

Cloetta

Transparency Act report 2022



Human Rights and Labor practices

Cloetta has a global commitment to sustainability and takes a global approach to social and environmental sustainability. This report therefore reflects our global commitment and approach across our value chain, including that of our Norwegian subsidiary Cloetta Norge AS (987943033). This report on Human Rights and Labor Practices has been developed to comply with the legal requirements as stated in the act relating to enterprises' transparency and work on fundamental human rights and decent working conditions, the Transparency Act (Åpenhetsloven). It follows the six steps and supporting measures set forth in the OECD Due Diligence Guidance for Responsible Business Conduct and illustrated below.



Cloetta's approach to human rights due diligence

Communication of outcomes

We communicate how impacts are addressed in our sustainability report and on our website.

Monitoring

We track implementation and results.



Impact identification

We identify and assess adverse impacts in our operations, supply chain and business relationships.

6 Remediation

We enable remediation when appropriate, given our level of impact and influence.

Mitigation of impacts

We cease, prevent, or mitigate actual or potential adverse impacts through appropriate measures.

1. Governance

Cloetta Sustainability Agenda

Our sustainability agenda “A Sweeter Future” focuses on creating joy and long-lasting value For You, For People and For the Planet. During 2022, progress developed in each area, including setting concrete targets for our sustainability initiatives, establishing means of reporting on the KPIs, enriching the social impacts in our supply chain through our partnerships, and activating teams across the organisation to work towards our science-based targets. As a signatory participant of the UN Global Compact since 2009, we support the Sustainable Development Goals (SDGs), both directly and indirectly through our work in our three pillars.

Organization

Cloetta’s Board of Directors has a responsibility to the shareholders to oversee the company’s risk management. Risk assessment associated with business development and long-term strategic planning is prepared by the Group Management Team and decisions are made by the Board of Directors.

The Group Management Team continually reports to the Board of Directors on different risk areas. Operational risk management that takes place at all levels of the organization is regulated by Cloetta’s Code of Conduct and other central policies. Sustainability updates, including human rights issues, are provided to the Board, sustainability training and regular progress meetings are provided for the Group Management team and the whole company. With support of the Sustainability manager, the Group Management Team is responsible for evaluating the effectiveness and relevance of the management approach to sustainability.

Policies & procedures

Respecting human rights is fundamental to sound risk management and Cloetta’s value creation. To ensure that Cloetta’s commitment to respecting human rights is embedded in the way the company does business, human rights due diligence is regularly conducted to identify, assess, and address potential risks. These activities are in line with international and national guidelines

and are required in recent regulations like the Norwegian Transparency Act. Cloetta has a range of policies, processes, and procedures in place or under development. Examples of Cloetta’s efforts to fully embed responsible business conduct in the company’s operations include:

- Cloetta Code of Conduct,
- Supplier Code of Conduct,
- Approval and Monitoring of Suppliers,
- Whistleblowing Policy,
- Health and Safety policy,
- Environmental policy,
- Anti-bribery and Anti-corruption policy,
- Palm oil policy

Our policies commit Cloetta to conduct our business responsibly in many ways, such as conducting due diligence, applying the precautionary principle, respecting human rights, and including at-risk or vulnerable groups in our organization and/or supply chain. In developing and implementing these policies and practices, Cloetta takes direction from the OECD’s Due Diligence Guidance for Responsible Business Conduct.

Raising human rights awareness

In 2022 our renewed Code of Conduct formed the basis for a new learning module in our corporate e-learning platform. This module is part of our mandatory onboarding training and education for all new employees.

