

Corporate responsibility

Cloetta's corporate responsibility rests on a balance between social, environmental and financial aspects in all parts of operations. Cloetta's commitment to corporate responsibility is founded on the company's core values. Cloetta's code of conduct contains guidelines for the employees' actions in relation to consumers, customers, suppliers, shareholders and colleagues.

Following the merger between Cloetta and LEAF, a process has been started in which Cloetta's total corporate responsibility is being reviewed.

REPORTING PERIOD AND GUIDELINES

This is Cloetta's third sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines, G3. The report meets the criteria in level C and has not been externally assured. The contents refer the financial year from 1 January 2012 to 31 December 2012 and include all of Cloetta's activities unless otherwise specified. Cloetta's ambition is to report on its sustainability performance every year in the annual report. Changes compared to the previous report are mainly related to the merger between Cloetta and LEAF, which has affected parameters such as the key performance indicators that are presented in this sustainability report.

The sustainability report and corporate governance report are part of the annual report for the financial year 2012. To avoid redundancy, references are sometimes made to these two reports including the section with the message from the CEO on pages 4–5. On page 5 Cloetta presents a summarised table that shows where in the annual report the

different GRI performance indicators can be found.

The sustainability report is designed to reflect the company's economic, environmental and social impacts. The performance indicators and metrics that Cloetta has chosen to present have been selected in view of their significance and relevance to the company's operations.

Cloetta's corporate responsibility



SCOPE

The sustainability report covers Cloetta's own operations, meaning Cloetta's direct impact on the environment and people. All of Cloetta's production and virtually all sales take place in Europe and all of Cloetta's direct suppliers, with a few exceptions, are found in Europe, where there are laws that regulate human rights.

Product responsibility and product safety are an integral part of Cloetta's production process and are described on page 28.

However, Cloetta has a certain responsibility for the entire product value chain, from raw material supplier to recycling of the product packages. All of Cloetta's suppliers of direct materials undergo an approval process in which their sustainability work is evaluated. This process is described under "Purchasing" on pages 28–29.

For raw material suppliers with which Cloetta has no direct supplier relationship, such as growers in developing countries, Cloetta is responsible for promoting development toward better environmental and working conditions. Read more about Cloetta's involvement in international initiatives on pages 50–51.

ORGANISATION FOR SUSTAINABILITY WORK

Cloetta's sustainability work is overseen by the Director Corporate Responsibility, who functions as a conduit for issues related to corporate responsibility and is charged with identifying prioritised areas, acting as a link between the company's stakeholders and management and supporting the implementation of Cloetta's strategy for corporate responsibility.

AWARDS DURING THE FINANCIAL YEAR

During the year, Cloetta in the Netherlands was presented with the "Lean and Green" award. The award was granted for a commitment to reducing CO₂ emissions from transports by 20% over a five-year period. Cloetta's commitment has resulted in an action plan together with business partners where the focus is on:

- Using a modern fleet of transport vehicles.
- A training program for drivers (eco-driving).
- Optimising use of freight capacity in the vehicles.

CLOETTA'S STAKEHOLDERS

Cloetta's stakeholders and target groups include customers, consumers, employees, shareholders, investors, business partners/suppliers and the public/society. These groups are crucial for Cloetta's long-term survival. Cloetta has a continuous, open dialogue with the most important stakeholders based on the expectations and requirements of each stakeholder group, see page 39.

INTERNATIONAL SUSTAINABILITY INITIATIVES

Cloetta is involved in industry associations and non-profit/non-governmental organisations that are working to accelerate development towards more sustainable raw material production, primarily of cocoa but also palm oil. Read more about this in the section "Responsibility for raw material producers" on page 50.



Core stakeholder issues for sustainability

Stakeholder	Key issues – sustainability	Communication and cooperation
Customers/consumers	Product safety and quality. Our brands. Clear declarations of ingredients. Eco-friendly packages. Cloetta takes responsibility for the environment and working conditions as far as possible. Ethics in general. Efficient transports to the retail trade.	With consumers through various surveys and via the websites and social media. With customers through personal customer and sales meetings and via customer surveys, but also collaborative initiatives for eco-friendly transports.
Employees	A good and stimulating working situation. A safe working environment. Health and fitness activities. Ethical issues in general, but also good financial development for the company.	Daily meetings to discuss occupational health and safety in the factories, annual performance reviews with all employees, systematic skills development activities, up-to-date information via managers, the intranet and union representatives. Since 2011 Cloetta conducts the Great Place to Work survey every other year.
Shareholders and investors	Sustainable long-term financial value growth. Ethical issues in general.	Annual report, website, analyst and investor meetings, interim reports and the annual general meeting.
Suppliers and other business partners	Ethics and business codes in procurement. Product safety. Sustainable long-term development. Support of human rights.	Collaborative projects for sustainability. Supplier evaluations, sponsorship evaluations and development projects.
The public/society	Cloetta takes responsibility for the environment and working conditions as far as possible. Laws, regulations and standards. Cloetta makes a positive contribution to social development, including the local environment.	The local communities/municipalities around Cloetta's factories with regard to the local environment, public authorities in areas related to occupational health and safety, environmental and product responsibility, schools and universities, certification bodies for ISO and BRC and key opinion leaders.

Economic impact



Production and sales of Cloetta's products generate economic values that benefit stakeholders.

