breach of the Code. However, a company that deviates from a rule in the Code must

explain the reason for doing so. Cloetta has during 2014 complied with the Code without any deviations. Complete information about Cloetta's application of the Swedish Code of Corporate Governance can be found at www.cloetta.com.

Shareholders

The class B shares in Cloetta AB (publ) have been listed on Nasdaq Stockholm since 16 February 2009 and are traded on the Mid Cap list since 2 July 2012. However, Cloetta was originally introduced on the stock exchange in 1994 and has since then been listed in a number of different owner constellations.

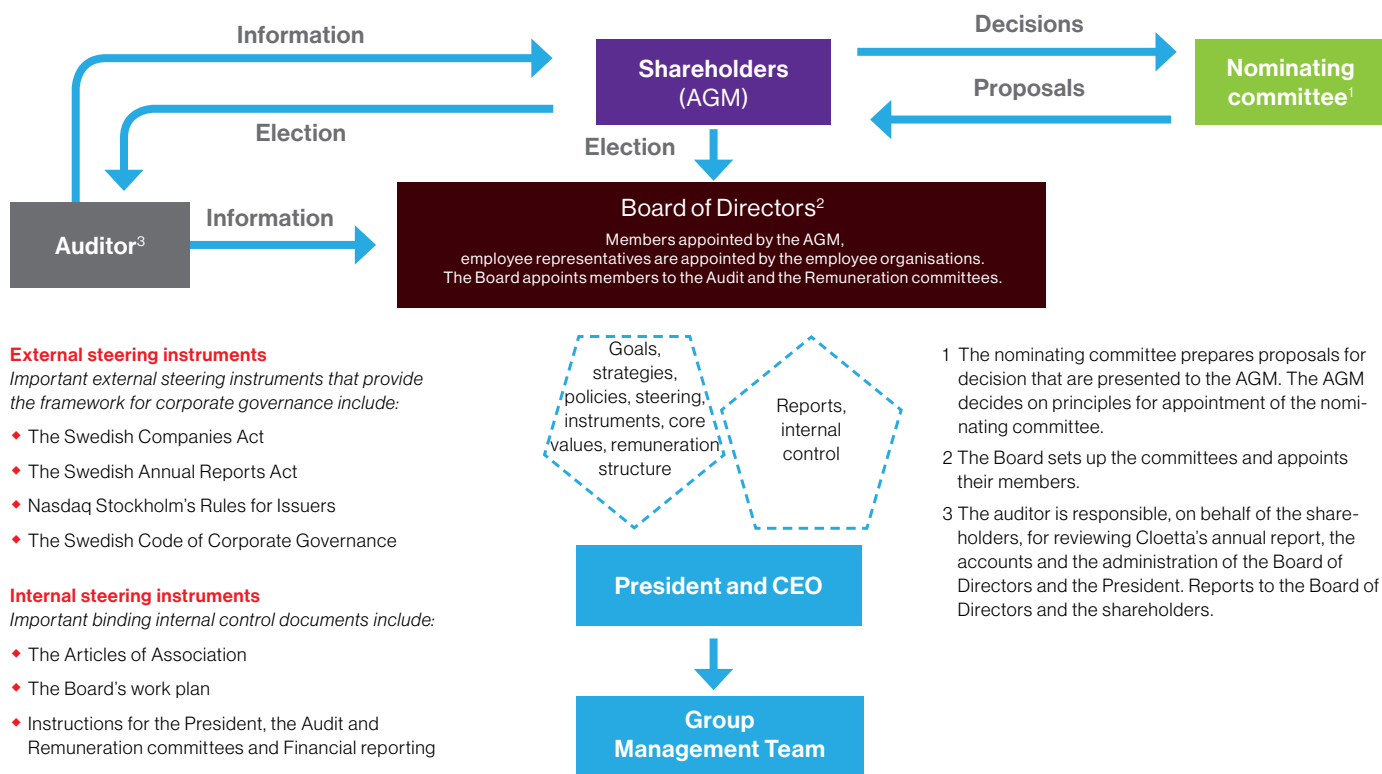
The number of shares at 31 December 2014 was 288,619,299, of which 278,757,685 were of class B and 9,861,614 were of class A. The number of shareholders was 12,694 (compared to 6,321 at 31 December 2013). Each class B share corresponds to one vote and each class A share to ten votes, although all shares carry equal entitlement to the company's assets and profits. There are no limitations regarding the number of votes a shareholder may exercise at a general meeting. The share capital amounts to SEK 1,443,096,495 and the quota value of the share is SEK 5.

Should the company issue new shares of class A and class B through a cash or setoff issue, holders of class A and class B shares have the right to subscribe for new shares of the same class in proportion to the number of shares already held on the record date. If the issue includes shares of only class B, all holders of class A and class B shares have the right to subscribe for new B shares in proportion to the number of shares already held on the record date. Corresponding rules of apportionment are applied in the event of a bonus issue or issue of convertibles and subscription warrants. The transference of a class A share to a person who is not previously a holder of class A shares in the company is subject to a pre-emption procedure, except when the transfer is made through division of joint property, inheritance, testament or gift to the person who is the closest heir to the bequeather. After receiving a written request from a holder of class A shares, the company shall convert the class A shares specified in the request to class B shares.

The largest shareholder is AB Malfors Promotor, which held 41.3 per cent of the votes and 23.2 per cent of the share capital at 31 December 2014. The second largest shareholder at year-end was AMF Försäkring och Fonder with 9.5 per cent of the votes and 12.4 per cent of the share capital, and the third largest shareholder was Threadneedle Investment Funds with 3.0 per cent of the votes and 4.0 per cent of the share capital. The ten largest shareholders accounted for 67.6 per cent of the votes and 57.6 per cent of the share capital.

In total, financial and institutional investors held 90.6 per cent of the votes and 87.8 per cent of the share capital at 31 December 2014. Foreign shareholders accounted for 17.0 per cent of the votes and 22.3 per cent of the share capital. For further information about Cloetta's shareholders and shares, see pages 55–59.

Governance structure



Individuals with an insider position

The members of the Board, the Group Management Team, authorised public accountant, a number of employees/contract personnel in Cloetta and individuals with certain functions in the Group's subsidiaries, who have a position that can normally be assumed to provide access to non-publicised share price sensitive information, have been registered with the Swedish Financial Supervisory Authority as insiders in Cloetta. These individuals are obligated to report in their holdings of financial instruments in Cloetta according to the Act on Reporting Obligations for Certain Holdings of Financial Instruments.

Listed companies are required to record a logbook of individuals who are employed or contracted by the company and have access to insider information relating to the company. These can include insiders, but also other individuals who have insider information without being registered as insiders. Cloetta records a logbook for each financial report or press release containing information that could affect the share price.

Silent periods

Cloetta maintains a silent period of at least 30 days prior to the publication of its quarterly financial reports. During this period, representatives of the Group will not meet with financial media, analysts or investors.

