

Corporate governance report

Chairman's comments

2012 was a tremendously eventful period for Cloetta. As I look back on some of the major changes, I must say that I am proud of how much we accomplished during the year. A few of the highlights include the merger between Cloetta and LEAF, but also an extraordinary general meeting, a new Board of Directors, a new President and management, a rights issue to finance the acquisition, an issue in kind, a refinancing, a new commercial organisation in Sweden, a decision to rationalise production, divestment of the distribution business in Belgium and the adoption of new policies and working methods. And all of this took place at the same time that we experienced a combination of unusually weak market development in our industry and record high raw material prices.

Consequently, much of the Board's work during the year has focused on supporting our management team in the execution of these changes, but also following up and ensuring that all of the decided changes were carried out in an efficient and correct manner.

AIMS OF CORPORATE GOVERNANCE

Corporate governance is about ensuring 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. I see this as the Board's foremost responsibility to all shareholders. 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 we can ensure that the management and employees are focused on developing business and thereby creating shareholder value.



Stockholm, March 2013

A handwritten signature in black ink, appearing to be 'Lennart Bylock'.

Lennart Bylock
Board Chairman



The aims of good corporate governance are to create the conditions for active shareholder participation, to uphold a transparent and sound balance of power between the company's governing bodies and to ensure the provision of correct information to the market.

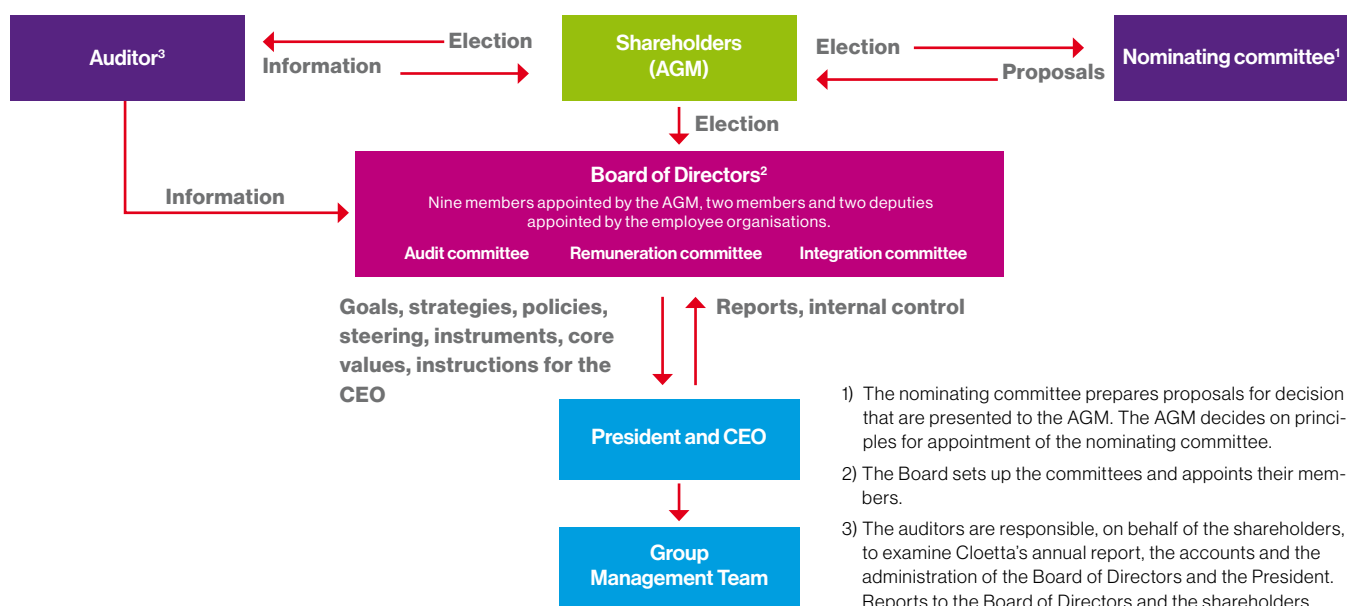
Cloetta AB (publ) is a Swedish public limited company, with corporate identification number 556308-8144, whose class B shares are traded on NASDAQ OMX Stockholm. The company is domiciled in Ljungsbro, Linköping and its head office is in Stockholm.

APPLICATION OF THE SWEDISH CODE OF CORPORATE GOVERNANCE

Since 1 July 2008, all companies whose shares are traded on NASDAQ OMX 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 currently complies 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. The corporate governance report is part of the company's administration report and is reviewed by the company's auditor. The results of the review are presented in the audit report on page 130.

Governance structure



INFORMATION ABOUT THE CHANGE OF FINANCIAL YEAR AND THE MERGER WITH LEAF

The latest Annual General Meeting (AGM) on 19 December 2011 approved an amendment to the Articles of Association regarding the Parent Company's financial year. The Articles of Association were changed so that the company's financial year runs from 1 January to 31 December, i.e. the calendar year, instead of from 1 September to 31 August. This meant that the financial year was extended to cover the period from 1 September 2011 to 31 December 2012.

The extraordinary general meeting (EGM) on 15 February 2012 approved the

Board's proposal to acquire LEAF and appointed a new Board of Directors and Board Chairman. On 16 February 2012, Cloetta acquired 100% of the shares and 100% of the votes in Leaf Holland B.V., the Parent Company of the Leaf group, domiciled in the Netherlands, from Yllop Holding S.A. (name changed from Leaf Holding S.A.). From an accounting perspective, however, the transaction is regarded as a reverse acquisition due to the difference in size between the two companies.

Despite this, central corporate governance functions such as the AGM, Articles of Association and criteria for the Board's composition have been essentially retained in the same form as before the merger between

Cloetta and LEAF. The listing on NASDAQ OMX Stockholm, publication of quarterly reports and provision of other key information are also unchanged.

Because Cloetta in its current form was created through the merger with LEAF, this corporate governance report mainly describes Cloetta during the period from 16 February to 31 December 2012. However, a brief description of the Board of Directors, Board committees, Group Management Team and remuneration prior to the merger, i.e. during the period from the AGM on 19 December 2011 to the EGM on 15 February 2012, is provided at the end of this corporate governance report.

Composition of the Board

Elected by the general meeting ¹	Year elected	Born in	Total fees, SEK ²	Independent from shareholders	Independent from company and management	Attendance ³			
						Board meetings	Audit committee	Remuneration committee	Integration committee
Chairman									
Lennart Bylock	2012	1940	650,000	Yes	Yes	14/14		5/5	4/4
Members									
Hans Eckerström	2012	1972	500,000	No	Yes	13/14	8/8	4/5	4/4
Håkan Kirstein	2012	1969	250,000	Yes	Yes	14/14			
Adriaan Nühn	2012	1953	250,000	Yes	Yes	13/14			
Robert-Jan van Ogtrop	2012	1956	300,000	No	Yes	11/14		5/5	
Mikael Svenfelt	2008	1966	400,000	No	Yes	14/14		5/5	4/4
Olof Svenfelt	2008	1941	350,000	No	Yes	14/14	8/8		
Meg Tivéus	2008	1943	350,000	Yes	Yes	14/14	7/8		
Peter Törnquist	2012	1953	450,000	No	Yes	14/14	7/8		3/4

1) Information about education, other assignments and shareholdings in the company is provided on pages 74–75.

2) The EGM on 15 February 2012 resolved that Board fees would be paid in an amount of SEK 500,000 to the Chairman and SEK 250,000 to each of the other Board members elected by the general meeting. Fees of SEK 100,000 each would be paid to the members of the audit committee, SEK 50,000 each to the members of the remuneration committee and SEK 100,000 each to the members of the integration committee. For further details, see Note 6. The reported fees in the table above refer to the period from the EGM on 15 February 2012 to the upcoming AGM on 11 April 2013.