Economic value generated and distributed (SEK M)	Stakeholders	2012	2011
Revenue	Customers	4,859	4,658
Other operating income	Business partners	13	1
Financial income including exchange differences	Business partners	25	-1
Total generated value		4,897	4,658
<i>Distributed as</i>			
Costs excluding payroll	Suppliers/business partners	-3,454	-3,217
Payroll and other compensation	Employees	1,293	-1,082
Financial expenses	Business partners	-290	-599
Income tax	Government	67	172
Loss for the year		-73	-68

Cloetta has the opportunity to receive indirect support from the public sector over a ten-year period through a tax credit in Slovakia.

Cloetta in society

Cloetta has always been permeated by a commitment to corporate responsibility. It is part of the company's culture and tradition to safeguard people, society and the environment. Cloetta is primarily involved in its local markets but also takes part in projects at the global level.

This commitment is expressed in projects that support the local markets where Cloetta

is active. These can include environmental projects that are driven within the framework of Cloetta's environmental work and projects to promote an active and healthy lifestyle. They can also be focused on global issues, such as development projects, where the aim is to achieve sustainable cultivation and production of raw materials in countries of origin. Read more about our projects and commitment on the next few pages.

LOCAL COMMITMENT

The local commitment to sustainable development is aimed at strengthening the surrounding community but also Cloetta's brand both within and outside the company. This commitment is mainly focused on consideration to the local environment where Cloetta's production

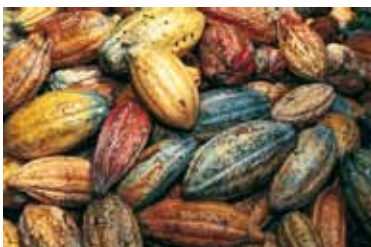
facilities are based, but can also consist of other activities. Cloetta maintains an ongoing dialogue with local authorities in the locations where it has factories, as well as with the media and schools/universities, among others.

CLOETTA'S CODE OF CONDUCT

Cloetta's code of conduct guides the way in which the company is managed from a social, environmental and financial perspective. It is based on Cloetta's core values: Focus, Passion, Teamplay and Pride.

The code of conduct covers the entire value chain, from raw material to consumer, and applies to all activities in all markets and countries where Cloetta is represented. The principles in the code of conduct are consistent with:

Value chain



Suppliers

- All suppliers of raw materials and other manufacturing materials undergo an approval process in which both product safety and corporate responsibility aspects are evaluated.
- Cloetta promotes sustainable production of raw materials like cocoa and palm oil.
- All packaging material can be pre-sorted.
- Cloetta strives to avoid unnecessary transport packaging and optimise use of freight capacity, and thereby reduce emissions of CO₂.

Production

ENVIRONMENT

- Development of more energy-efficient processes.
- Waste is sent to material recycling and energy recovery.
- Systematic environmental management in all production units.

OCCUPATIONAL HEALTH AND SAFETY

- A focus on personal safety.
- OHS activities with systematic monitoring and follow-up.

PRODUCT SAFETY

- Product safety system.
- A focus on measures to prevent serious product returns.



Jenkki project

Cloetta conducted a survey among Finnish dental hygienists to chart their views on the dental health of Finnish young people. The results were alarming and showed that young Finns don't seem to be adequately concerned about their teeth. Hanna Korhonen, Marketing Director in Finland, explains:

“The results of the survey were dismaying and at Cloetta we started to think about how we could take responsibility and contribute to turning this trend around. Our Jenkki brand is the best known and most sold chewing gum on the Finnish market and it contains xylitol, which has a positive effect on dental health. So our idea is to let Jenkki inspire Finnish young people to take better care of their teeth.

“The goal is for 100,000 Finnish young people to learn more about how to take care of their teeth. We will launch an educational programme in which we plan to bringing together 100 dental hygienists and 1,500 teachers with 50,000 young Finns. We look forward to raising the level of knowledge about good dental health among Finnish young people,” says Hanna. Read more about the Jenkki project at www.leaf.fi



- ▶ The UN's Declaration of Human Rights
- ▶ ILO conventions
- ▶ OECD guidelines for multinational enterprises
- ▶ ICC framework for responsible marketing of food and beverages
- ▶ The European Brand Association

GENERAL PRINCIPLES

Cloetta – every day

For Cloetta, it is important to have clearly defined guidelines for mutual respect and a shared set of core values. Cloetta recognises and supports the ten principles in the UN's Global Compact and works to promote these in the communities and environments where the company conducts business. Special emphasis is placed on:

- ▶ Equality and non-discrimination
- ▶ Freedom of association and collective bargaining
- ▶ Occupational health and safety
- ▶ Working hours

From raw material to cherished brands

Cloetta works with responsibility throughout the entire supply chain, from raw material to finished product. Cloetta supports the relevant ILO conventions and complies with the laws and rules in the countries where it conducts operations, and places the same demands on the company's suppliers. In order to become an approved supplier to Cloetta, the supplier must undergo an approval process and accept Cloetta's general supplier requirements.

Cloetta committed to product content

When it comes to product content and quality, Cloetta is subject to a number of national and international laws and rules. However, Cloetta wishes to take its responsibility further and is a forerunner in developing the content of the products. For example, Cloetta is conducting a long-term programme called NAFNAC (No Artificial Flavours No Artificial Colours), which is aimed at offering a portfolio of products that contain no artificial flavours or colours.

Cloetta's environmental impact

Systematic environmental management provides a foundation for Cloetta's efforts to minimise its environmental impact. Cloetta's environmental work is governed by the code of conduct, which states an ambition to comply with the applicable laws and rules, involve the employees and focus on continuous improvements in the environmental area. Cloetta's foremost environmental impact arises through water and energy consumption, wastewater emissions, waste and transports.

Cloetta supports

Cloetta continuously supports various types of projects and initiatives in the markets where the company is represented. The scope and focus of these projects varies over time. In the projects where the Group is involved, Cloetta strives to promote an active and healthy lifestyle.



