

Cloutta

Remuneration Report 2023



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This remuneration report provides an outline of how Cloetta's guidelines for remuneration to the executive management (the "remuneration guidelines"), adopted by the Annual General Meeting 2023, have been implemented in 2023. The report also provides details on the remuneration of Cloetta's President and CEO (the "President"). In addition, the report contains a summary of Cloetta's outstanding share and longterm incentive plans. The report has been prepared in compliance with Chapter 8, Section 53 a and 53 b of the Swedish Companies Act (2005:551), the Swedish Corporate Governance Code and the Rules on Remuneration of the Board and Executive Management

and on Incentive Programmes issued by the Swedish Corporate Governance Board (and amended by the Stock Market Self-Regulation Committee).

Information required by Chapter 5, Sections 40–44 of the Annual Accounts Act (1995:1554) is available in Notes 6 and 7 on pages 90–91 and the disclosures in the section on the Remuneration of the Group Management Team on pages 66–67 in Cloetta's Annual and Sustainability Report 2023 (the "Annual Report 2023").

Information on the work of the remuneration committee in 2023 is set out in the corporate governance statement, which is available on page 64 of the Annual Report 2023.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 7 on page 91 of the Annual Report 2023.

Key Developments 2023

Overall company performance in 2023

Organic growth was 15.7 per cent and the impact of changes in exchange rates was 5.1 per cent. Sales of Branded packaged products increased organically by 14.1 per cent, driven by pricing enabled by the strengthening of our core brands and strong in-store execution.

Sales of Pick & mix increased organically by 20.7 per cent driven by higher volumes



through continued premiumisation and consumer activation as well as pricing taken to offset increased input cost.

Operating profit margin, adjusted for items affecting comparability, decreased to 9.6 per cent (10.1). The decrease was driven by the compression effect as the pricing matched the increasing input cost, whereas the absolute EBIT improved, driven by the pricing execution together with the mix and cost savings, more than offsetting the higher cost.

In 2023, Cloetta delivered very strong cash flow, resulting in a net debt/ EBITDA of 1.7x, well below the long-term target of 2.5x. Based on the healthy cash flow and strong balance sheet, the Board proposes a stable dividend of SEK 1.00 (1.00). For more information about the overall performance in 2023, please see pages 47–52 of the Annual Report 2023.

Overview of the application of the remuneration guidelines in 2023

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

Based on the Remuneration Committee's evaluation of the President's remuneration, the Board has determined that the current remuneration structure and remuneration level are appropriate, reflects market practice and is competitive and suitable for achieving Cloetta's objectives. After evaluation, both the Remuneration Committee and the auditor have concluded that Cloetta has complied with current remuneration guidelines during the 2023 financial year. In accordance with the remuneration guidelines, the Board may temporarily deviate from the remuneration guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests. During the financial year 2023, no deviations from the remuneration guidelines have been made.

Under Cloetta's remuneration guidelines, remuneration of the Group Management Team shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. The remuneration guidelines, adopted by the Annual General Meeting 2023, can be found on pages 66–67 of the Annual Report 2023. The auditor's report regarding whether Cloetta has complied

with the guidelines is available on Cloetta's website <https://www.cloetta.com>.

In addition to remuneration covered by the remuneration guidelines, the Annual General Meetings of Cloetta have resolved to implement long-term incentive plans and on remuneration to the Board of Directors.

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

The table below sets out total remuneration paid to Cloetta's President, as well as the costs incurred by the company for the remuneration of the President during 2022 and 2023.



Total remuneration of the President

Remuneration – costs incurred

Amounts in SEK thousand	Financial year	Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Other benefits	One-year variable	Multi-year variable				
Henri de Sauvage-Nolting	2023	6,000	87	6,000	2,912	-	1,800	16,799	47% / 53%
	2022	5,450	82	4,959	1,819	-	1,635	13,945	51% / 49%

Remuneration – paid

Amounts in SEK thousand	Financial year	Fixed remuneration		Variable remuneration		Extra-ordinary items	Pension expense	Total remuneration	Proportion of fixed and variable remuneration
		Base salary	Other benefits	One-year variable	Multi-year variable				
Henri de Sauvage-Nolting	2023	6,000	87	4,959	-	-	1,800	12,846	61% / 39%
	2022	5,450	82	5,200	-	-	1,635	12,367	58% / 42%

During the financial year 2023, the President has not received any remuneration from any other company within the Cloetta group.

Share-based remuneration*

Outstanding long-term incentive plan

Cloetta currently has three outstanding long-term incentive plans, LTI 2021, LTI 2022 and LTI 2023. The long-term incentive plans serve to align the interests of the shareholders on the one hand, and the Group Management Team and other key employees on the other hand, in order to ensure maximum long-term value creation.

All of the long-term incentive plans require a personal shareholding in Cloetta. Following a three-year vesting period, the participants are allocated class B shares in Cloetta free of charge, provided that certain conditions are fulfilled.

The series A performance share rights in LTI 2021, 2022 and 2023 require a minimum average adjusted EBIT level during the vesting period. In addition, under all of the long-term incentive plans, the partici-

pants receive so-called series B performance share rights, which entitle the participant to class B shares in Cloetta, conditional upon the fulfilment of two performance targets of which, one is related to Cloetta's compounded organic net sales growth and the other is related to adjusted EBIT margin during the vesting period.

LTI 2020 vested in 2023. The performance targets for LTI 2020 were related to Cloetta's average annual EBIT level during the period 2020 to 2022, Cloetta's compounded net sales growth during the period 2020 to 2022 and Cloetta's EBIT margin for 2022. None of the performance targets of LTI 2020 were met. As a result, no shares were transferred to the participants holding series A and series B performance share rights at the vesting date.