3) Attendance for the period from the merger between Cloetta and LEAF on 16 February 2012 to 31 December 2012.

EXTERNAL GOVERNANCE SYSTEMS

Cloetta AB (publ) operates under both external governance steering 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 OMX 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. Other steering instruments include the Board's work plan and the Board's instructions for the CEO. In addition, the Board has adopted a number of policies and instructions containing rules for the entire Group's operations. These are evaluated yearly.

ARTICLES OF ASSOCIATION

The Articles of Association are adopted by the general meeting of shareholders and 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 (see under agreement regarding the Board's composition on page 65).

The full Articles of Association can be viewed at www.cloetta.com.

SHAREHOLDERS

The class B shares in Cloetta AB (publ) have been listed on NASDAQ OMX Stockholm since 16 February 2009 and are traded on the Mid Cap list since 2 July 2012. The number of shares at year-end 2012 was 288,619,299, of which 278,757,685 were of class B and 9,861,614 were of class A, and the number of shareholders was 4,667. All shares grant equal entitlement to participate in the company's assets and profits. The quota value (par value) of the share is SEK 5.00. 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 at year-end held 40.2% of the votes and 21.8% of the share capital. Other institutional investors held 53.5% of the votes and 69.9% of the share capital.

Following completion of the rights issue in April 2012, Yllop Holding S.A. and AB Malfors Promotor were the principal shareholders in Cloetta. After the end of the first quarter, the holding in Leaf Holding S.A. was divided and transferred to Cidron Pord S.á.r.l., which is owned by Nordic Capital Fund V, and Godis Holdings S.á.r.l., which is owned by funds under the advisorship of CVC Capital Partners. At year-end Godis Holdings S.á.r.l. held shares

corresponding to 28.6% of the share capital and 21.9% of the votes in the company, and Cidron Pord S.á.r.l. held shares corresponding to 21.3% of the share capital and 16.3% of the votes in the company.

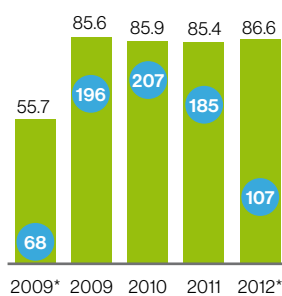
At the request of AB Malfors Promotor, Cloetta converted 1,938,386 class A shares in Cloetta, which are held by Malfors, to class B shares during the fourth quarter. Malfors thereby reduced its number of votes in Cloetta to 40.2% (39.9% after full exercise of the outstanding option programme issued by the three principal shareholders) in accordance with Malfors' undertaking to CVC and Nordic Capital in connection with Cloetta's merger with Leaf Holland B.V. earlier in 2012. After the conversion, the number of class A shares in Cloetta has decreased from 11,800,000 to 9,861,614, while the number of class B shares has risen from 276,819,299 to 278,757,685. Following conversion, the number of votes in Cloetta has decreased by 17,445,474. The share capital is unchanged at SEK 1,443,096,495, as is the total number of shares at 288,619,299.

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, according to the decision of Cloetta's AGM on 19 December 2011, runs from 1 January to 31 December. Due to the decision of the 2011 AGM to change Cloetta's financial year to the calendar year, and the Board's decision to extend the current financial year, Cloetta's next AGM will be held in April 2013. Notice to attend must be given no more than six weeks and no fewer than four weeks prior to the AGM. The AGM resolves on adoption of the year's balance sheet and profit and loss account, dividends, election of Board members and auditors, fees to Board members

Attendance at AGMs/EGMs



▶ Votes, % ▶ No. of people

* Extraordinary general meetings in Stockholm.
Other general meetings in Linköping.

The nominating committee ahead of the AGM on 11 April 2013 has the following composition:

Name	Representing	Share of votes at 31 Dec. 2012, %
Christer Wagenius, chairman	AB Malfors Promotor	40.2
Gustaf Martin-Löf	Godis Holdings S.á.r.l. (CVC Capital Partners)	21.9
Andreas Näsvik	Cidron Pord S.á.r.l. (Nordic Capital Fund V)	16.3
Lennart Bylock	Board of Cloetta AB	



and auditors, 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.

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. 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. A shareholder who wishes to have a matter addressed at the AGM 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 one week before the earliest date on which the notice of meeting may be published (e.g. the request must be received no later than seven weeks before 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.

2011 Annual General Meeting

The latest AGM was held on 19 December 2011 in Linköping. See more information under the heading "Cloetta prior to the merger" on page 69.

2012 Extraordinary General Meeting

An EGM was held in Stockholm on 15 February 2012 in respect of the proposed merger with LEAF. The EGM was attended by 107 individuals representing 86.6% of the votes. The EGM approved the Board's proposals regarding:

- The acquisition of Leaf Holland B.V.

- Amendments to the Articles of Association.
- A new issue of class C shares as part of the purchase consideration for the acquisition of LEAF Holland B.V. (see page 85).
- Authorisation for the Board to carry out a new issue of class A and B shares with preferential rights for existing holders of class A and B shares.
- The number of Board members elected by the AGM shall be nine, with no deputies.
- Election of Lennart Bylock (Chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop and Peter Törnquist as new Board members for the period until the end of the next AGM. Since the AGM on 19 December 2011, Cloetta's Board consisted of Mikael Svenfelt, Olof Svenfelt and Meg Tivéus. In connection with the EGM on 15 February 2012, former Board members Lennart Bohlin, Johan Hjertsonsson and Ulrika Stuart Hamilton resigned. Aside from the Board members elected by the general meeting, the employee organisations have appointed two employee representatives and two deputies to the Board.
- Board fees for the period until the next AGM were set at SEK 250,000 for each of the Board members elected by the general meeting and SEK 500,000 for the Board Chairman.
- Fees for work on the Board's committees were set at SEK 100,000 for each member of the audit committee (the number of members on the audit committee shall be no more than four) and SEK 50,000 for each member of the remuneration committee (the number of members on the remuneration committee shall be no more than four). In addition, fees of SEK 100,000 shall be paid to each member of an integration committee formed specifically for the integra-

tion between Cloetta and LEAF, which shall be of a temporary nature (the number of members on the integration committee shall be no more than four).

- Changed guidelines for remuneration to the senior executives.

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

Annual General Meeting

The 2013 AGM will be held on Thursday, 11 April 2013, at 2:00 p.m., at Hotel Rival in Stockholm. Notice to attend the AGM was published on 7 March 2013 and included a description of the Board's proposals. For additional information, see "Annual General Meeting" on page 135 and www.cloetta.com.

NOMINATING COMMITTEE

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 AGM on 19 December 2011 adopted the following rules for the nominating committee:

1. The 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 major shareholders. The members thus appointed shall themselves appoint one additional member. In the cases specified in point 6, the number of members may amount to six.

2. Based on the ownership statistics provided to the company by Euroclear Sweden AB on the date falling five months before the end of the current financial year, the Board Chairman shall without undue delay contact the three largest shareholders in terms of voting power and offer each of these the opportunity, within a reasonable amount of time, to appoint a member to the nominating committee. If any of them does not exercise its right to appoint a member, the right to appoint such member shall be transferred to the next largest shareholder in terms of voting power which does not already have the right to appoint a member to the nominating committee.
3. The member who is appointed by the largest shareholder in terms of voting power shall be chairman of the nominating committee.
4. The members of the nominating committee shall serve until a new nominating committee has been appointed.
5. The names of the members of the nominating committee shall be made public as soon as the nominating committee has been appointed, but not later than six months before the upcoming AGM.
6. In the event of changes in the ownership structure after the date falling five months before the end of the current financial year, but before the date falling 12 weeks before the upcoming AGM, and if the shareholder who after this change has come to be one of the three largest shareholders in the company in terms of voting power makes a request to the chairman of the nominating committee to be part of the nominating committee, this shareholder shall have the right, according to the decision of the nominating committee, to appoint either an additional member to the nominating committee or a member to replace the member who has been appointed by the smallest shareholder in terms of voting power after the change in ownership structure.