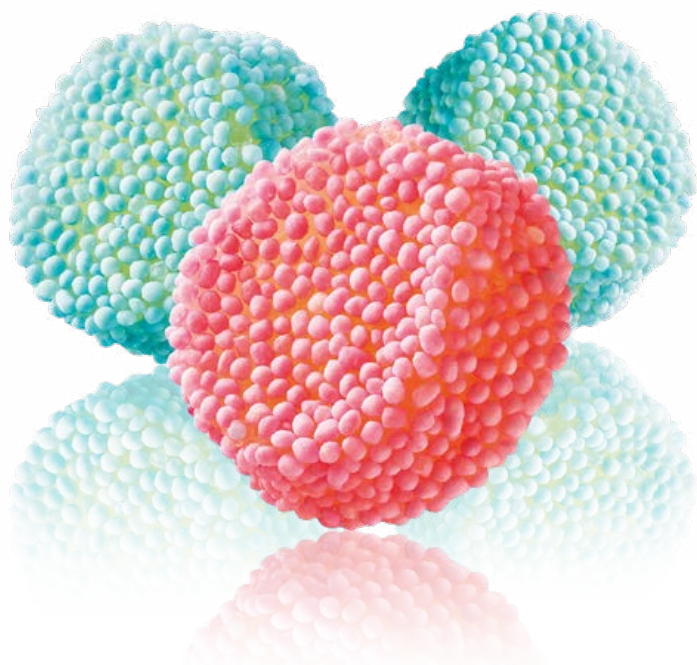
Stakeholder engagement

Stakeholder engagement is a continuous process at Cloetta, both at a strategic and local level. We engage with stakeholders globally and locally to build trusting relationships and bring better business intelligence that can spur ideas for products and services.



Stakeholders' key sustainability issues

Stakeholder	Key issues – sustainability	Communication and cooperation
Customers and consumers	<ul style="list-style-type: none"> • Food safety and consumer health • Climate action • Human & labour rights in the supply chain • Less and Better Packaging • Transport & logistics 	<ul style="list-style-type: none"> • With consumers via annual surveys, websites and social media • With customers through in-person (or online) customer and sales meetings three times per year, and via customer surveys and collaborative initiatives for eco-efficient transportation
Employees, Board & Management	<ul style="list-style-type: none"> • Competence development • Health and safety, employee well-being • Equality & diversity in the workplace • Ethics and anti-corruption • Climate action • Long-term sustainable value growth 	<ul style="list-style-type: none"> • Daily meetings to discuss occupational health and safety in the factories • Annual performance reviews with all employees • Systematic skills development • Up-to-date information provided monthly, e.g. via managers, union representatives and Cloetta's intranet • Employee survey "Cloetta Engagement survey" every other year
Shareholders and investors	<ul style="list-style-type: none"> • Long-term sustainable value growth • Transparency & risk management • Ethics and anti-corruption • Climate action • Human & labour rights in the supply chain 	<ul style="list-style-type: none"> • Analyst and investor meetings • Interim reports • Annual general meeting • Annual and Sustainability Report • Cloetta's website
Suppliers	<ul style="list-style-type: none"> • Food safety • Climate action • Human & labour rights in the supply chain • Biodiversity impact from key raw materials • Ethics and anti-corruption • Less and Better Packaging • Transport & logistics 	<ul style="list-style-type: none"> • Annual evaluation of suppliers' performance • Audits • Development projects • Collaborative projects for sustainability
Communities and the public	<ul style="list-style-type: none"> • Transparency • Community involvement • Climate action • Human & labour rights in the supply chain 	<ul style="list-style-type: none"> • Continuous contact with the local communities/municipalities close to Cloetta's factories with regard to the local environment • Annual audits by certification bodies for ISO, BRC, RSPO and Rainforest Alliance • Continuous contact with key opinion leaders
Regulatory authorities	<ul style="list-style-type: none"> • Legal and regulatory compliance 	<ul style="list-style-type: none"> • Continuous contact with public authorities in areas related to workplace health and safety, environmental and product



2. Impact identification

Identification of risks

Cloetta works continuously to identify and assess potential human rights risks and impacts for employees, contractors, as well as the people in our supply chain. These risks are identified based on information from impact assessments, internal and external experts, and other relevant sources. Given the complexity of Cloetta's supply chain beyond the raw material sourcing, a risk-based prioritization of suppliers for social and human rights due diligence and audits is crucial. Our human rights and geopolitical risk assessments rate our countries of operation, as well as the countries from which we source raw materials, in terms of human rights and environmental risk exposure. They are prioritized based on the highest severity and likelihood of a potential adverse impact on people. The 2022 human rights and geopolitical risk assessment identified 4 high-risk countries where

our suppliers operate. We have identified ingredients that are sourced in countries where there have been historical instances of human rights breaches. These ingredients include but is not limited to cocoa, palm oil, shea butter, coconut oil, brazil nuts, cashews, carnauba wax, tropical dried fruits, and gum arabic.