General meeting of shareholders

The general meeting of shareholders is the company's highest decision-making body. At a general meeting, all shareholders have the opportunity to exert an influence over the company by exercising the votes attached to their respective shareholdings. The powers and duties of the general meeting are regulated among other things by the Swedish Companies Act and the Articles of Association.

Cloetta's financial year runs from 1 January to 31 December. The Annual General Meeting shall be held within a period of six months after the end of the financial year. The date and location of the AGM shall be communicated on the company's website at the latest in connection with publication of the third quarter report. Notice to attend a AGM shall be given no earlier than six weeks and no later than four weeks prior to the

AGM through publication in Post- och Inrikes Tidningar (the Swedish Official Gazette) and on the company's website. At the same time, information confirming that notification has taken place shall be published in Dagens Industri. In addition, the notice is also sent by mail to all shareholders.

The AGM resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of Board members and auditor, fees to Board members and the auditor, and other items of business as prescribed by the Swedish Companies Act and the Articles of Association.

Each shareholder has the right to participate in the AGM, either in person or by proxy. Every shareholder has the right to request that a matter be taken up at the AGM and in such case must submit a written request to the Board. In order to be taken up at the AGM, the request must be submitted to the Board no later than seven weeks prior to the AGM. In accordance with Chapter 7, 32 §, of the Swedish Companies Act, all shareholders have the right, at a general meeting of shareholders, to pose questions to the company about the matters that are taken up at the meeting and the financial situation of the company and the Group.

2014 Annual General Meeting

The latest AGM was held on 29 April 2014 in Stockholm. The AGM was attended by 158 individuals representing 69.4 per cent of the votes in the company. The AGM approved the proposals of the Board and the nominating committee regarding:

- ♦ Adoption of the balance sheet and profit and loss accounts;
- ♦ That no dividend be paid;
- ♦ Discharge from liability for the Board of Directors and CEO;
- ♦ The number of Board members elected by the AGM shall be six, with no deputies;
- ♦ Board fees were set at SEK 600,000 for the Chairman and SEK 275,000 for each of the other Board members elected by the AGM;
- ♦ Fees for work on the Board committees were set at SEK 100,000 for each member of the audit committee and SEK 50,000 for each member of the remuneration committee;
- ♦ Fees to the auditor are to be paid according to approved account;

- ♦ Re-election of sitting Board members Adriaan Nühn, Mikael Svenfelt, Olof Svenfelt and Lilian Fossum Biner. Caroline Sundewall and Ann Carlsson were elected as new Board members. The AGM elected Caroline Sundewall as new Chairman of the Board. The former Board members Lennart Bylock, Hans Eckerström, Håkan Kirstein, Robert-Jan van Ogtrop, Meg Tivéus and Peter Törnquist resigned in connection with the AGM. Aside from the members elected by the AGM, the employee organisation LIVS has appointed an employee representative and a deputy representative to the Board;
- ♦ Re-election of KPMG AB as the company's auditor to serve for the period until the end of the next AGM;
- ♦ Rules for the nominating committee;
- ♦ Guidelines for remuneration to the Group Management;
- ♦ Introduction of a share-based long-term incentive plan.

The full minutes from the AGM can be viewed at www.cloetta.com.

2015 Annual General Meeting

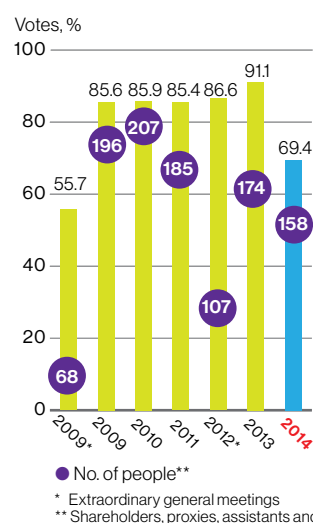
The 2015 AGM will be held on Thursday, 23 April 2015, at 4.00 p.m. at conference center 7A Odenplan, Odengatan 65 in Stockholm. The Notice of the Annual General Meeting will be published at the end of March 2015 and will contain the Board's proposals. For more information, see "Annual General Meeting" on page 149 and www.cloetta.com.

Nominating committee

In accordance with the decision of the AGM, Cloetta's nominating committee shall consist of at least four and at most six members. Of these, one shall be a representative of the Board, appointed by the Board, and three shall be members appointed by the three largest shareholders in terms of voting power. The majority of the nominating committee's members shall be independent in relation to the company and its management and at least one of these shall be independent in relation to the company's largest shareholder in terms of voting power. The members of the nominating committee ahead of the 2015 AGM were announced on 1 September 2014, see summary below. Of the appointed members, all four are independent in relation to the company and its management and three are independent in relation to the company's largest shareholder in terms of voting power.

The task of the nominating committee is to prepare recommendations to be put before the AGM for decision regarding election of Board members and the Board Chairman, fees to the Board of Directors, remuneration for committee work, election of a chairman of the AGM, election of auditors, auditing fees and rules for the nominating committee. The Board Chairman presents an annual evaluation of the Board's activities during the year to the nominating committee, which provides a basis for the nominating committee's work together with the provisions in the Swedish Code of Corporate Governance and Cloetta's own company-specific requirements.

Attendance at AGMs/EGMs



All shareholders have the right to contact the nominating committee to propose candidates for election to the Board. Proposals shall be sent to the chairman of the nominating committee by e-mail to nominationcommittee@cloetta.com.

The nominating committee's recommendations for election of Board members, board fees and auditors are presented in the notice to attend the AGM. The nominating committee ahead of the 2015 AGM has held four meetings. No fees have been paid for work on the nominating committee.

Board of Directors

According to the Articles of Association, Cloetta's Board of Directors shall consist of at least three and at most ten members elected by the AGM. The AGM on 29 April 2014 resolved that the Board shall have six members. For the period until the end of the next AGM, which will be held on 23 April 2015, the Board consists of Caroline Sundewall (chairman), Lilian Fossum Biner, Ann Carlsson, Adriaan Nühn, Mikael Svenfelt and Olof Svenfelt. In addition, the employee organisation LIVS has appointed one employee representative to the Board, Lena Grönedal, and one deputy representative, Shahram Nikpour Badr. All Board members have attended a course arranged by Nasdaq Stockholm. The average age of the Board members elected by the AGM was 56 at year-end 2014 and three of the six are women.

In accordance with the Swedish Code of Corporate Governance, the majority of the Board members elected by the AGM shall be independent in relation to the company and its management and at least two of these shall also be independent in relation to the company's major shareholders. Of the Board's six members, all are independent in relation to the company and its management and four are independent in relation to the company's major shareholders.

For information about the Board members' assignments outside the Group and shareholdings in Cloetta, see pages 88–89.

Change in the Board

Board member Lilian Fossum Biner resigned from the Board of Cloetta AB at her own request on 19 December 2014. Among other things, Lilian Fossum Biner has a seat on the board of a listed Swiss company whose Articles of Association, in accordance with Switzerland's so-called Minder Initiative, limit the number of board assignments that a board member may have in other listed companies.