Transport

- ▶ As a rule, products are delivered to a central warehouse rather than to a large number of stores.
- ▶ Optimisation of freight capacity in the transport vehicles.



Customers

- ▶ Recyclable packaging.
- ▶ In general, our customers require us to have BRC certification.

Consumers

- ▶ Recyclable packaging.
- ▶ Feedback on comments and product returns.



Environmental responsibility

Cloetta works to reduce its environmental impact through systematic environmental management. Cloetta's greatest environmental impact comes from water and energy consumption, wastewater emissions, waste and transports. Viewed over the entire life cycle of the products, the most significant environmental impact arises in raw material and packaging production.

ENVIRONMENTAL MANAGEMENT SYSTEM

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. In addition, seven of ten factories are certified according to ISO 14001.

ENVIRONMENTAL WORK

Cloetta complies with the statutory environmental requirements and the Group is not party to any environmental disputes. Environmental initiatives are an integral part

of Cloetta's operations and environmental aspects are taken into account when making decisions. Frequent evaluation and follow-up of measures increases awareness about the effects of different working methods on the environment.

WORKING METHODS

Every year, Cloetta carries out an assessment of environmental aspects to identify the existing risks and opportunities. Cloetta has an action plan that defines and governs the activities to be carried out in order to reduce the company's environmental impact.

PACKAGING

The packaging materials must perform several functions, such as protecting the product on its way to the consumer, enabling easy handling of the product and communicating the brand. The most commonly used consumer packaging method is flexibles, a material that can be recycled or incinerated.

ENVIRONMENTAL IMPACT AND PRIORITIES

Environmental impact in the confectionery industry arises among other things from water and energy consumption, wastewater emissions, waste and transports. Certain environmental effects are also caused by coolants, other chemicals, noise and particles. Outside Cloetta's direct influence, there is also

significant environmental impact connected to production of raw materials and packaging.

The priorities for Cloetta's environmental work have been set based on how the direct operations impact the environment, the extent of this impact, the probability of unplanned environmental events occurring, the requirements of public authorities and other stakeholders and, finally, the extent to which Cloetta can influence development. The prioritised areas for Cloetta's environmental work are:

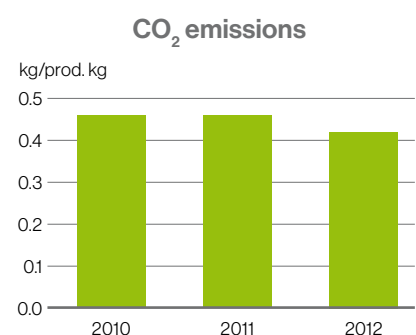
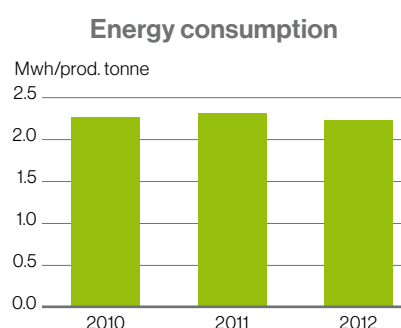
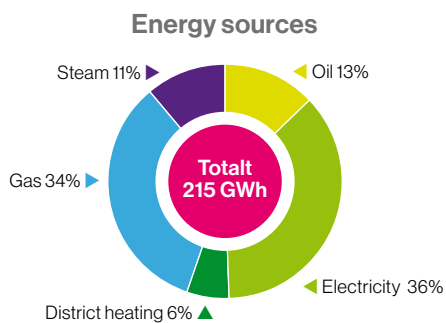
- Energy consumption
- Volume and attributes of wastewater
- Waste volume, type and recycling

ENERGY CONSUMPTION

The Group's aggregate energy consumption during the financial year was around 215 GWh (226). Approximately 25 per cent of the total energy usage is independent on the production volume, i.e. related to heating and cooling of properties, while 75 per cent is directly linked to production.

CO₂ emissions

Alongside efforts to reduce energy consumption, Cloetta is also working to choose energy types with the smallest possible negative impact on the environment. For that reason, the total amount of energy used is converted to the amount of CO₂ equivalents generated by the chosen energy types.

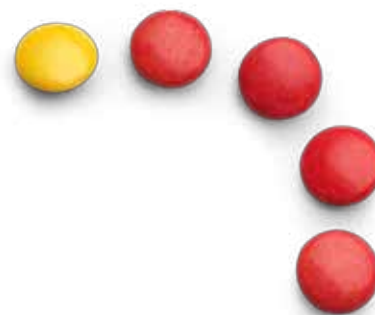


CO₂ equivalents linked to the Group's use of different energy types. Transports are excluded.



Key environmental performance indicators

	2012	2011	2010
Total production, tonnes	96,700	98,400	109,600
Total energy consumption, GWh	215	226	243
Energy consumption per produced tonne, MWh	2.23	2.32	2.27
CO ₂ per produced kilo, kg	0.42	0.46	0.46
Wastewater per produced tonne, m ³	5.0	4.4	4.2
COD* per produced tonne, kg	28.1	22.6	24.6
Waste per produced tonne, kg	80	70	62
Recycled waste, %	49	64	63



* COD (Chemical Oxygen Demand) measures the amount of oxygen consumed in complete chemical decomposition of organic compounds in water.