We recognize the importance of continuous dialogue and monitoring. Structured communications aimed at creating awareness of human rights standards and including contractual obligations to support Cloetta in complying with the Norwegian Transparency Act are ongoing. During 2022 we developed a sustainability questionnaire including key human rights-related questions which is shared with all our suppliers. The order of which we request this questionnaire from suppliers will be selected based on geopolitical risks in country of origin, strategic importance, spend, and product

category. This exercise will guide our prioritization for social and human rights audits to be performed in 2024 and is, in addition to the existing risk-based audit program, related to road transport and safety inspections and audits conducted regularly in all regions where Cloetta operates.

Cloetta's human rights issues

Our main responsibilities towards human rights concern non-discrimination, employee rights, occupational health and safety and risks of human rights violations within our supply chain.

In 2022, we updated our global salient human rights issues, based on external and internal consultations, trend analyses and public data. This salience review confirmed the following issues that may pose the most severe risk to people across our value chain.

Cloetta's human rights issues

Issue	Definition	Relevance
Lack of living income and wages	Living wage covers workers' and their families' basic needs and provides some discretionary income. Wages and compensation to be paid in time, on a regular basis and in full, in line with national or industry legal levels or collective bargaining agreements.	Primarily relevant in connection to raw material farmers and traders in impoverished regions. Vulnerable groups are found in low skilled, labor intense industries as well as linked to part-time work and outsourcing.
Working hours	Working hours and rest time that comply with national law, ILO Conventions or collective bargaining agreements. Connected to workers' rights to health and family life.	In our own operations and various supply chains, for example in manufacturing, warehouse operations, construction and transportation. Vulnerable groups include migrant workers, agency workers, temporary workers and self-employed workers.
Child labor	Work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development. It refers to work that is mentally, physically, socially or morally harmful to children; and interferes with their schooling by depriving them of the opportunity to attend school.	This is relevant in our supply chain, especially in the agricultural sector. Children are indirectly affected by the working conditions of parents. Vulnerability is directly linked to poverty and strength of local institutions, and as such market specific.
Forced labor	Forced labor refers to any labor or service that is obtained through coercion or the threat of punishment. Indications of forced labor may include limitations on movement, isolation, exploitation of vulnerable individuals, physical abuse or threats, abusive living and working conditions, withholding of wages, excessive overtime.	In various supply chains, for example in manufacturing, warehouse operations, transportation, and agricultural supply chains. Vulnerable groups include migrant workers, agency and temporary workers.

Human rights issues, cont.

Issue	Definition	Relevance
Discrimination and harassment	Discrimination; unfair or humiliating treatment on the grounds of gender, sexual orientation, race, color, age, pregnancy, marital or social status, religion, political opinion, nationality, ethnic origin, disease or disability.	In our own operations and various supply chains, linked to a large share of women workers. Vulnerability varies by market and may include women, migrant workers, LGBTQI and minority groups.
Health and safety	Health, safety and wellbeing of employees, workers and customers across the value chain, such as safe and healthy working conditions, and product safety. This may include hazardous work that directly endangers workers' health and safety or product liabilities.	In our own operations, various supply chains and connected to the products we sell. Vulnerable groups include young workers, female and pregnant workers, agency and temporary workers and people with disabilities.
Access to clean water	Access to clean water is essential for ensuring good health, preventing disease, and promoting social and economic development. This means the right to access sufficient, safe, acceptable, physically accessible, and affordable water for personal and domestic use.	In our upstream supply chains, primarily connected to farming and forestry. Lack of access to clean water can have serious consequences, particularly for vulnerable populations such as children, women, and people living in poverty.
Freedom of association & collective bargaining	A person's right to join, and/or form, trade unions of his or her own choosing and to bargain collectively. An enabling right for other labor rights.	In our own operations and various supply chains. Vulnerable groups include union members and representatives, migrant workers, outsourced staff and self-employed workers.
Land rights & livelihoods	Protect and promote land rights and livelihoods by supporting communities in upholding their land rights and practicing sustainable land use, e.g., not harm resources or income of communities, no illegal taking of land, forests, or water or unlawful eviction of people for resource development or utilization.	In our upstream supply chains, primarily connected to farming and forestry. Vulnerable groups include people living in poverty, women, indigenous groups and minority groups.