The decision to leave the Board of Cloetta was a consequence of the Swiss regulations and the number of board assignments Lilian Fossum Biner has in other listed companies.

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders and ensure that the company complies with the applicable laws, the Articles of Association and the Swedish Code of Corporate Governance. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its

Nominating committee ahead of the 2015 Annual General Meeting

Members	Appointed by	Independent ¹⁾	Share of votes at 31 Dec. 2014
Christer Wagenius, chairman	AB Malfors Promotor	Yes/No	41.3%
Lars-Åke Bokenberger	AMF and AMF Fond	Yes/Yes	9.5%
Peter Rönström	Lannebo Fonder	Yes/Yes	2.7%
Caroline Sundewall	Board of Cloetta AB	Yes/Yes	-

¹⁾ Independent from the company and its management/from the company's largest shareholder in terms of voting power.

governance over the subsidiaries and that the that the company's financial accounting, financial management and financial circumstances in general can be controlled satisfactorily. At least once a year, the Board shall meet with the company's auditor without the presence of the Group Management Team, and shall continuously and at least once a year evaluate the performance of the President.

On a yearly basis, the Board reviews and adopts a work plan for its own activities and those of the Board's audit and remuneration committees. The Board also adopts instructions for the President and instructions for financial reporting. Among other things, these regulate the segregation of duties between the Board of Directors, the Board Chairman, the President and the auditor, quorum, conflict of interest, the work of the committees, internal and external reporting, routines for notice to attend general meetings, Board meetings and minutes.

In addition, the Board has issued and adopted policies for the Code of Conduct, Corporate Communications and IR, Finance, HR, Insiders, Insurance, Internal Control, IT Security and Mergers and Acquisitions.

Board meetings

In 2014 the Board held seven scheduled meetings, of which one statutory meeting, and two extra meetings. See the summary from these meetings below.

Evaluation of Board performance

The performance of the Board is evaluated yearly in order to develop the Board's working methods and efficiency. The Board Chairman is responsible for carrying out the evaluation and presenting the results to the nominating committee. The purpose of the evaluation is to gather the Board members' views on the Board's performance, what measures can be taken to improve the efficiency of board work, and whether the Board has a well balanced mix of competencies. The evaluation provides valuable input for the nominating committee ahead of the AGM. In 2014 the Chairman conducted a written survey among all Board members including the employee representatives. The results of the evaluation have been reported to both the Board and the nominating committee.

Board committees

Audit committee

In accordance with the Swedish Code of Corporate Governance, the audit committee shall consist of at least three members who are appointed by

the Board on a yearly basis. One of the members shall be chairman of the committee. In 2014 the Board's audit committee consisted of members Lilian Fossum Biner (chairman), Caroline Sundewall and Olof Svenfelt.

The majority of the committee members shall be independent in relation to the company and its management. At least one member shall be independent in relation to the company's major shareholders and have accounting or auditing expertise. Of the audit committee's three members, all are independent in relation to the company and its management and two are independent in relation to the company's major shareholders.

The work of the audit committee is regulated by special instructions that have been adopted by the Board as part of its work plan. The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control and risk management regarding financial reporting. In brief, the audit committee, without affecting the other tasks and responsibilities of the Board, shall continuously meet with the company's auditors to stay informed about the focus and scope of the audit. The company's auditor shall be invited to participate in the meetings of the audit committee.

Instructions and policies

The Board reviews and adopts the following instructions and policies on a yearly basis

- ◆ Work plan for the Board
- ◆ Instructions for the President
- ◆ Instructions for financial reporting
- ◆ Work plan and instructions for the audit committee
- ◆ Work plan and instructions for the remuneration committee
- ◆ Code of Conduct
- ◆ Corporate Communications and IR policy
- ◆ Finance policy
- ◆ HR policy
- ◆ Insider policy
- ◆ Insurance policy
- ◆ Internal Control policy
- ◆ IT Security policy
- ◆ Mergers and Acquisitions policy

Board meetings in 2014

DECEMBER

Scheduled Board meeting; budget/business plan for the coming year, bonus targets.

NOVEMBER

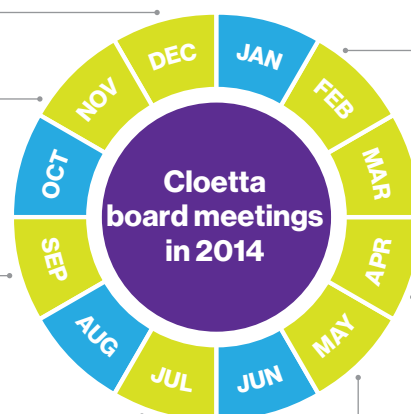
Scheduled Board meeting; interim report for the period from January to September, visit to Cloetta's factory in Turnhout, Belgium, review of the Dutch market, management review.

SEPTEMBER

Scheduled Board meeting; visit to Cloetta's factory in Cremona, Italy, review of the Italian market.

JULY

Scheduled Board meeting; interim report for the period from January to June, targets for the incentive plan.



MAY

Extra Board meeting; decision on acquisition of The Jelly Bean Factory, information about IT strategy and board liability insurance.

FEBRUARY

Scheduled Board meeting; year-end report, annual report, matters ahead of the AGM, report from the auditors, presentation of category and brand activities and evaluation of remuneration to the Group Management.

MARCH

Extra Board meeting; incentive plan for approval by the AGM.

APRIL

Scheduled Board meeting; interim report for the period from January to March.
Annual General Meeting
Statutory meeting; decision on authorised signatories, adoption of instructions and policies, election of the remuneration committee and audit committee, appointment of a board representative to the nominating committee, information about fees to the Board and committees, decision on dates and locations for the upcoming scheduled Board meetings, the AGM and reporting dates.

Other fixed items at the scheduled Board meetings have included the activities and financial results of the company and the subsidiaries, the President's situation report, production strategy, feedback from the committees, and other pertinent projects and issues.

The audit committee shall meet at least four times per financial year. Once a year the committee shall meet without the presence of any member of the Group Management Team. Minutes shall be recorded at meetings of the audit committee. The audit committee shall inform the Board about the matters dealt with by the committee. In 2014 the committee held six meetings.

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board on a yearly basis. One of the members shall be chairman of the committee. The Board's remuneration committee consists of members Mikael Svenfelt (chairman), Adriaan Nühn and Caroline Sundewall.

The majority of the committee's members shall be independent in relation to the company and its management. Of the remuneration committee's three members, all are independent in relation to the company and its management.

The work of the remuneration committee is regulated by special instructions that are adopted by the Board as part of its work plan. The main tasks of the remuneration committee are to prepare recommendations to the Board for decision on remuneration principles, remuneration levels and other terms of employment for the Group Management, to monitor and evaluate ongoing and during the year completed programmes for variable remuneration to the Group Management and to monitor and evaluate application of the guidelines for remuneration to Group Management as adopted by the AGM and of the current remuneration structures and levels in the Group.