Energy optimisation

With a supply chain consisting of 10 factories, energy-saving activities play an important role. Lower energy consumption means lower costs, and also decreases Cloetta's ecological footprint. Senior Project Engineer Martien Tromp explains:

"All of Cloetta's factories are covered by a centrally steered energy optimisation programme. Among other things, all factories conduct projects related to our steam traps

and compressed air systems. One valuable lesson has been to include energy optimisation as part of our regular maintenance. This ensures that energy optimisation is part of our day-to-day activities and continuous improvements in our factories.

Aside from joint activities, each factory drives unique projects to reduce energy consumption. The nature of these projects varies from factory to factory, but we natu-

rally share our experience between the different units on an ongoing basis. In Levice, for example, new drying cabinets have been built based on experience from other parts of the Group. In 2013 we will start a project to study whether we can also decrease energy usage for drying cabinets in the other factories according to best practice," says Martien.



WASTEWATER

The volume of wastewater was 5.1m³ (4.6) per produced tonne.

One key environmental target is to improve the wastewater quality. Cloetta rates this quality among other things in terms of COD (Chemical Oxygen Demand), which measures the amount of oxygen consumed in complete chemical decomposition of organic compounds in water. There are several projects underway to improve the quality of the wastewater. For example, read more about efforts at the factory in Roosendaal, at right.

WASTE MANAGEMENT

All of Cloetta's production units pre-sort their waste. The goal is to continuously develop waste management and reduce the total volume of production waste and other waste. A decrease in raw material wastage has a positive impact on both the environment and the Group's total costs. At present, 49% of the waste is recycled and the remaining 51% is used for energy production.

In 2012 the factory in Roosendaal took steps to increase the pH level of its wastewater. A pH level that is too low has a negative impact on the wastewater system as such, and a number of measures were therefore taken during the year to raise this level.

“By testing the system, we were able to understand and define the flows”

Conny Slot, QE Manager at the factory in Roosendaal, says:

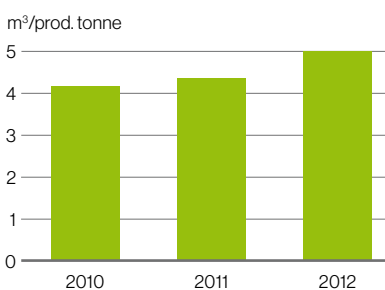
“One problem we've had with our wastewater is that it has sometimes been too acidic, so we started a project to find out why. By studying the wastewater system in the factory and conducting tests where we injected contrast media at different points in the system, we were able to better understand

and define the flows. Once this was done, we could steer the flows more effectively so that a larger share of the acidic wastewater is transported to an internal tank where we can handle it instead of releasing into the wastewater system.

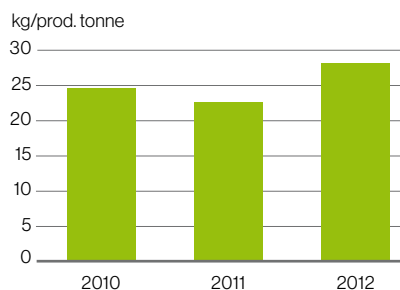
We have also devoted a lot of time to training our factory operatives. When it comes to the environmental impact of our operations, knowledge is vital and training of our operatives was focused on showing how to handle acid wastewater and how to clean the pipes and tanks as effectively as possible. So far, we are satisfied with the visible effects of our efforts and will continue to monitor development in 2013,” concludes Conny.



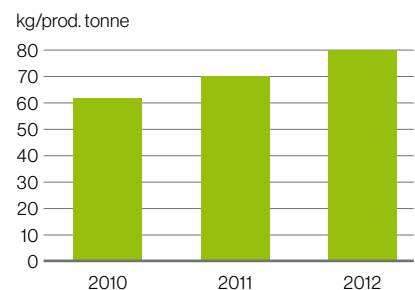
Wastewater



COD



Waste



One effect of the relocation of up to 40% of the Group's total production between different factories over a two-year period is an increase in the number of test runs. This, together with a lower production volume, has had a negative impact on the performance indicators above.

Employees

Cloetta is driven by a conviction that value is created by the employees, and that the ability to attract and retain the best and most competent people it is crucial for the company's success.

Cloetta therefore works determinedly to create an attractive workplace for all employees and promotes the development of a high-performing organisation by continuously developing its staff, designing competitive incentive systems, upholding an inspiring corporate culture and building a clear corporate identity.

THE RIGHT EXPERTISE

Cloetta is characterised by a commitment to continuously renewing the company's aggregate expertise. Competent employees that are given scope to realise their full potential create the conditions to maintain Cloetta's

position as an attractive and innovative partner not only for the employees but also for the customers, suppliers and business partners. A learning-driven organisation that works in project form and the use of interdisciplinary teamwork in day-to-day activities are important components of Cloetta's skills development. All skills development is designed to support Cloetta's strategies, to be business-oriented and to promote the individual's interests and needs.

The main focus areas are to develop the right people for the right positions and to always clarify and improve roles, responsibilities and working methods throughout the organisation. Cloetta strives to be an attractive employer in the markets where the company is active, thereby making it possible to retain valuable employees.

All recruitment takes place locally with the support of centrally developed tools. For all positions, the selection is based on an agreed set of competencies against which the candidates' performance is measured among other things using psychological tests.

LEADERS AT CLOETTA

To continue developing, Cloetta must be able to attract, retain and develop the right managers, who aside from professional expertise must also have intellectual capacity, entrepreneurial spirit, an understanding of the Group's operations and a will to achieve results. A good leader must have the ability to prioritise, motivate, communicate and develop others, and must possess courage in their leadership. Based on these criteria, Cloetta fosters new and existing talents.