3. Mitigation of impacts

Cloetta's operations

We recognize that we have better control and improvement opportunities of risks related to our own employees at Cloetta sites than for sites operated by third parties, contracted workforce, and in the supply chain. It is, however, important to address risks and implement mitigation plans for all areas, both to comply with Cloetta's Code of Conduct, and obligations and expectations in legislation and recognized international standards.

We work systematically across countries, companies and functions to ensure that our employees have a safe, fair and stimulating workday. We will respect human rights in every part of the group, and we will be a diversified and inclusive workplace that guarantees equal opportunities and adequate conditions for all. All employees are represented in important processes and actively involved in their own personal development. Initiatives involving our employees address areas that we consider essential for a meaningful, creative and joyful work environment. Priorities include competence development, equal pay, non-discrimination, parental leave as well as mental health advice and well-being initiatives. The programs are in place within our HR organization, and we measure our employee engagement through a survey. By the end of 2022, 68 per cent of our employees are covered by collective labor agreements. For those not covered by collective bargaining agreements, working conditions and terms of employment are determined by local laws and market practices.

At Cloetta, we have a health and safety management system that covers all Cloetta factories and offices. All our employees, temporary personnel, consultants and visitors are part of our health and safety management system where the core is to identify hazards and risks and report all type of incidents. Risk assessments are conducted for every part of operations on an annual basis and in conjunction with changes (e.g., moving premises, new tools, changes to working methods or prior to hiring a contractor). Preventative actions are based on risk level and are prioritized, implemented, and followed up by the responsible function in collaboration with safety representatives and the HSE function.

Competence development takes place through training and deployment of ways of working including responsibilities. To strengthen our health and safety awareness and behavior we have improved our safety awareness methodology concept, Hearts and Minds, during 2022.

Sustainable sourcing

Taking care of the people involved in our products extends beyond the walls of our factories and offices. Cloetta aims to source ingredients in a transparent way, where human rights and living conditions are supported, and the farming communities are thriving. As part of a complex value chain, responsible business conduct depends to a great extent on our success in ensuring the same ethical standards with our suppliers, as we have internally at Cloetta. That is why the expectations regarding human rights, labour standards, the environment and anti-corruption are reflected at an operational level as a significant part of our Supplier Code of Conduct.

Within our Sustainable Sourcing program, we focus on improving the performance of our suppliers and sourcing raw materials in a way that protects or improves the environmental and social impacts in the supply chain. Cloetta has over 700 raw material suppliers. We assess the raw mate-

rials and prioritize involvement with suppliers and organizations for certain materials based on environmental, social and human-rights related risks. We require all our direct suppliers to sign our Supplier Code of Conduct (or provide a comparable Code of Conduct), which describes our supplier requirements related to human rights and other issues within sustainability. This means that the supplier commits to carry out its production in accordance with internationally recognized standards related to human rights, working conditions, the environment and anti-corruption. Suppliers are obliged to adhere to these governance documents and report any changes in their operations that may lead to deviations from agreements with us.

Actions implemented to reduce the identified exposure to risks at third-party sites or within the contracted workforce and supply chain includes the initiatives presented the next page.

We will continue to improve our work on raising awareness on human rights in our organization through trainings, e-learning, communication, and knowledge sharing. Raising awareness of human rights risk exposure and knowledge of human rights due diligence within the procurement function will be prioritized in 2023.



Initiatives 2022

The Living Income Fund

Engaging in partnerships and collaborating with organizations allows us to support farmers and improve living conditions throughout our supply chain. During 2022, Cloetta continued driving several programs within these areas that aim to make a real impact in the world. In partnership with the Rainforest Alliance, we contribute to The Living Income Fund that bridges the living income gap by making extra payments directly to cocoa farmers using blockchain technology. The Living Income Fund addresses two problems: the low income of farmers and the value distribution in the cocoa supply chain. By this initiative we strive to create thriving rural communities for the farmers, helping to alleviate poverty and thus reduce the occurrence of child labor as well as improved environmental agricultural methods.