7. If a member appointed by a shareholder resigns from the nominating committee during the mandate period or if such member is prevented from discharging his/her duties, the nominating committee – if time permits and the change is not due to special circumstances, for example that the shareholder has sold its shares – shall request that the shareholder who has appointed the member appoint a new member within a reasonable amount of time. If a member of the nominating committee who is appointed by the other members resigns or is preventing from discharging his/her duties, these must appoint a new member. If the shareholder does not meet the required criteria or does not exercise the right to appoint a new member, the right to appoint such member shall be transferred to the next largest shareholder in terms of voting power which has not already appointed or waived its right to appoint a member to the nominating committee.
8. No fees shall be paid to the members of the nominating committee, although the company shall reimburse expenses attributable to the work of the nominating committee.
9. The nominating committee shall put forward proposals for
 - Chairman of the AGM
 - Board members elected by the general meeting
 - The Board Chairman
 - Fees for Board members elected by the general meeting and their appointment between the Chairman, a possible Deputy Chairman, other members and for work on the Board's committees
 - Fees for the auditors
 - Election of auditors
 - Rules for the nominating committee
10. For a general meeting of shareholders other than the AGM, the nominating committee's proposals shall address the election(s) to be dealt with at such meeting.

Shareholders are welcome to send proposals to the nominating committee ahead of the 2013 AGM by e-mail to valberedningen@cloetta.com

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 general meeting. The EGM on 15 February 2012 resolved that the Board shall have nine members elected by the general meeting. For the period until the end of the next AGM, which will be held on 11 April 2013, the Board consists of Lennart Bylock (Chairman), Hans Eckerström, Håkan Kirstein, Adriaan Nühn, Robert-Jan van Ogtrop, Mikael Svenfelt, Olof Svenfelt, Meg Tivéus and Peter Törnquist.

In addition, the employee organisations have appointed two employee representatives to the Board, Lena Grönedal and Birgitta Junland, with Linus Ekegren and Birgitta Hillman as deputies. However, Birgitta Junland and Birgitta Hillman requested to leave the Board on 31 December 2012.

Mikael Svenfelt, Olof Svenfelt and Meg Tivéus have been members of the Board since Cloetta became an independent company following the demerger of Cloetta Fazer in 2008 (the latter two served on the board of Cloetta Fazer before that time), while the other Board members were elected at the above-mentioned EGM on 15 February 2012.

Aside from the employee representatives and their deputies, no Board member is employed by the company.

The average age of the Board members at year-end was 57 years and one of the nine members elected by the general meeting is a woman.

Of the Board's nine members, four are independent in relation to the company's major shareholders and all nine are independent in relation to the company and its management.

For information about the Board members' assignments outside the Group and shareholdings in Cloetta, see pages 74–75.

Agreement regarding the Board's composition

Malfors Promotor, CVC and Nordic Capital have entered into a shareholder agreement regarding the parties' shareholdings in Cloetta. According to the agreement, Cloetta's Board of Directors shall consist of nine members elected by the general meeting of shareholders. Malfors Promotor, CVC and Nordic Capital shall each have the right to nominate two Board members, on the understanding that the aforementioned parties shall exercise their influence in Cloetta to ensure that the members nominated in this manner are elected to Cloetta's Board of Directors.

Work of the Board

The primary task of the Board is to serve the interests of the company and the shareholders. The Board is responsible for the company's organisation and oversight of the company's affairs. The Board is also responsible for making sure that the Group is suitably structured so that the Board can optimally exercise its governance over the subsidiaries. The Board is responsible for ensuring that the company complies with the applicable laws, the Articles of Association and the Swedish Code of Corporate Governance. The Board shall continuously assess the financial situation of the company and the Group and ensure that the company's organisation is structured in such a way that the company's financial ac-



counting, financial management and financial circumstances in general can be controlled satisfactorily. The Board's powers and duties are regulated by the Swedish Companies Act, the Articles of Association and the Swedish Code of Corporate Governance. The Board has also adopted a work plan for the Board and instructions for internal reporting to the Board which regulate the following:

1. The Board of Directors
2. The Board Chairman
3. The Board committees
4. The general meeting of shareholders
5. Reports to the market
6. Items of business to be taken up at Board meetings, etc.
7. Internal reports to the Board
8. Notice to attend meetings, etc.
9. Presence of a quorum of the Board
10. Minutes of Board meetings
11. Disqualification due to impartiality
12. Responsibilities of the Board
13. Fees

In addition, the Board has issued and adopted the following policies:

- Code of Conduct
- Communication and IR policy
- Finance policy
- HR policy
- Insider policy
- Insurance policy
- Internal control policy
- IT security policy
- Mergers and acquisitions policy

BOARD COMMITTEES

Audit committee

The audit committee shall have no more than four members who are appointed by the Board on a yearly basis. 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.

The audit committee is responsible for ensuring the quality of the financial reporting and the effectiveness of the company's internal control, internal auditing 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 independent auditor Helene Willberg participates in all scheduled meetings of the audit committee.

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 executive management and once a year without the presence of the auditor. 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. The audit committee consists of Hans Eckerström (chairman), Peter Törnquist, Olof Svenfelt and Meg Tivéus. During the period from 16 February 2012 to 31 December 2012, the committee held eight meetings. So far in 2013, one audit committee meeting took place in February related to the financial statements for 2012.

Remuneration committee

The remuneration committee shall have no more than four members who are appointed by the Board. The main task of the remuneration committee is to prepare recommendations to the Board for decision on remuneration principles, remuneration levels and other terms of employment for the executive management, to monitor and evaluate ongoing and during the year completed programmes for variable remuneration to the executive management and to monitor and evaluate application of the guidelines for remuneration to senior executives as adopted by the AGM and of remuneration structures and levels in the Group. The remuneration committee shall meet at least twice every financial year. The Board's remuneration committee consists of Robert-Jan van Ogtrop (chairman), Lennart Bylock, Hans Eckerström and Mikael Svenfelt. During the period from 16 February 2012 to 31 December 2012, the committee held five meetings. So far in 2013, one remuneration committee meeting took place in February.

Integration committee

The Board may also form temporary committees to deal with specific matters, and in respect of the merger with LEAF set up a special integration committee of a temporary nature. The integration committee shall have no more than four members. The integration committee consists of Lennart Bylock (chairman), Hans Eckerström, Peter Törnquist and Mikael Svenfelt. During the period from 16 February 2012 to 31 December 2012, the committee held four meetings.

Chairman of the Board

The Chairman shall be elected by the general meeting of shareholders, and the EGM on 15 February 2012 elected Lennart Bylock 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, effectively executed and monitors 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. The purpose of the evaluation is to gather the Board members' opinions about the Board's performance and what measures can be taken to improve the efficiency of Board work.

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, and
- personally authorise costs that are attributable to the Board's activities and to the President.

President and Group Management Team

The President, who is also the CEO, is appointed by the Board, 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 adopts instructions for the President on a yearly basis and continuously evaluates the President's duties.

The statutory meeting of the Board on 16 February 2012 decided to appoint Bengt Baron as the new President of Cloetta. For information about the President's significant





assignments outside the Group and shareholding in Cloetta, see page 76.

The President of Cloetta AB heads the Group Management Team. The Group Management Team is a consultative body for the CEO and therefore has no autonomous executive authority. The Group Management Team meets as decided by the CEO. Aside from the CEO, the Group Management Team consists of the individuals appointed by the President.

Since completion of the merger on 16 February 2012, Danko Maras is Chief Financial Officer (CFO) of Cloetta. For information about the President and other members of the Group Management Team, see pages 76–77.