Cloetta conducts regularly occurring group exercises for the Group's managers that are aimed at enhancing the performance of the group and the individuals, among other things through exposure to each other's conscious and unconscious leadership drivers. They also serve as an important platform for discussion of Cloetta's values.

EMPLOYEE SURVEY

Employee feedback is vital in understanding how Cloetta is perceived as an employer and providing a basis for development. Since 2011,

Helena Persson is one of Cloetta's sales representatives to the grocery retail trade in Malmö, Sweden, who was given a wider brand portfolio during the year as a result of the merger between Cloetta and LEAF.

“Working with our brands is a pleasure, it's almost magical”

“The retailers have been very positive towards our expanded portfolio, and now there is only one sales meeting instead of two. For us on the sales force, it's an exciting challenge to have responsibility for such a large share of the

retailer's confectionery range. We have tools to help the retailer calculate the profitability of increased volumes for different brands. Based on this, we work on how to expose the brands in the stores. It's a matter of both ensuring high visibility for the products and finding smart, new sales points in the store.

Our goal in the store is to present consumers with the right offering at every possible sales point for confectionery, to meet their needs and thereby increase sales and profitability for the store.

Working with all of Cloetta's brands is a pleasure, it's so easy for people to love them. It's almost magical!”



Helena Persson



Cloetta conducts a survey called Great Place to Work every other year.

The Finnish organisation was awarded the status of “Great Place to Work” in the latest measurement.

In the intervening years, the results are followed up and improvement programmes are pursued. In the Netherlands, for example, improvement efforts led to an increase in the confidence index from 61 to 73 in one year.

RESTRUCTURINGS

In 2012 Cloetta was forced to close factories, which meant that a number of employees have left the company. In addition to the support provided by the public sector and from different insurance solutions, Cloetta’s focus has been on helping the employees to find new jobs.

REMUNERATION STRUCTURE

In order to recruit and retain the right expertise, it is crucial to build up and maintain a competitive incentive system based on results and development. Cloetta applies a uniform process in assessment of past performance and oversight of the organisation. The system is based on three main areas: Strategic Excellence, Performance Excellence, Leadership & Change Management.

During the year, an external review of Cloetta’s remuneration structure was carried

out to ensure that the company’s remuneration levels are competitive from a European perspective and in line with the applicable pay levels in the countries where Cloetta operates.

RELATIONSHIP BETWEEN THE COMPANY AND THE EMPLOYEES

Cloetta strives to uphold a relationship of mutual respect and trust between the company and its employees. This also steers the company’s way of working with the European Works Councils, local company councils and union organisation. Cloetta complies with the applicable laws and regulations in the countries where the Group is active and respects local norms and values. In addition, the Group’s principles are consistent with the relevant ILO conventions.

Cloetta encourages a good balance between professional and personal life. It is important to help both men and women combine the demands of their jobs with responsibility for home and family. The Group therefore supports flexible work arrangements like flex-time and part-time hours, when possible.

A GOOD AND SAFE WORKING ENVIRONMENT

Efforts to improve and develop the working environment are a natural aspect of operational development and the goal is to create a good physical working environment and a healthy

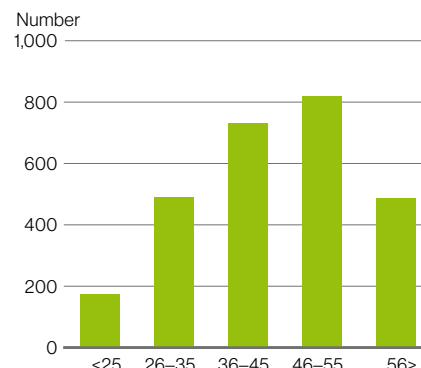
working climate where each individual can feel secure and pursue personal development. One essential part of a secure working environment is to ensure that no one is subject to discrimination or sexual harassment. Cloetta aims to be a workplace where diversity and the different qualities, knowledge and skills of all employees are respected regardless of gender, religion, ethnic background, age, race, sexual orientation, etc.

In production, employee safety is always the top priority. All factories carry out continuous risk assessments to minimise the risk for accidents. All incidents and injuries are followed up and reported. The Lean method is used to prevent and reduce production-related occupational injuries. Thanks to these systematic efforts, the number of occupational injuries has been reduced in recent years, read more on the next page.

Each manager is responsible for avoiding occupational illnesses and accidents through follow-up and corrective measures. Cloetta’s HR department has developed tools for use, together with managers with staff responsibility, for early detection of signals that could be caused by illness and could lead to a risk for long-term absence.



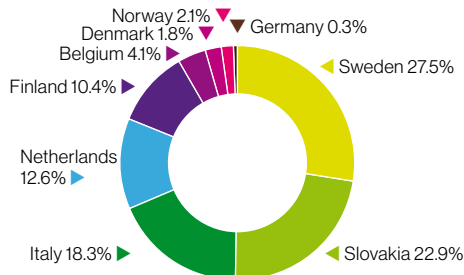
Age distribution



NUMBER OF EMPLOYEES

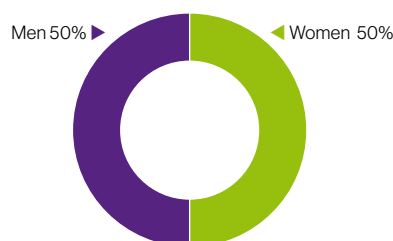
The average number of employees in 2012 was 2,579 (2,192). The increase is due to the merger between Cloetta and LEAF. Of the total number of employees, 57% are employed under collective agreements and 43% are salaried employees.