The remuneration committee shall meet at least twice every financial year. In 2014 the committee held four meetings.

Board Chairman

The Board Chairman shall be elected by the general meeting of shareholders, and the AGM on 29 April 2014 elected Caroline Sundewall as the new Board Chairman. The Chairman shall supervise the work of the Board and ensure that the Board discharges its duties, and has special responsibility for ensuring that the work of the Board is well organised and effectively executed and for monitoring the Group's development. The Chairman oversees the effective implementation of the Board's decisions and is responsible for ensuring that the work of the Board is evaluated yearly and that the nominating committee is informed about the results of this evaluation.

Some of the Chairman's main duties are to:

- ♦ convene meetings when needed;
- ♦ in good time prior to each financial year, prepare a plan with dates for the AGM, scheduled board meetings and scheduled reports to the market;
- ♦ in consultation with the President, decide which matters are to be dealt with by the Board;
- ♦ ensure that the Board addresses the items of business to be dealt with by the Board according to law, the Articles of Association and the Swedish Code of Corporate Governance;
- ♦ on behalf of the Board, handle matters related to changes in the share capital and the number of shares, amendments to the Articles of Association and proposals for dividends;
- ♦ serve as the Board's spokesman when the Board is not gathered;
- ♦ personally authorise costs that are attributable to the Board's activities and personally to the President.

President and Group Management Team

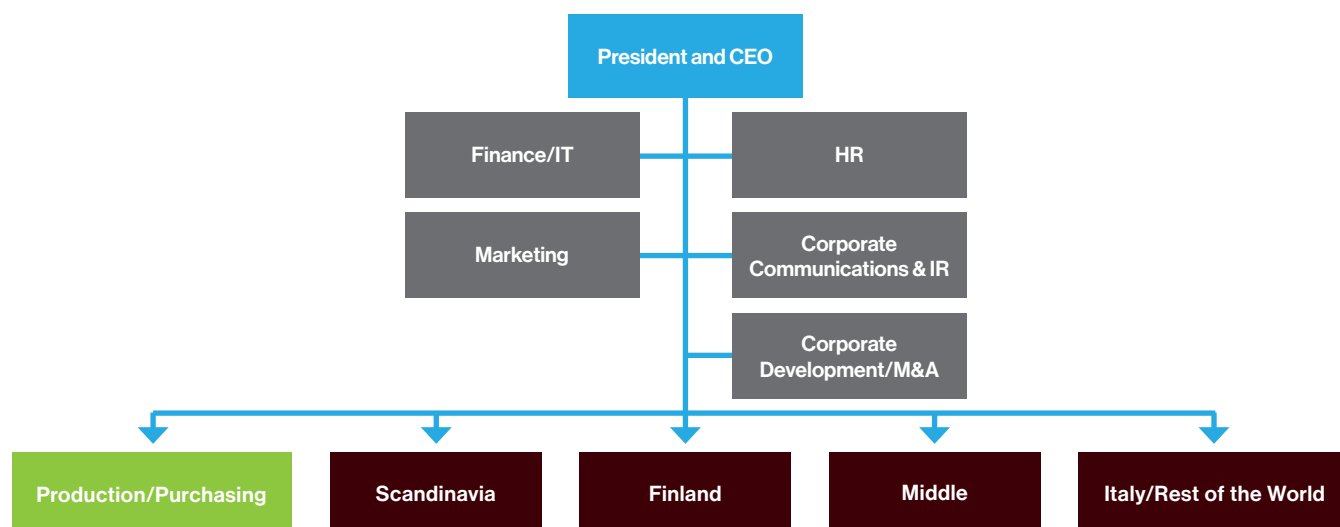
The President is appointed by the Board and supervises operations according to the instructions adopted by the Board and is responsible for day-to-day management of the company and the Group in accordance with the Swedish Companies Act. In addition, the President, together with the Chairman, decides which matters are to be dealt with at Board meetings. The Board continuously evaluates the President's duties and performance.

The President is responsible for ensuring that the Board members are supplied with the necessary information and decision data and presents reports and proposals at Board meetings regarding issues dealt with by the Group Management Team. The President continuously informs the Board and Chairman about the financial position and development of the company and the Group.

Bengt Baron has been President of Cloetta since 16 February 2012. Aside from the President and CEO, the Group Management team consists of the four regional presidents for Scandinavia, Finland, Middle and Italy/Rest of the World, the head of Supply Chain (which includes purchasing and production) and the five heads of the central staffs Finance/IT, Marketing, HR, Corporate Communications & IR and Corporate Development/M&A. For information about the President and other members of the Group Management Team, see pages 90–91.

The Group Management Team conducts management meetings at regular intervals and held ten meetings in 2014. The meetings are focused on the Group's strategic and operative development and financial performance. In addition to these meetings, the senior executives work in close daily cooperation regarding various matters.

Organisation



Press releases in 2014, summary

January

- ♦ Acquisition of Nutisal completed

February

- ♦ Nominating committee's proposal regarding the Board of Directors
- ♦ 2013 year-end report

March

- ♦ 2013 annual report
- ♦ Notice of the 2014 Annual General Meeting

April

- ♦ Interim report Q1 2014
- ♦ Communiqué from the 2014 AGM

May

- ♦ Acquisition of The Jelly Bean Factory

June

- ♦ Cloetta wins the competition Best IR Website 2013
- ♦ New Head of Human Resources appointed

July

- ♦ Cloetta provides Coop with new pick-and-mix concept
- ♦ Interim report Q2 2014

September

- ♦ Nomination committee appointed ahead of 2015 AGM
- ♦ Cloetta wins competitions Best Annual Report and Listed Company of the Year 2013

November

- ♦ Interim report Q3 2014

December

- ♦ Lillian Fossum Biner leaves Cloetta's Board

Financial reporting

The Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial circumstances can be controlled satisfactorily and that external financial information such as interim reports and annual reports to the market is prepared in accordance with the legal requirements, relevant accounting standards and other requirements applicable to listed companies. The tasks of the Board are to oversee the Group's financial development, assure the quality of the Group's financial reporting and internal control and regularly monitor and evaluate operations.

The task of the audit committee is to support the Board in assuring the quality of the company's financial reporting. However, the audit committee deals not only with the Group's financial reports and significant accounting matters, but also matters related to internal control, compliance, reliability of reported values, events after the balance sheet date, changes in estimates and judgements and other conditions affecting the quality of the financial reports.

The President ensures that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is conducted in a satisfactory manner. Cloetta AB's President is a member of the boards of all operating subsidiaries.

Every month, the Group prepares a closing of the books that is submitted to the Board and the Group Management Team. For every financial year, a profit, balance sheet and investment budget is prepared for the Group and is adopted at the scheduled Board meeting in December.