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. The President's performance is evaluated continuously by the Board.

The President's main tasks include:

- ▶ acting as the CEO, which means overseeing and coordinating the Group's operations according to the Board's guidelines and instructions,
- ▶ ensuring that the Board's decisions are implemented, and
- ▶ ensuring that financial accounting in the group companies is carried out in compliance with legal requirements and that financial management is handled in a satisfactory manner.

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 task of the audit committee is to support the Board in assuring the quality of the company's financial reporting.

The interim reports are examined by the Board's audit committee and are issued by the Board as a whole. The semi-annual report for the period from January to June, like the annual report, is issued by all members of the Board and the President. The CEO 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. The Board ensures the quality of the Group's financial reporting through the audit committee. 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.

Internal reports

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. Internal reports such as the consolidated accounts are compiled and

delivered to the Board on a monthly basis. 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.

Guidelines for remuneration to senior executives, etc.

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 executives in question shall also be offered the opportunity to participate in long-term share-based 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. 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 decision of the EGM, and in cases where changes are made in existing agreements after this time. 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 that were resolved on by the EGM on 15 February

2012, 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% of fixed annual salary is payable on the attainment of predetermined financial targets. In addition, a bonus equal to an additional 30%–50% of fixed annual salary is payable on the attainment of predetermined extraordinary financial performance targets.

When Cloetta's former President Curt Petri left his post in Cloetta in February 2012 in order to retire, he was paid termination benefits according to his employment contract with Cloetta. Information about Cloetta's incentive schemes is provided on page 97.

Board meetings

During the period from the statutory meeting after the EGM on 15 February 2012 until 31 December 2012, the Board held six scheduled meetings according to the following.

February: statutory meeting, decision on authorised signatories, election of remuneration committee, audit committee and integration committee, information about fees to the Board, appointment of a board representative to the nominating committee, decision on a new President, adoption of the Board's work plan and instructions for internal reporting to the Board, adoption of instructions for the President and CEO, adoption of policies, dates for Board meetings during 2012.

March: production strategy, integration process, decision on intention to close the

factories in Aura, Finland, and Gävle and Alingsås, Sweden.

May: interim report for the period from January to March, production strategy, approval of instructions and policies, integration process.

August: interim report for the period from January to June, decision on the date and location of the next AGM, dates for the coming year's reports to the market (see "Financial calendar" on page 137) and dates for scheduled Board meetings in 2013, strategic work, production strategy, integration process.

November: interim report for the period from January to September, production strategy, integration process, tax issues, incentive scheme, Board evaluation.

December: budget for the coming year, decision on conversion of class A shares, evaluation of the President's performance.

So far in 2013, one additional scheduled Board meeting has been held:

February 2013: annual accounts, dividend, year-end appropriations, draft annual report and administration report, full-year report, matters ahead of the AGM, report from the auditors and evaluation of remuneration to senior executives.

At the scheduled meetings, the Board also discusses the activities and financial results of the company and the subsidiaries, as well as other pertinent projects and matters. Extra meetings may be held in addition to the scheduled meetings and, in urgent cases, also by telephone. Aside from the scheduled meetings, the Board held eight extra meetings during the period from 15 February 2012 to the publication of this annual report in March 2013. During these meetings, the Board dealt with matters related to the number of pledged shares,

the sale of distribution operations in Belgium, decision on the rights issue and approval of the prospectus, conversion of class C to class B shares, (see page 85), allocation of shares in the rights issue, approval of the Parent Company's semi-annual report and tax issues.

AUDITORS

The auditors are responsible for examining the company's annual accounts and accounting records and the administration of the Board of Directors and the President. After every financial year, the auditors shall present an audit report to the AGM.

The AGM on 19 December 2011 re-elected the certified auditing firm of KPMG AB as the company's independent auditor to serve until the end of the next AGM. Authorised Public Accountant Helene Willberg is Auditor in Charge.

Auditor



KPMG AB

Helene Willberg

Auditor in Charge.

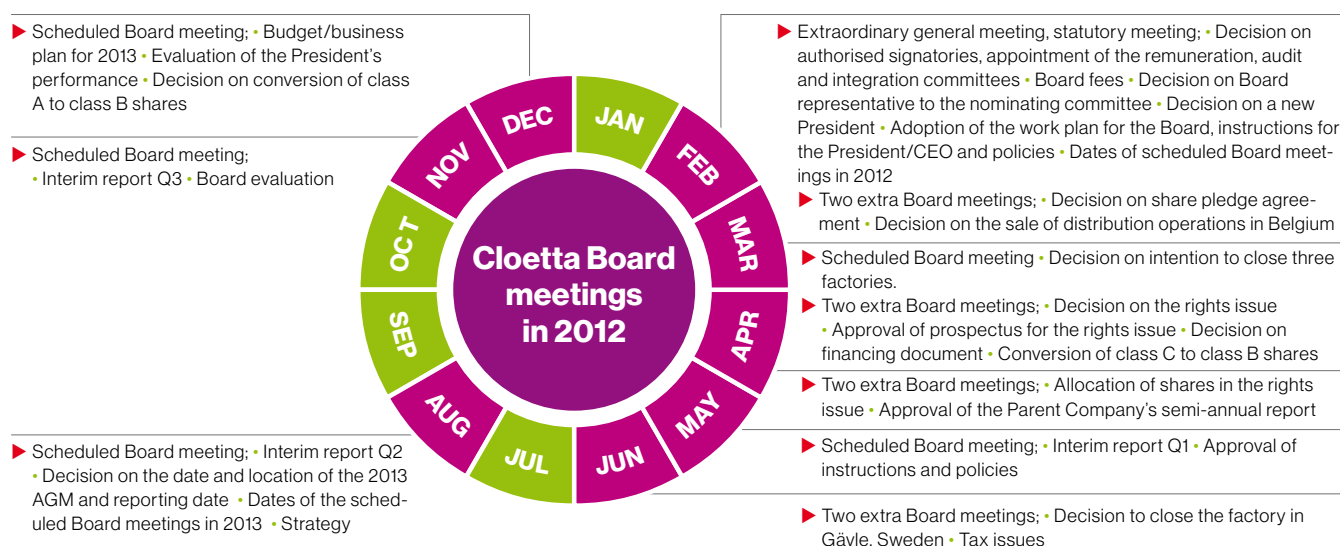
Born in: 1967.

Auditor for the company since 2007.

Authorised Public Accountant, KPMG AB.

Other auditing assignments: Investor AB, Thule Investment AB, Nobia AB and Höganäs AB.

Work of the Board in 2012



Other fixed items at the scheduled Board meetings have included the President's situation report, earnings follow-up, production strategy and monitoring of the integration process.

Cloetta prior to the merger on 16 February 2012

Board of Directors

The latest AGM on 19 December 2011 re-elected the sitting Board of Directors, which until the EGM on 15 February 2012 consisted of the six members elected by the AGM: Olof Svenfelt (Chairman), Lennart Bohlin, Johan Hjertonsson, Ulrika Stuart Hamilton, Mikael Svenfelt and Meg Tivéus. During the same period, the employee representatives to the Board were Lena Grönedal and Birgitta Hillman, and, as deputies to these, Linus Ekegren and Birgitta Junland.

Fees for the period from the AGM on 19 December 2011 until the EGM on 15 February 2012 amounted to SEK 50,000 for the Board Chairman and SEK 43,750 for each of the other ordinary Board members. The members of the audit committee during the same period were paid fees of SEK 7,500 each and the members of the remuneration committee were paid fees of SEK 5,000 each.

Of the Board's six members, all were independent from the company and its management and four were independent from the company's major shareholders.

For information about the current Board of Directors, see earlier sections on pages 65 and 74–75.

President and Group Management

The President until the date of the merger in February 2012 was Curt Petri, who left his operating role in connection with the EGM on 15 February 2012 after more than 20 years

on the management of Cloetta and previously Cloetta Fazer in order to retire.