Employees by country



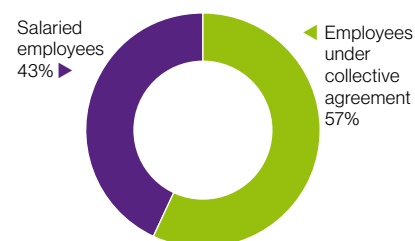
Gender distribution

31 December 2012



Employee categories

31 December 2012



Employees	Sweden	Slovakia	Italy	The Netherlands	Finland	Belgium	Norway	Denmark	Germany	UK	Other	Total
Average no. of employees	699	623	467	342	238	106	54	33	7	5	5	2,579
of whom, women	334	442	188	88	174	21	22	14	4	3	5	1,295
Sickness absence, %	3.7	3.6	4.8	4.9	4.0	3.8	3.2	2.4	5.0	-	-	4.0

By developing the Group's safety awareness, Cloetta has succeeded in reducing the number of work-related accidents by 53 per cent since 2010. Piet Vandenbroucke, Manufacturing Director in Turnhout and Roosendaal and responsible for "Lean and Safety" in the Group, explains.

"Of course we are proud of this, but at the same time we are humble since every accident can lead to suffering for the individual and we are continuing our determined efforts to reduce the number of accidents that occur. For us, safety means handling risks in a professional manner, focusing on continuous

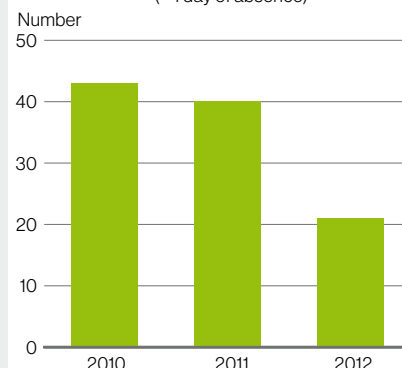
improvements and working according to our safety behaviour program.

"We believe that all accidents can be avoided, but that it is not possible to eliminate all risks. Any further reduction in the number

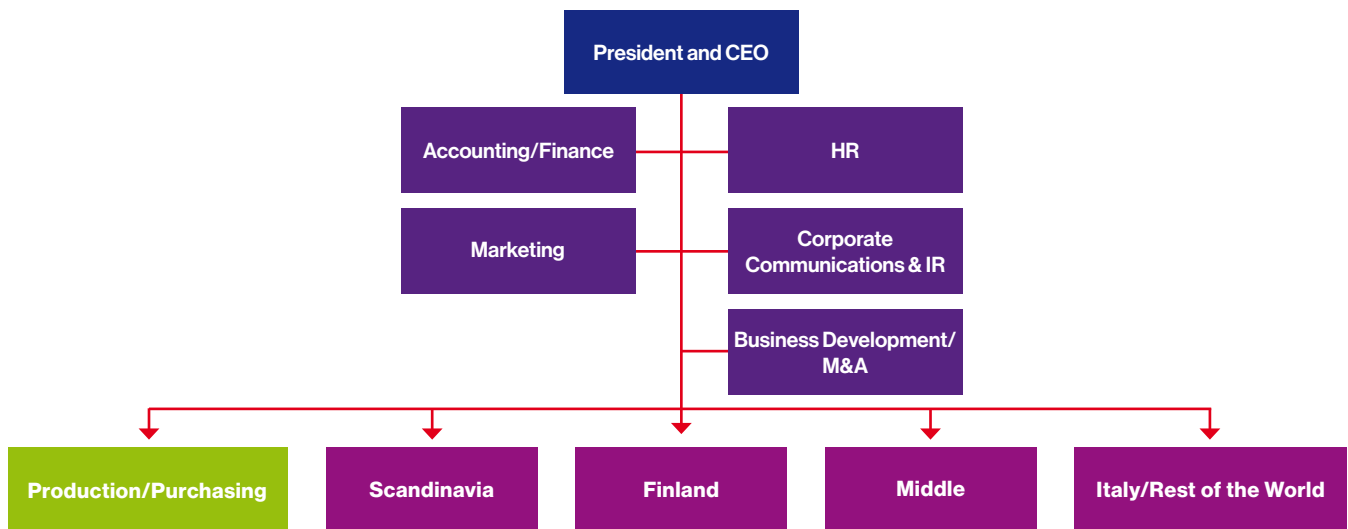
"Safety first"

of accidents will depend on our ability to renew the focus and strengthen our safety culture in combination with alert and determined efforts towards continuous improvement", adds Piet.

Accidents on the job or during business travel (> 1 day of absence)