LTI 2021 will vest in 2024. The target levels set by the Board for the performance

targets were met for a weighted average percentage of approximately 69 per cent. The performance targets were related to Cloetta's compounded net sales growth during the period 2021 to 2023, Cloetta's adjusted EBIT margin for 2023 and Cloetta's average annual EBIT level during the period 2021 to 2023. LTI 2021 will be paid out in 2024.

As a result, Cloetta expects to transfer 723,363 shares to participants holding series A and series B performance share rights.

The first table below sets out further information with respect to LTI 2021, LTI 2022 and LTI 2023.

The President participated in LTI 2020 which vested during 2023 and is currently participating in the following outstanding programs: LTI 2021, LTI 2022 and LTI 2023. Information of each of the outstanding programs may be found in the table below.

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

Main characteristics of long-term incentive plans

	LTI 2023	LTI 2022	LTI 2021
AGM approval date	4 April 2023	6 April 2022	6 April 2021
Maximum number of B shares to be allocated	1,923,844	1,622,932	1,590,629
as percentage of total shares	0.7	0.6	0.6
as percentage of voting rights	0.6	0.5	0.5
Number of employees offered the opportunity to participate	46	47	48
Number of participants at inception date	36	35	38
Estimated number of B shares to be allocated, subject to possible recalculation	1,298,094	1,149,408	723,363
as percentage of total shares	0.4	0.4	0.3
as percentage of voting rights	0.4	0.3	0.2
Number of participants at reporting date	35	31	31

Remuneration of the President in shares

The main conditions of share award plans					Information regarding the reported financial year 2023					
Specifi- cation of plan	Perfor- mance period	Award date	Vesting date	End of retention period	Opening balance Shares held at the beginning of the year ¹	During the year		Closing balance	Shares subject to a performance condition ¹	Shares to be allocated if performance targets are met in full ²
						Shares invested ¹	Shares vested			
LTI 2020	2020–2022	April 2020	27 April 2023	n/a	24,382	-	24,382	-	-	-
LTI 2021	2021–2023	April 2021	Q2 2024	n/a	22,779	-	-	-	22,779	148,064
LTI 2022	2022–2024	April 2022	Q2 2025	n/a	24,318	-	-	-	24,318	158,067
LTI 2023	2023–2025	April 2023	Q2 2026	n/a	-	22,457	-	-	22,457	145,971
Total					71,479	22,457	24,382	-	69,554	452,101

1) Shares represent the personal investment of the President to participate in the longterm incentive plans.

2) After the end of the year, CEO Henri de Sauvage-Nolting has informed the Board of Directors that he wishes to resign from his position. As a result the LTI 2022 and LTI 2023 will not be eligible to any performance shares.

Application of performance criteria

Cloetta's business strategy involves, inter alia, to strengthen the company's position as the leading confectionery company in Northern Europe. In order to achieve this, the company is working to grow sales, especially organically, and to further improve the profitability on the company's main markets being Sweden, Finland, the Netherlands, Denmark, Norway, Germany and the UK. It is essential for Cloetta to create an incentive for the Group Management Team to drive commitment, forward thinking and activities that drive sales and strengthen Cloetta's brands in a way which is sustainable in the long-term. The remuneration to the Group Management Team shall ensure that Cloetta can recruit and retain qualified employees and that the Group Management Team has the right focus and that right behaviour is encouraged. The types of remuneration shall be in line with market practice and

competitive based on the conditions on the markets where Cloetta operates and shall be designed in a way that motivate the members of the executive management team to do their utmost to create shareholder value.

Any variable salary shall be limited to the equivalent of one fixed annual salary. The variable salary shall be linked, directly or indirectly, to the achievement of Cloetta's long-term financial targets set by Cloetta's Board of Directors, without it being necessary that the profit for the year, or that the other financial targets, exceed the previous year's results, even if the starting point when deciding on payment of variable salary shall be that the adjusted profit for the year exceeds the previous year's adjusted profit. The targets shall be measured in relation to the development of the entire group or be linked to the development of e.g. a region or otherwise to the executive's area of responsibility. Variable salary shall generally be

paid based on performance over a period of twelve months (the calendar year) and shall be based on the company's most recently published financial information. Cloetta's Board of Directors is responsible for assessing the outcome in relation to variable salary to the President.

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

Set out in the first table below is a description of how the criteria for payment of variable short and long-term compensation have been applied for the President during the financial year 2023. The table shows realisation of 2023 targets.

The second table below presents the change of remuneration and company performance since 2019. The current President was appointed in 2017.

Criteria for variable short-term compensation of the President¹

	Description of the criteria related to the remuneration component	Relative weighting of the performance criteria	Measured performance SEKm	Award/remuneration outcome SEK thousand
Henri de Sauvage-Nolting	Group net sales	50%	8,301	3,000
	Group operating profit, adjusted	50%	799	3,000
Total				6,000

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

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

Annual change	2020 vs 2019		2021 vs 2020		2022 vs 2021		2023 vs 2022		2023
	SEK thousand	in %	SEK thousand	in %	SEK thousand	in %	SEK thousand	in %	SEK thousand
Total remuneration President	-3,074	-30%	3,755	53%	3,064	28%	2,854	20%	16,799
Company's performance									
Group net sales	-798	-12%	351	6%	823	14%	1,432	21%	8,301
Group operating profit, adjusted ¹	-248	-33%	76	15%	120	21%	108	16%	799
Average remuneration on a fulltime equivalent basis of employees ²	-8	-2%	-2	-1%	25	6%	42	10%	462

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

2) All employees of the Cloetta Group (excluding Group Management Team) have been included in the calculation of the average remuneration on a fulltime equivalent basis.