Cloetta's Group Management Team prior to the merger consisted of Kent Sandin (CFO), Christina Björck, Karin Svärth, Anders Jendeberg, Tony Wiréhn, Johan Eriksson, Johan Torell, Thomas Lundh and Thomas Wiesickl.

For information about the current President and Group Management Team, see earlier sections on pages 66–67 and 76–77.

Committees

Audit committee

For the period from the AGM on 19 December 2011 until the EGM on 15 February 2012, the members of the audit committee were Olof Svenfelt, Mikael Svenfelt and Meg Tivéus.

Remuneration committee

From the period from the AGM on 19 December 2011 until the EGM on 15 February 2012, the members of the remuneration committee were Lennart Bohlin and Ulrika Stuart Hamilton.

2010/2011 Annual General Meeting

The latest AGM was held on 19 December 2011 in Linköping. The AGM re-elected Board members Olof Svenfelt (Chairman), Lennart Bohlin, Johan Hjertonsson, Ulrika Stuart Hamilton, Mikael Svenfelt and Meg Tivéus. In addition, the union organisations appointed two employee representatives and two depu-

ties to the Board. Olof Svenfelt was elected as Board Chairman.

The AGM resolved that Board fees would be paid in a total amount of SEK 1,205,000 including fees for work on the Board's committees, to be apportioned between the members as follows. An amount of SEK 200,000 was to be paid to the Board Chairman and SEK 175,000 to each of the other Board members elected by the AGM.

Fees for work on the Board's committees were set at SEK 30,000 per member of the audit committee and SEK 20,000 per member of the remuneration committee. As a result of the merger, however, of the decided amount Cloetta paid only fees for the period from 19 December 2011 to 15 February 2012, see table below.

The AGM adopted the balance sheets and profit and loss accounts for the financial year 2010/2011, and, in accordance with the Board's proposal, resolved that no dividend would be paid.

The AGM also discharged the members of the Board of Directors and the President from liability for the financial year 2010/2011. The AGM approved the Board's proposed amendments to the Articles of Association and changed the financial year to the calendar year. Furthermore, the AGM adopted the proposed rules for the nominating committee and the Board's proposed guidelines for remuneration to senior executives.

Composition of the Board prior to 16 February 2012

Composition of the Board prior to 16 February 2012						Attendance ³
Elected by the AGM ¹	Year elected	Born in	Total fees, SEK ²	Independent from the shareholders	Independent from the company and management	Board meetings
Chairman						
Olof Svenfelt	2008	1941	57,500	No	Yes	5/5
Members					Yes	
Lennart Bohlin	2008	1942	48,750	Yes	Yes	5/5
Ulrika Stuart Hamilton	2008	1958	48,750	Yes	Yes	4/5
Johan Hjertonsson	2008	1968	43,750	Yes	Yes	5/5
Mikael Svenfelt	2008	1966	51,250	No	Yes	5/5
Meg Tivéus	2008	1943	51,250	Yes	Yes	5/5

1) Board members Lennart Bohlin, Ulrika Stuart Hamilton and Johan Hjertonsson left the Board in connection with the extraordinary general meeting on 15 February 2012.

2) The paid fees refer to the period from 19 December 2011 to 15 February 2012.

3) Attendance for the period from the statutory meeting following the AGM on 19 December 2011 until the EGM on 15 February 2012. Of the five Board meetings, two were scheduled and three were extra.

Internal control

INTRODUCTION

In accordance with the Swedish Companies Act (2005:551), the Board of Directors is responsible for ensuring that the company's organisation is structured in such a way that the company's financial accounting, financial management and financial conditions in general can be controlled in a satisfactory manner. This is clarified by the Swedish Code of Corporate Governance, which states that the Board of Directors is responsible for internal control.

The following description of Cloetta's internal control has thus been prepared in accordance with the Code. The guidelines issued by Svenskt Näringsliv (the Confederation of Swedish Enterprise) and FAR (the Institute for the Accountancy Profession in Sweden) regarding Board of Directors' report on internal control over financial reporting identify COSO (Committee of Sponsoring Organizations of the Treadway Commission) as the most widely used and internationally accepted framework and as having a special status in defining good internal control. Cloetta has therefore decided to implement the COSO framework for internal control over financial reporting and the framework has been adapted to the Group's operations and conditions.

The Board of Directors has defined guidelines for the above work which include roles, responsibilities and processes that are vital in maintaining good internal control. Internal control over financial reporting is thus a process that involves the Board of Directors, the executive management and the employees, and that is designed to provide reasonable assurance of the reliability of the external reporting. The following is a description of how internal control over financial reporting is currently organised. Internal control is organised in accordance with the guidelines for internal control adopted by the Board of Directors on 15 November 2012.

DESCRIPTION

Control environment

The control environment is the foundation for internal control and provides discipline and structure for all other components of the company's internal control. The elements of Cloetta's control environment include the

corporate culture: the integrity, ethical values, management's operating style, delegation of authority systems, the processes for managing and developing people in the organisation as well as the attention and guidelines provided by the Board of Directors regarding these issues.

Within Cloetta, the control environment consists of the following principles that form a sound base for maintaining a well functioning internal control framework:

Integrity and ethical values

Cloetta's values and control environment provide the Board and executive management with a basis for the reasonable assurance of Cloetta achieving its objectives for internal control. The President and the executive management define Cloetta's values and ethical principles (reflected in the Code of Conduct) and set an example for the corporate culture, which creates the basis for the control environment. The Code of Conduct sets the standard of conduct for financial reporting, among other things.

The foundation of Cloetta's internal control framework is its values: Focus, Passion, Teamplay and Pride. Cloetta's values are reflected in its day-to-day relations with its suppliers, customers and investors, as well as in Cloetta's internal guidelines, policies, manuals, processes and practices.

Board of Directors

The members of the Board of Directors and the audit committee have broad experience of Cloetta's organisation and act independently from the executive management. The roles and responsibilities of the Board of Directors, audit committee and President are set out in the "Rules of procedure for the Board of Directors", the "Rules of procedure for and instructions to the audit committee" and the "Instructions for the CEO".

Through a well defined framework for decision and approval, the Board has adopted and communicated the powers of retained at the Board level and those delegated to the executive management and other management.

The Board of Directors and audit committee consist of members with in-depth financial expertise who understand and exercise

oversight responsibility related to financial reporting and internal control. The audit committee actively monitors the risks affecting the reliability of financial reporting. The Board of Directors has submitted further instructions for financial reporting via the "Instructions for Financial Reporting" and the "Finance Policy".

The Board of Directors and audit committee interact directly with the external auditors. The shareholders have the exclusive authority to engage, replace and determine the compensation of the external auditor.

Management's philosophy and operating style

The management's philosophy and operating style contribute to achieving effective internal control. In assessment of accounting standards, and to ensure consistency in developing accounting estimates and judgements, the executive management works according to a clearly defined process that is described in the "Instructions for Financial Reporting". This process is continuously monitored by the executive management and the central finance team.

Organisation

Cloetta's organisational structure supports effective internal control. The local management is responsible for timely, consistent and reliable financial reporting in the group companies. The central finance team is responsible for timely, consistent and reliable financial reporting at the consolidated group level.





Financial reporting competencies

The executive and local management are actively involved in ensuring that there are competent employees in all key (financial) positions within the organisation. The management is also responsible for ensuring that adequate procedures are in place to safeguard that employees in key (financial) positions have the skills and abilities needed to effectively carry out the associated responsibilities of the function.

The executive and local management facilitate and support training of the employees to maintain the (financial) competencies at the required level. Furthermore, the management evaluates the competencies of all employees periodically to determine whether the employees' skills are appropriate for their current job responsibilities.