Organisation



A FLAT ORGANISATION FOR SHORTER DECISION-MAKING PROCESSES

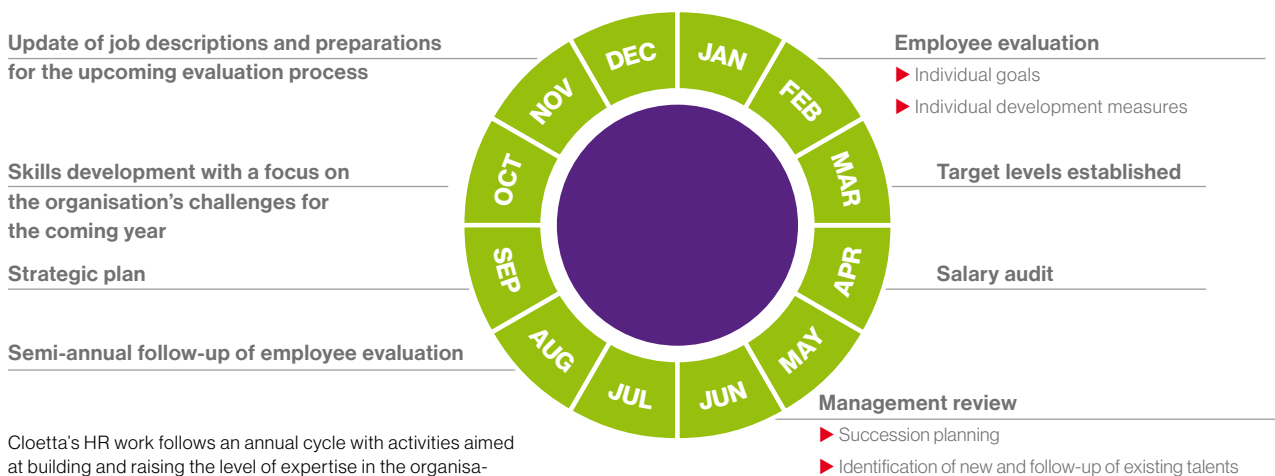
Cloetta has around 2,600 employees in 12 countries who are active in sales and marketing, production, innovation and support functions. Cloetta's head office is located in Stockholm, Sweden. The organisation has been developed from a number of individual

companies into a centrally led, locally managed group that is headed by a multinational management team.

Cloetta is organised according to function and its commercial organisation is separate from the production organisation. Personnel, finance and administrative units are found in each main market and serve as support func-

tions for both the local sales and marketing organisation and for production. Responsibility for business development, corporate communications, business control, marketing strategies, HR and certain financial activities like tax, financial administration, insurance and financial control are handled by central staffs.

Cloetta's HR Wheel



Cloetta's HR work follows an annual cycle with activities aimed at building and raising the level of expertise in the organisation. Most of the activities in Cloetta's HR wheel as described above are primarily attributable to salaried employees.

Core values

Cloetta has established four core values that guide our way of working and acting, both within and outside the company. These core values are Focus, Teampay, Passion and Pride.



Focus is about doing the fundamentals with self-confidence, ambition and a "will do" attitude.

Focus means continuous, diligent work across the essential parts of our business. We will only be successful by focusing and delivering on prioritised activities. We therefore treasure the ability to be a role model in execution, consistently being practical and fact-based, creating clarity, setting priorities, making consistent choices and always having a sense of urgency, speed, drive and discipline as well as the agility to change and adapt when required. Blended with a "will do" mentality, built on self-confidence, ambition and realism, Focus brings both success and the admiration of the competition.



Teampay is about mutual responsibility: doing your part and supporting each other.

Team Play is based on both individual and mutual responsibilities and mutual support for one another. It extends beyond Cloetta, reflecting in the way we aspire to cooperate with our external stakeholders, customers and suppliers. We therefore treasure the ability to understand, value and respect people, to address each other in a creative, open and transparent way, to communicate with honesty and without fear and to share knowledge and learn together. Team Play manifests itself in cross-functional cooperation, shared learning and together acting as "One Cloetta".



Passion is about "going the extra mile", being positive and having fun.

Passion is at the core of our business and characterises all of our actions. It releases the energy and inspiration that provide us with the drive to develop, produce and market great products that, in turn, make our customers and consumers as passionate about them as we are. It feeds the drive to take ownership, to realise goals and to win. We therefore treasure the ability to inspire and motivate, to see change as an opportunity, to go the extra mile, and to be positive and to have fun. Passion manifests itself in the way we understand the business, deal with customers, help each other to succeed and communicate about Cloetta.



Pride is about being proud of our company, our brands, our products and our personal contribution.

Pride is the driving force that motivates Cloetta's employees to perform to the best of their ability and to take ownership of the company's direction. It is about pride in both your own and your colleagues' contribution to the company, its brands and its products. Pride is fuelled by the employees' confidence and belief in Cloetta as a company and as an employer. This is based on a safe and sustainable working environment and a working relationship based on mutual trust. We nurture a company culture that empowers people with insight into our business goals and vision, so that everyone feels engaged and committed to where we are headed as a company. Open lines of communication encourage employees to take responsibility for their jobs and take pride in what they do.

Responsibility for raw material producers

In its code of conduct, Cloetta has collected all of the general principles that govern the company's commitments in areas such as raw materials. Since Cloetta never purchases raw materials directly from the growers, compliance with Cloetta's rules is dependent on the company's raw material suppliers being in agreement with Cloetta on these issues and that they in turn demand the same of their own suppliers.

SUPPLIERS MUST BE APPROVED

All suppliers to Cloetta are evaluated and approved before they are permitted to deliver materials to the factories. Certain suppliers are physically audited at regular intervals by Cloetta's employees. The aspects covered in an audit are product safety, ethics, quality, environmental performance, what challenges and problems exist and how the supplier addresses them. In connection with this, the suppliers are also assessed for their application of a code of conduct that is consistent with Cloetta's rules.

COCOA

Around 70% of cocoa on the world market and most of Europe's cocoa comes from West Africa, mainly the Ivory Coast. The majority of cocoa farms are very small and there are some 700,000 growers in the Ivory Coast alone. Local intermediaries then distribute the raw materials to international cocoa distributors, after which the cocoa is sent to Europe for processing into cocoa butter, cocoa liquor and cocoa powder. Every year, Cloetta buys approximately 2,700 tonnes of cocoa in the form of cocoa liquor, cocoa butter and cocoa powder from suppliers in Europe.

The West African cocoa farmers face

daunting challenges such as poverty, a lack of education and weak economic development. For Cloetta it is important to play an active role in influencing development. For that reason, Cloetta and other major players in the chocolate industry collaborate through industry organisations to provide education about good farming practices and promote better conditions in the cocoa plantations and communities. The goal is to achieve environmentally, socially and economically sustainable cocoa farming.