External financial information is regularly provided in the form of:

- ♦ Year-end and interim reports
- ♦ Annual reports
- ♦ Press releases about important news that is assessed to have a potential impact on the share price
- ♦ Presentations for financial analysts, investors and the media on the date of publication of the year-end report and interim reports
- ♦ Meetings with financial analysts and investors

Awards for financial communication

In the autumn of 2014 Cloetta won the overall prize Listed Company of the Year 2013 in a competition held by Aktiespararna and the consulting company Kanton following wins in the sub-categories Best IR Website and Best Annual Report and a second place in the sub-category Best Interim Report.

Guidelines for remuneration to the group management, etc.

According to the guidelines for remuneration to the Group Management and senior executives resolved on by the AGM on 29 April 2014, remuneration to the President, other members of the Group Management Team and other senior executives who report directly to the President shall consist of fixed salary, variable salary, other benefits and pension benefits. When deemed appropriate by the Board, the senior executives in question shall also be offered the opportunity to participate in share-based long-

term incentive schemes, which shall be resolved on by the general meeting of shareholders.

Any variable salary shall be linked to predetermined and measurable criteria, and shall be limited to the equivalent of one fixed annual salary.

The total remuneration package shall be market-based and competitive, and shall be proportionate to the individual's responsibilities and powers. In the event of dismissal on the part of the company, the term of notice shall be not longer than 12 months. Any termination benefits may amount to not more than one year's fixed salary in addition to pay during the notice period. Defined contribution pension plans shall be strived for.

The retirement age shall be not lower than 60 and not higher than 67 years of age. These guidelines apply to agreements entered into after the AGM, and in cases where changes are made in existing agreements after this date. The Board shall have the right to deviate from these guidelines in individual cases where there is special reason to do so.

In addition to the above guidelines, the following applies. Due to employment contracts entered into in Leaf prior to Cloetta's acquisition of the company, there are employment contracts with members of the Group Management Team granting termination benefits corresponding to 18 monthly salaries. Variable salary to the members of the Group Management Team is structured so that an annual bonus equal to 30–50 per cent of fixed annual salary is payable on the attainment of predetermined financial targets. In addition, a bonus equal to an additional 30–50 per cent of fixed annual salary is payable on the attainment of predetermined extraordinary financial performance targets.

Information about incentive schemes at Cloetta can be found on pages 72, 103 and 119.

Auditor

The auditor is elected by the AGM for examination of the company's annual accounts and accounting records and the administration of the Board of Directors and the President. The auditors' reporting to the shareholders takes place at the AGM through presentation of the auditor's report.

The AGM on 29 April 2014 re-elected the certified auditing firm of KPMG AB as the company's independent auditor to serve during the period until the end of the next AGM. Authorised Public Accountant Helene Willberg is Auditor in Charge.



KPMG AB

Helene Willberg
Auditor in Charge.

Born: 1967.

Auditor for the company since 2007.

Authorised Public Accountant KPMG AB.

Other auditing assignments: PostNord AB, Thule Group AB, Höganäs AB, Alfa Laval AB and AB Traction.

Previous auditing assignments: Cision AB, Investor AB, Nobia AB, Ortivus AB and Fastighets AB Balder.

Internal control over financial reporting

Cloetta applies the COSO framework for internal control over financial reporting in order to ensure correct and reliable reporting in compliance with the applicable laws and regulations, accounting standards and other requirements for listed companies.

The Board of Directors has defined the guidelines regarding roles, responsibilities and processes that are vital in maintaining good internal control.

Roles and responsibilities

The Board of Directors and the audit committee are responsible for establishing the fundamental rules and guidelines for internal control.

The audit committee assists the Board by continuously monitoring the risks that can affect the financial reporting and in the preparation of manuals, policies and accounting policies. The Board of Directors and the audit committee interact directly with the external auditors.

The CEO is responsible for the effective design and implementation of internal control within the Group.

The CFO is responsible for the design, correct implementation and proper application of the framework for internal control at the central level. The local management is responsible for the design, correct implementation and proper application at the local level, all in order to facilitate realisation of the Group's objectives.

Cloetta's accounting manual contains instructions and guidance for accounting and financial reporting. The Board's instructions for financial reporting are found in the Group's finance manual, including instructions for accounting and reporting and the finance policy.

Control environment

The foundation for Cloetta's control environment is the company's corporate culture, i.e.:

- ♦ Integrity and ethical values, with Cloetta's Code of Conduct as a platform for the rules that among other things govern financial reporting.
- ♦ The management's conduct and working methods based on a clearly defined working process that is described in the "Instructions for Accounting and Financial Reporting".
- ♦ Rules for signatory authorisation, segregation of duties and delegation of authority are clearly defined in the "Framework for Authority and Responsibilities" and in the "Rules of Procedure".

- ♦ Processes for leading and developing the employees in the organisation and the attention devoted to these issues by Cloetta's Board of Directors.

Financial reporting competencies

The executive and local managements work actively to ensure that the company has employees with the right competency in all key (financial) positions and that there are procedures in place to ensure that employees in key (financial) positions have the requisite knowledge and skills.

Human Resources (HR)

The guidelines and processes for management of human resources play a fundamental role in Cloetta's system of internal control and contribute to ensuring the effectiveness of internal control. Key processes include compensation and benefits, HR development, recruitment, allocation of resources, performance management and routines for feedback to the employees.

Risk assessment

A risk assessment evaluates the probability that a risk will occur and the consequences (impact) if this risk results in a real event. The speed (velocity) at which this risk could become a reality is also considered.

Both the local and central financial reporting are monitored and evaluated based on the impact and magnitude of risk, and are adjusted depending on their materiality.

Relevant objectives are an important prerequisite for internal control. Tax and financial risks are reviewed pro-actively on a periodic basis and all significant assessed tax, legal and financial risks are properly reflected in the consolidated financial statements.

Fraud risk


The executive management and the central finance team are responsible for preventing the risk for fraud and continuously assessing the risk for fraud with respect to the applicable attitudes, incentives, and opportunities to commit fraud.