Cloetta supplements internal financial reporting competencies as needed through collaboration with respected external specialists.

Authority and responsibility

Employee responsibilities and skills are matched to the requirements of the specific function. The assignment of responsibility and delegation of authority are clearly defined for all employees including the Board of Directors, executive management and local management in the "Authorisation Framework" and the specific "Rules of Procedure".

Human Resources (HR)

Human resource management practices and processes play a fundamental role in Cloetta's system of internal control. They are designed and implemented to facilitate effective internal control. Cloetta's key hu-

man resource management processes with respect to internal control are compensation and benefits, HR development, recruitment, resource management and individual performance management, as well as processes for collecting feedback from the employees. These processes help to ensure the effectiveness of internal control in Cloetta. The HR function is responsible for maintaining and developing Cloetta's human resources processes to enable effective internal control also at the individual level.

Risk assessment

All units within Cloetta face a variety of risks from external and internal sources, that must be assessed. One precondition for risk assessment is the establishment of objectives, and risk assessment thus consists of the identification and analysis of relevant risks to the achievement of the assigned objectives. Risk assessment is a prerequisite for determining how the risks should be managed.

At Cloetta, risk assessment consists of the following basic principles:

Financial reporting objectives

The management specifies the financial reporting objectives with sufficient clarity and criteria to enable the identification of risks to reliable financial reporting. These objectives are set out in the "Instructions for Financial Reporting".

The instructions for financial reporting are elaborated in further detail in the "Accounting Manual" and "Reporting Manual". Cloetta's accounting manual contains instructions and guidance on accounting and financial reporting to be applied in all Cloetta

companies. The manual supports the achievement of the objectives regarding the reliability of financial reporting in Cloetta.

Cloetta applies International Financial Reporting Standards (IFRS) for group reporting and other external financial reporting. The central finance team has adequate competencies to monitor compliance with the financial reporting objectives.

Both the local and central financial reporting are reviewed carefully. All deviations in the financial reporting are monitored and evaluated in terms of impact and size, and, depending on their materiality level, are adjusted.

Internal review activities are performed with the following objectives for financial reporting:

- ▶ Existence; reported assets and liabilities exist on the reporting date.
- ▶ Completeness; all transactions on the reporting date and during the reporting period are recorded and reported.
- ▶ Assets and liabilities; assets and liabilities consist of the rights and obligations that Cloetta has on the reporting date.
- ▶ Valuation and allocation; all items in the financial reporting are in accordance with IFRS valuation principles and are mathematically correct, appropriately summarised and recorded.
- ▶ Presentation and disclosure; items in the financial reports are properly described, sorted and classified.

Financial reporting risks

Risk assessment takes place at all levels within Cloetta. Planning and target setting, an integral part of Cloetta's Integrated Business

Management (CIBM), are a regular management activity and are not part of a specific internal control system. The establishment of objectives, however, is an important prerequisite for internal control. Through the performance management process, financial and non-financial targets are set for Cloetta annually at the group level. Group level targets are then translated into targets at the group company, local unit and finally the individual level. The continuous CIBM process includes the involvement of all management layers.

Tax and financing risks are reviewed proactively on a periodic basis. All important transactions are subject to a tax, legal and financial risk assessment. All assessed tax, legal, financial and business risks should be properly reflected in the consolidated financial statements.

The risk assessment evaluates the likelihood of the risk and the impact (consequence) if the risk occurs. The velocity is also considered in the assessment, since this could impact the magnitude of the risk.

Fraud risk

The potential for material misstatement due to fraud is explicitly considered in assessment or risks. The executive management and the central finance team continuously assess the risk of fraud with respect to the applicable incentives, attitudes and the opportunity to commit fraud. In this assessment, both the likelihood and impact are considered. Both the local and central management are responsible for designing appropriate internal controls primarily to prevent the risk of fraud but also to enable detection of fraud if applicable.

Control activities

Control activities are the policies and procedures that help to ensure that management directives are carried out. They contribute to ensuring that the necessary actions are taken to address risks that may hinder the achievement of the entity's objectives. Cloetta's control activities are based on the following principles:

Integrated risk assessment

Every identified risk should be "covered" by one or more control activities. If a control activity is not "covering" an identified risk, the activity is not effective and should therefore be eliminated. All control activities and identified business risks are linked to each other.

Selection and development of control activities

Control activities occur throughout the organisation, at all levels 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 embedded in Cloetta's business processes play a key role in ensuring effective internal control in the company. Controls in the business processes help to ensure the achievement of all the objectives of internal control in Cloetta, especially those related to the efficiency of operations and safeguarding the company's profitability and reputation.

The local management is responsible for having all required control activities in place and maintained within their entities. The Group CFO is responsible for having all control activities at the central level operational and maintained. The control activities are always a mix of both preventative (e.g. approvals upfront by authorised persons) and detective controls. As far as possible, the control activities should be automated controls, but manual control activities are in place as well (at least to verify that the automated controls are functioning).

The different internal control activities are selected and developed within Cloetta in view of their costs and potential effectiveness in mitigating the risks in the organisation. The activities are performed only if the benefit (mitigation of a risk) is higher than the costs of implementing the control activity.

Policies and procedures

For all relevant aspects of business, policies are established and communicated throughout the organisation. The responsible manager periodically reviews the policies with respect to relevance, applicability and practicability. If applicable, the policies are updated and submitted by the executive management or the Board of Directors.

The Board of Directors submits the following policies and procedures as a minimum:

- Code of Conduct
- Communication and IR policy
- Finance policy
- HR policy
- Insider policy
- Insurance policy
- Internal control policy
- IT security policy
- Mergers and acquisitions policy

Cloetta has developed a general framework for policies. This framework provides instructions/guidelines for the minimum content of a policy. As far as possible, policies are developed at the central level and are rolled out throughout the Group. With this approach, consistency throughout the Group is realised. The local management is responsible for implementing group policies in their entities and, if needed, for adjusting local procedures and policies so that they are aligned with group policies. Local policies may deviate from

group policies where the group policies form a minimum position. Local policies may therefore be stricter than the group policies.

The executive and local management continuously monitor that the applicable policies and procedures are applied in the organisation in a timely and consistent manner. In case of deviation, the involved persons are provided with feedback.

Information technology

In all operating IT systems, internal control measures are incorporated or the IT systems support the internal control framework. In the selection phase of a new IT system, the possibility of building in essential application controls is evaluated. Application controls are built into computer programs and are designed to provide complete and accurate information. These application controls are always supported by manual procedures that check whether the application controls are still effective.

The "Global IT Security Policy" provides preconditions for the applicable IT security for the entire Group. The executive management periodically monitors that the Global IT Security Policy is applied throughout the Group.

Information and communication

An effective internal control system requires sufficient, timely and reliable information to enable the management to follow up the achievement of the company's objectives. Both financial and non-financial information is needed, relating to both internal and external events and activities. Informal methods are used for employees to provide feedback to the management and to communicate suspected misconduct.

Information systems play a key role in internal control systems, as they produce reports, including operational, financial and compliance-related information, which make it possible to run and control the business. In a broader sense, effective communication must ensure information flows in the organisation. For example, there are formalised procedures for people to report suspected fraud. Effective communication about relevant policies should also be ensured with external parties, such as customers, suppliers, regulators and shareholders about related policy positions.

Within Cloetta, the information and communication component of the internal control framework is based on the following principles:





Financial reporting

Pertinent information is identified, captured, used at all levels of the company, and distributed in a form and timeframe 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 (Outlooksoft). Both financial and management reporting make use of the same source of data submitted in Outlooksoft.

Cloetta has a predefined management reporting package that also includes financial reporting. The integrated reporting package is provided on a monthly frequency to the Board of Directors and executive management. The management reporting package provides both operating and financial information.