*Rainforest Alliance Certified.
Find out more at ra.org*

Sustaining Shea

Since 2017 Cloetta has purchased sustainable and traceable shea butter from women cooperatives in Africa. The aim is to directly source and trace shea kernels, while empowering the women sourcing the shea nuts in rural areas. The basic principle of the program is to establish a direct trade relationship with the women in rural areas that collect shea nuts. Traditionally, the supply chain would contain a series of intermediaries dominated by men. Shea butter as a raw material offers many opportunities for partnership across industries to inspire change, gender equality and sustainable production. As members of the Global Shea Alliance, we support projects and partnerships that improve the shea supply chain.

Certification programs

Traceability is an essential building block of a fair and sustainable supply chain. We can meet our commitments for quality and responsibility only if we know where our raw materials originate from and how they were produced. We use certification schemes, where available, which provide third-party assurance that suppliers are meeting specific traceability requirements and sustainability standards set by independent bodies. Cloetta purchases 100 per cent certified cocoa and palm oil by third parties and protecting human rights is a central requirement in these certification programs.

Community Involvement

Community involvement builds on Cloetta's legacy of positively impacting our surrounding environment. One example of this is our partnership with SMILfonden (the Smile foundation). Their aim is to increase the quality of life for children with serious chronic diseases by offering them and their families a community and opportunities to find joy together in moments that offer a break from their challenging conditions. They host social activities in hospitals, summer camps, networking trips and counseling, among other activities.



4. Monitoring

We have set goals and KPIs for each part of Cloetta's sustainability agenda, with monthly progress tracking at Cloetta's Management Team meeting and regularly updates at Board meetings. Data is gathered through direct measurements as well as through specifications from suppliers and reported monthly from the factories and consolidated at a Group level.

Our internal programmes focus on health, safety, and well-being for our employees. Our performance is monitored through internal control policy & management systems. Each production unit has a locally adapted management system that is linked to the central system. Central poli-

cies, goals and procedures are broken down and implemented at a local level.

Suppliers are monitored based on risks related to country and sector-specific circumstances, and their own performance over time. The objective is for suppliers to continuously improve their performance. During 2022, we structured our process on how to monitor performance, and we improved our supplier questionnaires to obtain performance data. We follow up our suppliers through regular dialogue and supplier evaluations.

The way forward

In 2023 the focus will be on our salient risks of negative impacts and the main priori-

ties are our global initiatives to eliminate or minimize possible negative impact from Cloetta's operations on affected rights-holders' human rights. We will continue to improve our work on raising awareness on human rights in our organization through trainings, e-learning, communication, and knowledge sharing. Raising awareness of human rights due diligence within the procurement function will be prioritized in 2023, as well as continue to develop relevant targets and strategic objectives for the different levels of the organization, and disclosure initiatives.

5. Communicating outcomes

This report constitutes Cloetta's legally required disclosures under the Norwegian Transparency Act. Further information is available on our dedicated webpage www.cloetta.com including how to submit requests for information in accordance with §6 of the Transparency Act.



6. Remediation

Complaint mechanisms are important tools to inform us of our impact on individuals and groups. In situations where we identify adverse human rights impacts that we have caused or contributed to, we work to cooperate in, promote access to and/or provide remediation. We make the whistleblowing service available for our employees and all external parties, and anyone can use the

tool anonymously. Cloetta's whistleblower service provides the opportunity to report assumed breaches against legislation or Cloetta's Code of Conduct or Supplier Code of Conduct. During 2022 we updated the system and communicated instructions around the whistleblower service both internally and externally.



Signatures

Date: 26 June 2023

Henri de Sauvage-Nolting
President & CEO

Frans Rydén
CFO

Niklas Truedsson
Area President & CPMO

Peter Alexander Gordon
*Managing Director Cloetta
Norway*

Cloetta AB

Cloetta, founded in 1862, is a leading confectionery company in Northern Europe. Our products are sold in more than 50 countries worldwide with Sweden, Finland, Denmark, Norway, the Netherlands, Germany and the UK as the main markets. We own some of the strongest brands on the market, such as Läkerol, Cloetta, CandyKing, Jenkki, Kexchoklad, Malaco, Sportlife and Red Band. Cloetta has 7 production units in 5 countries and 2 600 employees.

The company's class B-shares are traded on Nasdaq Stockholm.

Cloetta AB (publ).

Postal address: Box 2052,
174 02 Sundbyberg, Sweden.

Phone: +46 8 527 28 800.

Registration number: 556308-8144.

Cloetta