Cloetta is taking part in the recently started CИСCI project, an initiative driven by the United Nations Development Programme (UNDP), where the goal is to work towards more sustainable production of cocoa in the Ivory Coast. The focus areas are improved living conditions for cocoa farmers and their families and higher quality and productivity from the cocoa plantations. There are many members in the project, which is its strength. In addition to the Nordic chocolate producers and each country's industry association, development agencies from the Nordic countries are participating together with representatives from the Ivorian government. Other members of the project include the World Cocoa Foundation and the International Cocoa Initiative, with their expert knowledge about the challenges facing the cocoa industry in the countries of origin.

PALM OIL

From a sustainability perspective, there are a number of concerns surrounding cultivation and production of palm oil and palm kernel oil. Malaysia and Indonesia account for around 80% of total global production. Both countries are struggling with major problems related to destruction of rain forest, which among other things has a negative impact on the indigenous wildlife.

Cloetta has chosen to actively support sustainable production of palm oil/palm kernel oil by purchasing GreenPalm certificates for parts of the product portfolio. For each tonne of palm oil/palm kernel oil that is used in production, Cloetta pays a premium to a palm oil/palm kernel oil producer that works according to the rules for social and environmental responsibility defined by the Roundtable on Sustainable Palm Oil (RSPO). These rules prohibit destruction of rainforest and set out requirements for working conditions, prohibition of child labour, etc.

In 2013 Cloetta will increase the share of GreenPalm certificates to cover the entire company's needs.

FURTHER INITIATIVES

As a result of the merger between Cloetta and LEAF, the new company has a larger raw material portfolio. Initiatives in addition to those described above are currently being evaluated.



Collaboration in organisations

Cloetta is active in a number of collaborative initiatives aimed at promoting more environmentally sustainable cultivation of raw materials and improving the conditions for growers in developing countries. The following collaborations are the most important.

- ▶ The World Cocoa Foundation (WCF) manages a range of programmes aimed at increasing the cocoa farmers' incomes and promoting sustainable cultivation. Examples of initiatives include teacher training programmes, training in cocoa processing, micro loans for cocoa growers and health-related issues.
- ▶ Caobisco (Chocolate, Biscuit & Confectionery Industries of the EU) supports International Cocoa Initiatives, for example through the development of control and certification systems for cocoa production.
- ▶ The Round Table on Sustainable Palm Oil (RSPO) is committed to promoting the growth and use of sustainable palm oil worldwide.
- ▶ The UN's Global Compact, where Cloetta is a member.
- ▶ Chokofa is a Swedish industry association that contributes contacts, expertise and projects in which Cloetta takes part, such as a project in which 5,000 cocoa farmers in Ghana and Ivory Coast are being given practical training in ways to increase their profitability while at the same time preventing accidents.
- ▶ FNLI (The Dutch Food Industry Federation), VBZ (Association of the Dutch Bakery and Confectionery Industry), the Netherlands.
- ▶ AIDI (Italian Confectionery Industry), IBC (Italian Branded Products Industry), ISA (International Sweeteners Association), Italy.
- ▶ ETL (Finnish Food Industries' Federation), Finland.
- ▶ DI (Danish Chocolate and Confectionery Industries), Denmark.
- ▶ Choprabisco, Belgium.
- ▶ HSH (The Federation of Norwegian Commercial and Service Enterprises), Norway.

Table of contents, GRI*

1	Strategy and analysis	page
1.1	Message from the CEO	4–5
<hr/>		
2	Organisational profile	
2.1	Name of the organisation	85
2.2	Primary brands	14–17
2.3	Operational structure of the organisation	47, 62
2.4	Location of the organisation's headquarters	85
2.5	Countries where the organisation operates	21, 30, 47
2.6	Nature of ownership and legal form	34–37, 85
2.7	Markets served	20–26
2.8	Scale of the reporting organisation	1, 30–31, 47, 80
2.9	Significant changes during the reporting period	34–37, 53–56
2.10	Awards received in the reporting period	38
<hr/>		
3	Report parameters	
3.1	Report period	38
3.2	Date of most recent previous report	38
3.3	Reporting cycle	38
3.4	Contact point for questions regarding the report	38
3.5	Process for defining report content	38
3.6	Boundary of the report	38
3.7	Specific limitations on the scope or boundary of the report	38
3.8	Basis for reporting on joint ventures, subsidiaries and leased facilities	38
3.10	Explanation of the effect of any restatements of information provided in earlier reports	38
3.12	Table identifying the location of the Standard Disclosures in the report	51
<hr/>		
4	Governance, commitments and engagement	
4.1	Governance structure of the organisation	61–69
4.2	Independent/non-executive status of the Board Chairman	66
4.3	Number of independent/ non-executive Board members	62
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the Board or Executive Management	45–49, 64–65
4.14	List of stakeholder groups	39
4.15	Basis for identification and selection of stakeholders	38
<hr/>		
Performance indicators		
	Economic impact, EC1, EC3, EC4	39, 102, 105–108
	Environmental impact, EN3, EN5, EN16, EN21, EN22	42–44
	Social impact – Employment, LA1, LA2, LA4, LA7, LA13	41, 45–47, 74–77,
	Social impact – Human rights, HR2	28–29, 38, 50–51
	Social impact – Community, SO1, SO5	40–41, 50–51
	Social impact – Product responsibility, PR3	28

* Global Reporting Initiative (GRI) is a network-based organisation whose founders include the UN. GRI has pioneered the development of a framework for the structure and content of sustainability reporting.