Within Cloetta, the timeliness and accuracy of internal and external reporting are safeguarded through the use of corporate planning and a regular meeting schedule. In addition, competent employees review the internal and external reports.

Internal control information

In case of potential weaknesses assessed by the central finance team, the central finance team performs internal control audits to ensure the effectiveness of the internal control. This audit is performed based on standards applied by external auditors. The central finance team reports to the local management team, executive management team, audit committee and Board of Directors.

Internal communication

Separate communication channels are used to communicate: scheduled Webex sessions, telephone calls and group bilateral meetings, for example via the intranet, e-mails, teleconferences, etc. The executive and local management shall always ensure that if one of the chosen communication channels is considered inoperative or ineffective, another effective channel is used in its place.

The Board of Directors has access to information sources apart from the information provided by the executive management. These own sources are both internal and external (e.g. external auditors and regulatory authorities).

External communication

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

MONITORING

Internal control systems need to be monitored to assess the quality of the system's performance over time.

Within Cloetta, the following principles are applied for the monitoring component of the internal control framework:

Ongoing and separate evaluations

Monitoring of whether the internal controls are still effective is accomplished through ongoing monitoring activities or separate evaluations.

Within Cloetta, the main monitoring controls are the continuous reviews that are performed by the local and central management and are incorporated into all business transactions and processes.

The local management is responsible for ensuring that relevant laws and regulations are complied with in their respective areas of responsibility. The executive management assesses and assures the adequacy and effectiveness of Cloetta's internal controls and risk management. The audit committee and the Board of Directors in turn perform monitoring as part of their regular supervisory activities.

Internal control deficiencies

Internal control deficiencies 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 signaled deficiencies in internal or external reporting are reported in the quarterly review memo and discussed with the involved persons and executive management members.

ROLES AND RESPONSIBILITIES

Cloetta applies the principle of centrally led but locally managed business. The Board of Directors and the audit committee are responsible for establishing the main principles and guidelines for the internal control framework. The executive management is responsible for effective design and implementation of the internal control framework for central activities within the Group.

The CFO is responsible for the design, implementation and proper application of the internal control framework at the central level. The local financial directors are responsible for the design, implementation and proper application at the local level, which supports the realisation of the corporate objectives.

Both the Board of Directors and the audit committee are responsible for supervision of the internal control framework on an ongoing basis.

EVALUATION OF THE NEED FOR A SEPARATE INTERNAL AUDIT FUNCTION

At present, the Group has no separate internal audit function. The internal control structure is monitored through tests and self-assessments and the results of these are compiled and reported to the Board's audit committee. In view of this, the Board of Directors concludes that there is currently no need for a separate internal audit function in order to perform effective monitoring of internal control.

Board of Directors



Lennart Bylock

Board Chairman, chairman of the integration committee and member of the remuneration committee.

Elected to the Board: 15 February 2012

Born: 1940

Nationality: Swedish

Other assignments: Chairman of Sigur S/A Switzerland. Board member of Swede Ship Marine AB, Villa Godthem Förvaltnings AB, Danish AS3 Companies and Bylock Konsult AB.

Previous assignments: President and CEO of Nitro Nobel Group. CEO and Chairman of B&N AB (Transatlantic). Chairman of Endomines AB (publ), Varta, Cellmark and Stiftelsen Natur & Kultur. Board member of LE Lundbergföretagen, AS3 Svenska AB, Cloetta AB and Cloetta Fazer AB. Lennart has also held a number of positions in the shipping, banking and finance sectors.

Independent from major shareholders: Yes

Independent from the company and

management: Yes

Shareholding: –

Related party shareholdings: 101,764 class B shares.



Hans Eckerström

Board member, chairman of the audit committee and member of the remuneration and integration committees.

Elected to the Board: 15 February 2012

Born: 1972

Nationality: Swedish

Education: MSc Mechanical Engineering, Chalmers University of Technology, and MSc Business Administration, University of Gothenburg, Sweden.

Other assignments: Partner at Nordic Capital Advisory AB. Chairman of Britax Childcare Ltd and SiC Holding GmbH. Board member of Aditro Group AB, Nefab Holding AB, Eckis Holding AB, ENC Holding AB, ENC Products AB, Nordic Cecilia Four AB, Nordic Outsourcing Services AB, NRS Holding AB and Thule Group AB.

Previous assignments: Board member of Nos-segem AB, SATS Holding AB and Tradimus Holding AB. Hans has previously had board assignments in C More Group AB. Hans has also been active at Arthur D. Little.

Independent from major shareholders: No

Independent from the company and

management: Yes

Shareholding: –



Håkan Kirstein

Board member.

Elected to the Board: 15 February 2012

Born: 1969

Nationality: Swedish

Education: MSc Business Economics, Stockholm University, Sweden.

Other assignments: Board member of Kemetyl Group AB.

Previous assignments: President, CEO and board member of Niscayah Group AB until January 2012. CEO of Svenska Statoil AB and a number of assignments within Statoil, including CEO of StatoilHydro Sweden and Statoil Detaljhandel AB. Board member of Intersport Sverige AB, PAF Service AB, SPBI Service AB. Niscayah Group AB, SPBI Service AB, Intersport AB and PAF Service Aktiebolag.

Independent from major shareholders: Yes

Independent from the company and

management: Yes

Shareholding: –



Adriaan Nühn

Board member.

Elected to the Board: 15 February 2012

Born: 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: Chairman of Sligro Food Group N.V. and Macintosh Retail Group N.V. Board member of Plukon Food Group, Anglovaal Industries Ltd., Stern Group N.V. and Kuoni AG.

Previous assignments: Executive Vice President of Sara Lee Corporation. CEO and Chairman of Sara Lee International and President of Global Coffee and Tea Division at Sara Lee. Area Manager Scandinavia at Procter & Gamble. Managing Director of Procter & Gamble Austria.

Independent from major shareholders: Yes

Independent from the company and

management: Yes

Shareholding: 198,363 class B shares.



Robert-Jan van Ogtrop

Board member and chairman of the remuneration committee.

Elected to the Board: 15 February 2012

Born: 1956

Nationality: Dutch

Education: MBA, the Graduate School of Management, Rotterdam, and BA in Business Economics, Erasmus University, Rotterdam, the Netherlands.

Other assignments: Investor in renewable energy/clean technology, Industrial Partner and Advisory Board Member of CVC Capital Partners. Chairman of African Parks, founder and chairman of TBL Mirror Fund. Board member of Xindao and Enviu, founder and chairman of Circle Economy, Trustee of the Wilderness Foundation/Wilderness Leadership School.

Previous assignments: President and CEO of Remy Cointreau. Chairman and President of Bols Royal Distilleries. CEO of Bols International B.V., Chairman of the Foundation for Natural Leadership, C1000, Massive, Unireg and Retail Network.

Independent from major shareholders: No

Independent from the company and

management: Yes

Shareholding: 87,158 class B shares.



Mikael Svenfelt

Board member and member of the remuneration and integration committees.

Elected to the Board: 25 August 2008

Born: 1966

Nationality: Swedish

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

Other assignments: CEO and board member of AB Malfors Promotor. 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 from major shareholders: No

Independent from the company and

management: Yes

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

Related party shareholdings: 8,730 class B shares.

**Olof Svenfelt**

Board member and member of the audit committee.

Elected to the Board: 25 August 2008

Born: 1941

Nationality: Swedish

Education: MSc Engineering, Faculty of Engineering, LTH, Lund University, and LL B, Stockholm University, Sweden.

Other assignments: Board member of AB Malfors Promotor, Highland Group AB, the Hjalmar Svenfelt Foundation, the Wilhelm Stenhammar Foundation and the Georg Hultner Foundation.

Previous assignments: Chairman of Cloetta AB and Deputy Chairman of Cloetta Fazer AB. Board member of Metoden Agenturer AB and the Hagdahl Academy Foundation.