Control activities

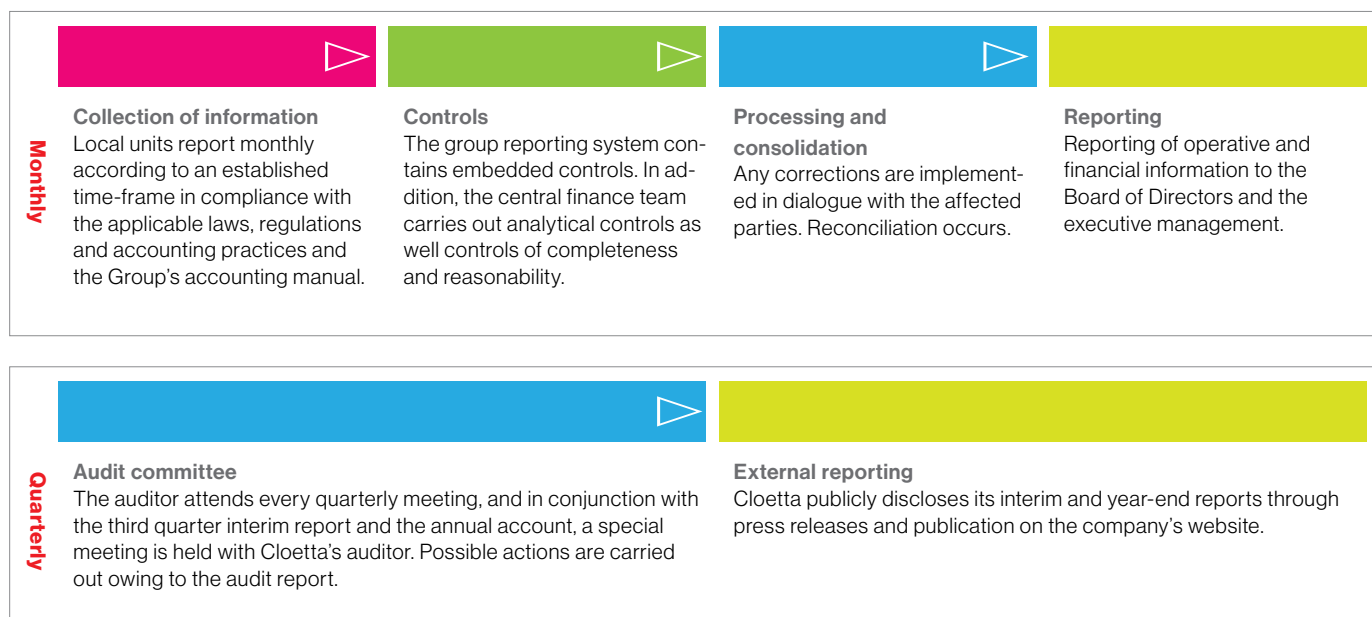
Control activities are the policies and procedures that contribute to ensuring that management's directives are carried out and that the neces-

Basis for risk assessment

<p>Existence, reported assets and liabilities exist on the reporting date.</p>	<p>Completeness, all transactions during the reporting period are recorded and reported.</p>	<p>Assets and liabilities consist of the rights and obligations that Cloetta has on the reporting date.</p>	<p>Valuation and allocation, all items in the financial reporting are reported in conformity with IFRS valuation principles and are correctly calculated and summarised and appropriately recorded.</p>	<p>Presentation and disclosure, items in the financial reports are properly described, sorted and classified.</p>
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Process for financial reporting



sary actions are taken to address risks that may hinder the achievement of the company's objectives.

Control activities are found at all levels of the organisation and in all functions. They include a range of activities as diverse as approvals, authorisations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

The controls are embedded in Cloetta's business processes and play a key role in ensuring effective internal control in the company. The local management is responsible for having all required control activities in place and maintained within their respective units. The Group CFO is responsible for ensuring that all control activities are operational and maintained at the central level. As far as possible, the control activities should be automated, but there are also manual control activities in place to verify that the automated controls are functioning as intended.

The continuous reviews that are performed by the central and local managements, and that are incorporated into all business transactions and processes, are an important part of Cloetta's monitoring controls. The local management is responsible for ensuring that relevant laws and regulations are complied with in their respective areas of responsibility. Every identified risk is covered by one or more control activities. All control activities and identified business risks are linked to each other.

Monitoring and improvement

If potential weaknesses are found, internal control audits are performed to ensure the effectiveness of the internal control. Such audits are performed based on the standards applied by external auditors.

Internal control deficiencies that are detected through the ongoing monitoring activities or separate evaluations are reported upstream and corrective actions are taken to ensure continuous improvement of the internal controls. Every quarter the non-adjusted but signalled deficiencies in internal or external reporting are reported in the quarterly review memo and discussed with the involved persons and the members of the Group Management.

Information and communication

An effective internal control system requires sufficient, timely and reliable information, both financial and non-financial, relating to both internal and external events and activities.

Pertinent information is identified, captured and used at all levels of the company, and is distributed in a form and time-frame that supports the achievement of the financial reporting objectives. As far as possible, management reporting is directly linked to the financial reporting and consolidation tool.

Cloetta has a predefined reporting package that is distributed on a monthly basis to the Board of Directors and Group Management. The management reporting package provides both operating and financial information.

The timeliness and accuracy of internal and external reporting are safeguarded through the use of corporate planning and a regular meeting schedule. The information and communication in the internal and external reports are reviewed at the group level.

Internal communication

Effective communication ensures the information flows in the organisation. Separate communication channels are used to communicate internally, based on what is most effective.

External communication

It is also important to maintain effective communication about relevant policies with external parties such as customers, suppliers, regulators and shareholders.

All external communication is carried out in accordance with the Cloetta's Communications and IR Policy.

Evaluation of the need for a separate internal audit function

There is currently no internal audit function in place at Cloetta. The Board has examined this topic and found that the existing structures for follow-up and evaluation provide satisfactory documentation. For some special reviews, external resources can also be used. This decision is reviewed yearly.

Board of Directors



Caroline Sundewall

Chairman of the Board

Member of the audit committee
Member of the remuneration committee

Elected on: 29 April 2014

Born in: 1958

Nationality: Swedish

Education: M.Sc. in Business Economics, Stockholm School of Economics.

Other assignments: Board member of Hemfosa, Cramo, Lifco, Södra Skogsägarna and Mertzig Asset Management. Chairman of the Board of Tennisstiftelsen Streber Cup. Since 2001 she runs her own business, Caroline Sundewall AB, mainly taking on board assignments but also consulting assignments.

Previous assignments: Has previously worked on the boards of Svolder, TeliaSonera, Electrolux, Haldex, Pågen and Ahlsell. She has worked for banks in Stockholm and London, as a business journalist at Dagens Industri and Affärsvärlden, as a business controller at Ratos, as head of business editorial and as a columnist at Sydsvenskan and as a columnist at Finanstidningen.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 20,000 class B shares.

Related parties: –



Ann Carlsson

Board member

Elected on: 29 April 2014

Born in: 1966

Nationality: Swedish

Education: Staff Administration, Stockholm University.

Other assignments: CEO of Apoteket AB. Member of the Board of Martin&Servera and Ruter Dam. Member of SNS board of trustees.

Previous assignments: Has held several positions within ICA – most recently as Director of Business Areas, and previously, among other positions, as Business Manager of Ica Kvantum and ICA Nära. She has long and extensive experience of the Swedish grocery retail sector.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 9,900 class B shares.

Related parties: –



Lilian Fossum Biner

Board member until 18 December 2014. Lilian resigned from the Board at her own request.

Chairman of the audit committee

Elected on: 11 April 2013

Born in: 1962

Nationality: Swedish

Education: M.Sc. in Business Economics, Stockholm School of Economics.

Other assignments: Board member of Oriflame Cosmetics S.A., Thule Group AB, Nobia AB, L E Lundbergföretagen AB, a-connect AG and Givaudan SA.

Previous assignments: Lilian has previously worked at McKinsey & Co Inc, AB Electrolux and Axel Johnson AB. She has long experience in areas such as financial control, strategic pricing, HR issues and multi-branding strategy.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 5,500 class B shares.

Related parties: –

Composition of the Board

Elected by the AGM	Nationality	Year elected	Born in	Fees ¹			Attendance ³		
				Board fees	Committee fees	Independent ²	Board meetings	Audit committee	Remuneration committee
<i>Chairman</i>									
Caroline Sundewall	Swedish	2014	1958	600,000	150,000	Yes/Yes	7/7	5/5	3/3
<i>Member</i>									
Ann Carlsson	Swedish	2014	1966	275,000	–	Yes/Yes	7/7		
Lilian Fossum Biner ⁴	Swedish	2013	1962	275,000	100,000	Yes/Yes	6/7	4/5	
Adriaan Nühn	Dutch	2012	1953	275,000	50,000	Yes/Yes	7/7		3/3
Mikael Svenfelt	Swedish	2008	1966	275,000	50,000	Yes/No	7/7		3/3
Olof Svenfelt	Swedish	2008	1941	275,000	100,000	Yes/No	7/7	5/5	

1 Fees refer to set amounts during the period from the AGM on 29 April 2014 until the AGM on 23 April 2015. Board fees shall be paid in an amount of SEK 600,000 to the Board Chairman and SEK 275,000 to each of the other members elected by the AGM. Members of the audit committee shall received fees of SEK 100,000 each and members of the remuneration committee fees of SEK 50,000 each. For further details, see Note 6.

2 Independent in relation to the company and its management/in relation to the largest shareholder.

3 Attendance refers to meetings during the period from the statutory meeting following the AGM on 29 April 2014 until the publication of this annual report in March 2015.

4 Lilian Fossum Biner resigned from the Board at her own request on 19 December 2014.



Adriaan Nühn
Board member

Member of the remuneration committee

Elected on: 15 February 2012

Born in: 1953

Nationality: Dutch

Education: MBA, University of Puget Sound, Tacoma, Washington, USA and BA of Business Administration, Hogere Economische School, Eindhoven, The Netherlands.

Other assignments: Board chairman of Sligro Food Group N.V. Board member of Kuoni AG, Plukon Foodgroup N.V., Anglovaal Industries Ltd., WWF the Netherlands and HG International B.V.

Previous assignments: CEO and Board chairman of Sara Lee International and has held a number of assignments within the Sara Lee Corporation and Procter & Gamble.

Independent:

in relation to major shareholders: Yes

in relation to the company and management: Yes

Shareholding

Direct: 198,363 class B shares.

Related parties: –



Mikael Svenfelt
Board member

Chairman of the remuneration committee

Elected on: 25 August 2008

Born in: 1966

Nationality: Swedish

Education: Marketing and business economist, Tibbleskolan, and law studies, Folkuniversitetet, Sweden.

Other assignments: CEO and Board member of AB Malfors Promotor. Board chairman of Fjärilshuset Haga Trädgård AB. Board member of Fjärilshuset Haga Trädgård Café AB and Rollox AB.

Previous assignments: Senior positions in Nicator Group, Dell Financial Services and GE Capital Equipment Finance AB.

Independent:

in relation to major shareholders: No

in relation to the company and management: Yes

Shareholding

Direct: 25 class A shares and 37,535 class B shares.

Related parties: –



Olof Svenfelt
Board member

Member of the audit committee

Elected on: 25 August 2008

Born in: 1941

Nationality: Swedish

Education: M.Sc. Engineering, Faculty of Engineering, LTH, Lund University and LLB, Stockholm University.

Other assignments: Board member of AB Malfors Promotor, Highland Group AB, Hjalmar Svenfelts Stiftelse, Wilhelm Stenhammars Stiftelse and Georg Hultners Stiftelse.

Previous assignments: Board Chairman of Cloetta AB and Deputy Chairman of Cloetta Fazer AB. Board member of Stiftelsen Hagdahlsakademien.

Independent:

in relation to major shareholders: No

in relation to the company and management: Yes

Shareholding

Direct: 30 class A shares and 2,347,300 class B shares.

Related parties: 9,855,954 class A shares and 57,375,661 class B shares.

Employee board member



Lena Grönedal
Employee board member,
Swedish Food Workers' Union (LIVS)

Elected on: 5 November 2008

Born in: 1962

Nationality: Swedish

Position: Factory Operative, Cloetta Produktion Sverige AB

Shareholding

Direct: –

Related parties: –

Deputy employee board member



Shahram Nikpour Badr
Employee board member,
Swedish Food Workers' Union (LIVS)

Elected on: 11 April 2013

Born in: 1963

Nationality: Swedish

Position: Factory Operative, Cloetta Produktion Sverige AB

Shareholding

Direct: –

Related parties: –

Holdings of shares at 31 December 2014

Group Management Team



Bengt Baron

CEO and President since 16 February 2012.

Employed by Leaf since 2009.

Born in: 1962

Nationality: Swedish

Education: B.S., University of California at Berkeley, MBA, University of California, Berkeley, USA.

Other assignments:

Board chairman of MIPS AB. Board member of Thule Group AB and 5653 Sweden AB.

Previous assignments/positions:

President and CEO of Leaf 2009–2012, President and CEO of V&S Vin & Sprit 2004–2008, Business Manager of V&S Absolut Spirits 2001–2004, Nordic President at Stepstone, 1999–2001, Business Manager at Consumer Imaging Kodak Nordic, 1996–1999, CEO of Frionor Sweden, 1994–1996, Business Manager at Coca-Cola Company Sweden, 1992–1994, and Management Consultant at McKinsey & Co, 1988–1992. In the past five years Bengt has completed assignments as a board member of Nordnet AB, Lundhags Förvaltning AB, Five Seasons Försäljningsaktiebolag, EQ Oy, the Sweden America Foundation and Tenson Group AB.

Shareholding Direct: 125,909 class B shares.

Related parties: 1 135 class B shares.



Giorgio Boggero

President Italy and Rest of the World since 16 February 2012.

Employed by Leaf since 2009.

Born in: 1969

Nationality: Italian

Education: B.A. Economics, University of Turin, Italy.

Other assignments:

Board member of Carioca Srl.

Previous assignments/positions:

President of Leaf Italy, 2010–2012, since 2012 also responsible for Rest of the World, Commercial Director at LEAF Italy, 2009–2010, CEO of Bialetti Industries International Markets, 2007–2008, Commercial Director for L'Oreal Italy, 2004–2006, Marketing and Category Manager for L'Oreal Italy, 2002–2004. Several positions in marketing and sales for L'Oreal and Kimberly Clark in Italy and France, 1994–2002.

Shareholding Direct: 8,543 class B shares.

Related parties: –



Jacob Broberg

Senior Vice President Corporate Communications and Investor Relations since 16 February 2012.

Employed by Leaf since 2010.

Born in: 1964

Nationality: Swedish

Education:

B.A. in Political Science and Economics, Lund University, Sweden.