Independent from major shareholders: No

Independent from the company and management: Yes

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

Related party shareholdings: 9,855,954 class A shares and 53,370,661 class B shares.

**Meg Tivéus**

Board member and member of the audit committee.

Elected to the Board: 5 November 2008

Born: 1943

Nationality: Swedish

Education: MBA, Stockholm School of Economics, Sweden.

Other assignments: Chairman of Arkitektkopia AB, Björn Axén AB, Folkvandvården Stockholms län AB and Solhagagruppen AB. Board member of Meg Tivéus AB, Nordea Fonder AB, Swedish Match AB, 02 El ekonomisk förening and Endomines AB.

Previous assignments: Chairman of Boss Media AB and Danderyds Sjukhus AB. Board member of Addici AB, Apoteket Farmaci AB, Billerud AB, Cloetta Fazer AB, Frösunda LSS AB, IUC Sverige AB, Nordic Cable Acquisition Company Sub-Holding AB, SC Intressenter AB and Victoria Park AB. Meg has also been CEO of Svenska Spel AB, Deputy CEO of Posten AB, Division Manager at Holmen AB and Åhléns AB, Manager at Nordiska Kompaniet and Product Manager at Modö AB.

Independent from major shareholders: Yes

Independent from the company and management: Yes

Shareholding: 1,008 class B shares.

**Peter Törnquist**

Board member and member of the audit and integration committees.

Elected to the Board: 15 February 2012

Born: 1953

Nationality: Swedish

Education: MSc Economics and Business, Stockholm School of Economics, Sweden, and MBA, IMD Lausanne, Switzerland.

Other assignments: Partner at CVC Capital Partner and responsible for CVC in the Nordic countries. Chairman of CVC Capital Partners Svenska AB, Svenska M Holding AB, Keravel AB, Crozon Invest AB and P Törnquist Invest i Stockholm AB. Board member of Ahlsell AB, Matas A/S, United Waters AG and Pure Sailing AB.

Previous assignments: Chairman of Retail Television AB, Starbreeze Studios AB and DT Group A/S and board member of Posten A/S. Managing Director at Lehman Brothers. Senior Partner at Bain & Company.

Independent from major shareholders: No

Independent from the company and management: Yes

Shareholding: –

Employee representatives

**Lena Grönedal**

Employee representative, the Swedish Food Workers' Union (LIVS).

Elected to the Board: 5 November 2008

Born: 1962

Nationality: Swedish

Position: Factory operative at Cloetta Produktion Sverige AB.

Shareholding: –

**Birgitta Junland¹**

Employee representative, the Negotiation Cartel for Salaried Employees (PTK).

Elected to the Board: 5 November 2008, employee representative deputy 2008–2012

Born: 1962

Nationality: Swedish

Position: Salaried employee at Cloetta Sverige AB.

Shareholding: –

**Linus Ekegren**

Employee representative deputy, the Swedish Food Workers' Union (LIVS).

Elected to the Board: 5 November 2008

Born: 1975

Nationality: Swedish

Position: Factory operative at Cloetta Produktion Sverige AB.

Shareholding: 1,945 class B shares.

**Birgitta Hillman¹**

Employee representative deputy, the Negotiation Cartel for Salaried Employees (PTK).

Elected to the Board: 5 November 2008, employee representative 2008–2012

Born: 1947

Nationality: Swedish

Position: Salaried employee at Cloetta Sverige AB.

Shareholding: 95 class B shares.

¹ Birgitta Junland and Birgitta Hillman resigned as employee representatives at their own request on 31 December 2012.

Shareholding at 31 December 2012.

Employee representatives, deputies

Group Management Team



Bengt Baron

President and CEO since 16 February 2012.

Born: 1962

Nationality: Swedish

Education: BS, University of California at Berkeley, MBA, University of California, Berkeley, USA.

Other assignments: Chairman of MIPS AB. Board member of Thule Group AB and 5653 Sweden AB.

Previous assignments: 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 chairman of Pendulum AB and board member of Nordnet AB, Lundhags Förvaltning AB, Five Seasons Försäljningsaktiebolag, EQ Oy, the Sweden-America Foundation and Tenson Group AB.

Holdings of shares and call options: 4,838,082 call options.



Giorgio Boggero

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

Born: 1969

Nationality: Italian

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

Other assignments: –

Previous assignments: 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'Oréal Italy, 2004–2006, Marketing and Category Manager for L'Oréal Italy, 2002–2004. Several positions in marketing and sales for L'Oréal and Kimberly Clark in Italy and France, 1994–2002.

Holdings of shares and call options: 1,036,731 call options.



Jacob Broberg

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

Born: 1964

Nationality: Swedish

Education: BA in Political Science and Economics, Lund University, Sweden.

Other assignments: –

Previous assignments: 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.

Holdings of shares and call options: 806,347 call options.



Johnny Engman

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

Born: 1977

Nationality: Swedish

Education: MSc in Economics and Business Administration, Stockholm School of Economics, Sweden.

Other assignments: Board member of Menigo AB.

Previous assignments: 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, and Luvata Ltd., 2007–2009.

Holdings of shares and call options: –



Ewald Frénay

President Middle since 16 February 2012.

Born: 1963

Nationality: Dutch

Education: MSc Economics, Erasmus University Rotterdam, the Netherlands.

Other assignments: –

Previous assignments: 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.

Holdings of shares and call options: 1,727,886 call options.



Jacqueline Hoogerbrugge

President Operations since 16 February 2012.

Born: 1963

Nationality: Dutch

Education: MSc Chemical Engineering, University of Groningen, the Netherlands.

Other assignments: Board member of Cederroth Intressenter AB.

Previous assignments: 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.

Holdings of shares and call options: 564,273 call options.



Edwin Kist

Senior Vice President Human Resources since 16 February 2012.

Born: 1950

Nationality: Dutch

Education: MSc Sociology of Organisation & Labour, University of Groningen, the Netherlands.

Other assignments: –

Previous assignments: SVP Human Resources at LEAF, 2005–2012, Interim Manager (various assignments), 2002–2005, Vice President Human Resources at Royal Wessanen, 1995–2002, HR Director at KNP/BT, 1991–1995, HR Director at Royal Nijverdal-ten Cate, 1988–1991.

Holdings of shares and call options: 806,347 call options.



Danko Maras

Chief Financial Officer since 16 February 2012.

Born: 1963

Nationality: Swedish

Education: BSc Business Administration and Economics, Uppsala University, Sweden.

Other assignments: –

Previous assignments: 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.

Holdings of shares and call options: 1,958,270 call options.



David Nuutinen

President Finland since 16 February 2012.

Born: 1959

Nationality: Finnish

Education: MSc Economics, Helsinki School of Economics, Finland.

Other assignments: Chairman of Kamux Oy.

Previous assignments: 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 McDonald's Finland, 1996–2000, various marketing and sales positions at Vaasanmylly Oy, 1986–1996. In the past five years David has completed the assignment as board member of Turun Vapaavarasto Oy and DNA Oy.

Holdings of shares and call options: 1,727,886 call options.



Lars Pählson

President Scandinavia since 16 February 2012.

Born: 1959

Nationality: Swedish

Education: BA Economics and Marketing, Växjö University, PED, IMD, Lausanne, Switzerland.

Other assignments: Chairman of Rasta Group, Cleano AB and DLF Serviceaktiebolag. Board member of GS1 Sweden AB and Validoo AB.

Previous assignments: 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.

Holdings of shares and call options: 1,267,116 call options.



Erwin Segers

Chief Marketing Officer since 1 March 2012.

Born: 1967

Nationality: Belgian

Education: MSc Business and Economics, University of Antwerp, Belgium.

Other assignments: –

Previous assignments: 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, 1990–2002.

Holdings of shares and call options: 115,192 call options.



Shareholding at 31 December 2012.