Other assignments: –

Previous assignments/positions:

SVP Corporate Communications at Leaf, 2010–2012, Vice President Corporate Communications at TeliaSonera, 2008–2010, Senior Vice President Corporate Affairs and Communication at V&S Vin & Sprit AB, 2005–2008, Vice President Media Relations at Electrolux, 2001–2005, and Vice President Corporate Communications at Länsförsäkringar, 2000–2001. Various positions, including Head of Media Relations and Information for Moderata Samlingspartiet, 1989–2000.

Shareholding Direct: 20,000 class B shares.

Related parties: –



Jacqueline Hoogerbrugge

President Operations since 16 February 2012.

Employed by Leaf since 2010.

Born in: 1963

Nationality: Dutch

Education: M.Sc. Chemical Engineering, University of Groningen, the Netherlands.

Other assignments: Board member of Cederroth Intressenter AB.

Previous assignments/positions: President Operations at LEAF, 2010–2012, Vice President Operations at Danone's Medical Nutrition Division, 2009–2010, and Vice President Procurement at Numico Baby & Medical Food, 2006–2009. Various positions in engineering, manufacturing and procurement at Unilever 1992–2006, and in engineering and sales at Fluor Daniel, 1988–1992.

Shareholding Direct: 9,026 class B shares.

Related parties: –



Danko Maras

CFO since 16 February 2012.

Employed by Leaf since 2010.

Born in: 1963

Nationality: Swedish

Education:

B.Sc. in Business Administration and Economics, Uppsala University, Sweden.

Other assignments: –

Previous assignments/positions: CFO of LEAF, 2010–2012, CFO/COO at Unilever Nordic, 2007–2010, VP Finance Supply Chain at Unilever North America, 2004–2006, Head of Unilever Corporate Finance Western Europe & Personal Assistant to the Group Treasurer at Unilever Head Office, the Netherlands, 2000–2003, Chief Accountant at Unilever Cosmetics International Switzerland, 1997–2000, Corporate Auditor at Unilever, 1993–1996, Management Trainee at Unilever Sweden, 1992–1993. Danko has also been board chairman of Slottsfabriken Fastighets AB.

Shareholding Direct: 161,624 class B shares.

Related parties: –



David Nuutinen

President Finland since 16 February 2012.

Employed by Leaf since 2003.

Born in: 1959

Nationality: Finnish

Education:

M.Sc. Economics, Helsinki School of Economics, Finland.

Other assignments:

Board chairman of Kamux Oy. Board member of Splizzera Oy.

Previous assignments/positions:

President of Leaf Finland, 2005–2012, Commercial Director at Leaf Finland, 2003–2005, General Manager of PepsiCo Beverages, Finland, Baltics, Ukraine, 2000–2002, Operations Director at McDonalds Finland, 1996–2000, various marketing and sales positions at Vaasanmylly Oy, 1986–1996. In the past five years David has completed assignments as a board member of Turun Vapaavarasto Oy and DNA Oy.

Shareholding Direct: 14,608 class B shares.

Related parties: –



Regina Ekström

Senior Vice President Human Resources since 1 January 2015.
Senior Vice President Human Resources until 31 December 2014 was Edwin Kist.

Employed by Leaf since 2004.

Born in: 1963

Nationality: Swedish

Education:

B.Sc. in Business Administration and Economics, Lund University, Sweden.

Other assignments:

Board member of LI.

Previous assignments/positions:

SVP Human Resources Scandinavia at Cloetta/Leaf, 2004–2014, SVP Human Resources Nordic at Findus, 2000–2004, HR Manager Sweden/Nordic at Nestlé, 1995–2000, Trainee, Product Manager, Human Resources Manager, Marketing Manager at Mars Sweden and U.K, 1987–1995.

Shareholding Direct: 7,989 class B shares.
Related parties: –



Johnny Engman

Senior Vice President Corporate Development and M&A since 1 May 2012.

Employed by Cloetta since 2012.

Born in: 1977

Nationality: Swedish

Education:

M.Sc. in Economics and Business Administration, Stockholm School of Economics.

Other assignments: Board member of Menigo AB.

Previous assignments/positions:

Director at Nordic Capital Advisory AB, 2004–2012, where he has worked with companies in various sectors, including retail and fast-moving consumer goods. Management Consultant at McKinsey & Company in Stockholm, 2001–2004. Board member of StudentConsulting AB, 2006–2010, Luvata Ltd., 2007–2009 and Saferoad AS, 2008–2013.

Shareholding Direct: 12,204 class B shares.
Related parties: –



Ewald Frény

President Middle since 16 February 2012.

Employed by Leaf since 2000.

Born in: 1963

Nationality: Dutch

Education:

M.Sc. Economics, Erasmus University Rotterdam, the Netherlands.

Other assignments: –

Previous assignments/positions:

President Middle at Leaf, 2011–2012, Chief Marketing Officer and Senior Vice President Sales Rest of the World, 2008–2011. Member of Leaf Executive Committee, 2008–2012. Vice President Segment Sugar Confectionery, 2005–2007, Marketing Director of Sugar Confectionery Division, (former subsidiary CSM), 2004–2005, Marketing Director of RBV Leaf the Netherlands (former subsidiary CSM), 2000–2004. Several marketing and sales positions at Mars Inc., European Franchise Manager for SNICKERS, 1997–1999, Divisional Sales Manager Snackfood, 1995–1997, Brand Manager roles in Snack and Petfood, 1990–1995, Management Trainee, 1989–1990.

Shareholding Direct: 15,375 class B shares.
Related parties: –



Lars Pålsson

President Scandinavia since 16 February 2012.

Employed by Leaf since 2008.

Born in: 1959

Nationality: Swedish

Education: B.A. Economics and Marketing, Växjö University, Sweden, PED IMD Lausanne, Switzerland.

Other assignments: Board chairman of DLF Serviceaktiebolag and Abdon Mills Group. Board member of GS1 Sweden AB.

Previous assignments/positions:

President Scandinavia at Leaf, 2008–2012, President of Campbells Nordic, 2005–2008, Senior Vice President Carlsberg Nordic, 2001–2005, Managing Director Falcon Brewery, 1998–2001, Vice President Nestlé Nordic Findus, 1996–1998, Marketing Director Nestlé Sweden, 1994–1996, various positions in sales and marketing at Nestlé Sweden and Nestlé Switzerland 1982–1994.

Shareholding Direct: 35,603 class B shares.
Related parties: –



Erwin Segers

Chief Marketing Officer since 1 March 2012.

Employed by Leaf since 2010.

Born in: 1967

Nationality: Belgian

Education:

M.Sc. Business and Economics, University of Antwerp, Belgium.

Other assignments: –

Previous assignments/positions:

Marketing Director at Leaf Holland, 2010–2012, Senior Marketing Director at Philips, 2006–2010, Marketing Director at Cadbury Netherlands (part of KRAFT), 2002–2006. Several senior positions in marketing and sales at Sigma Coatings, Hero and Maxxium, 1990 1990–2002.

Shareholding Direct: 11,112 class B shares.
Related parties: –