

# Corporate responsibility

Cloetta's overall goal for corporate responsibility is to build sustainable long-term value. For Cloetta, sustainable value is about growing as a company while at the same time ensuring that the people and environments that are impacted by Cloetta's operations or products are positively affected.

Cloetta's work with corporate responsibility is steered by the Group's Code of Conduct. The Code of Conduct is a set of guidelines and principles for the way in which the company conducts operations and the employees' actions in relation to consumers, customers, suppliers, shareholders and colleagues. They are based on Cloetta's core values; Focus, Passion, Teamplay and Pride.

**Sustainability every day**

Cloetta's continuous striving for sustainable development is mainly focused on respect for the employees' health and development, control of raw materials and first line suppliers, manufacturing safe products, handling complaints/returns effectively and reducing the Group's environmental impact. Measures to achieve day-to-day sustainability are described in this annual and sustainability report within the affected areas, such as product safety in the Production section and efforts to create a good working environment in the Employees section.

**Strategic initiatives**

In addition, Cloetta takes various strategic initiatives. These can consist of major investments to improve the working environment or reduce environmental impact, or the development of methods to promote management by objectives and alignment of values. Other strategic initiatives include systematic work to increase the share of natural products and continued efforts to find methods for

purchasing of sustainable raw materials from developing countries.

**Scope**

Cloetta's sustainability work primarily covers the company's own operations, meaning Cloetta's direct impact on the environment and people.

Cloetta's commitment to corporate responsibility is integrated throughout the value chain. This means that aside from taking responsibility for the aspects that are under the company's direct control, Cloetta also takes a certain responsibility for indirect aspects outside of its direct control, i.e. from raw material supplier to the recyclability of the product packages.

**Cloetta's sustainability commitment**

Cloetta has defined three central areas for sustainability work that provide guidance in its sustainability commitment; greater well-being among the employees and consumers, reduced environmental impact from the operations and the implementation of sustainable sourcing in the supplier chain.

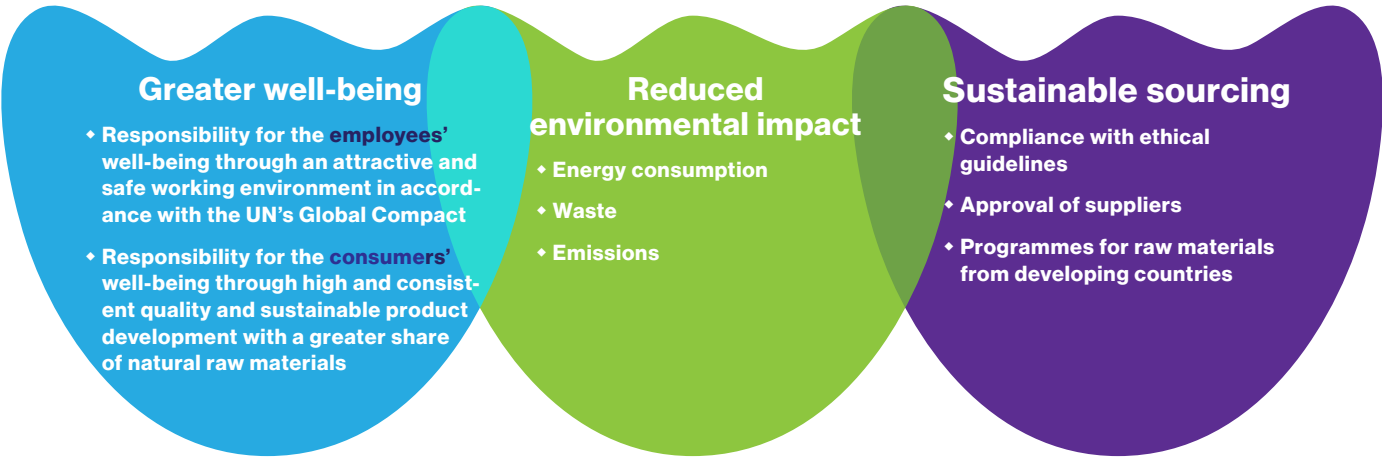
All prioritised issues related to Cloetta's sustainability work are encompassed in these three areas.

**Greater well-being**

**Employees**

Cloetta is driven by a conviction that value is created by the employees, and that the ability to attract, retain and develop the best and most competent

## Cloetta's sustainability commitment



people is crucial for the company's success. It is also of the utmost importance that the safety of our employees is continuously improved. All of Cloetta's factories adhere to the same mantra: "Safety first".

#### Consumers

Cloetta's responsibility for consumer well-being includes high and consistent quality, correct and detailed content labelling and responsible marketing. Cloetta also strives to take responsibility for the consumers' well-being through an increased number of natural products – that are "better-for-you".

#### Reduced 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 that the applicable laws and regulations shall be followed, that Cloetta's environmental impact shall be minimised and that continuous improvements shall be made in the environmental area.

#### Implement sustainable sourcing

By incorporating sustainability aspects into the company's purchasing strategy, Cloetta creates a platform for ensuring the supply of high quality raw materials to the factories while at the same time improving the opportunities for growers in the countries of origin to develop sustainable farming. Read more on page 45.

#### Sustainability and Cloetta's overall strategies

Cloetta's sustainability commitment supports and is firmly grounded in the company's overall strategies.



#### Focus on margin expansion and volume growth

By creating sustainability programmes for the prioritised raw material groups and communicating these programmes on Cloetta's packages, the brands are further strengthened among customers and consumers. UTZ-certified cocoa and palm oil certified according to the RSPO's principles are two such examples.

#### Focus on cost-efficiency

Efforts to continuously reduce the company's environmental impact go hand in hand with lower costs. Decreased energy consumption and a lower volume of waste from the factories contribute to greater cost-efficiency.

#### Focus on employee development

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

#### Organisation for sustainability work

Cloetta's sustainability work is overseen by the Director Corporate Responsibility, who functions as a spokesman for issues related to corporate responsibility and is responsible for identifying prioritised areas, acting as the stakeholders' link to the management and supporting the implementation of Cloetta's corporate responsibility strategy. Environmental and occupational health and safety managers are found at all of the factories.

#### Cloetta supports

Cloetta is involved in various projects primarily in its local markets but also takes part in projects at the global level. 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.

#### Community engagement

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 engagement 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

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:

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

#### From raw material to cherished brands

Cloetta works with responsibility throughout the 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. The same requirements are placed on

the suppliers, and in order to become an approved supplier to Cloetta, the supplier must undergo an approval process and accept Cloetta's general supplier requirements.

#### Cloetta – every day

Cloetta has clearly defined guidelines for mutual respect and a shared set of core values. Cloetta 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

#### Cloetta's commitment 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

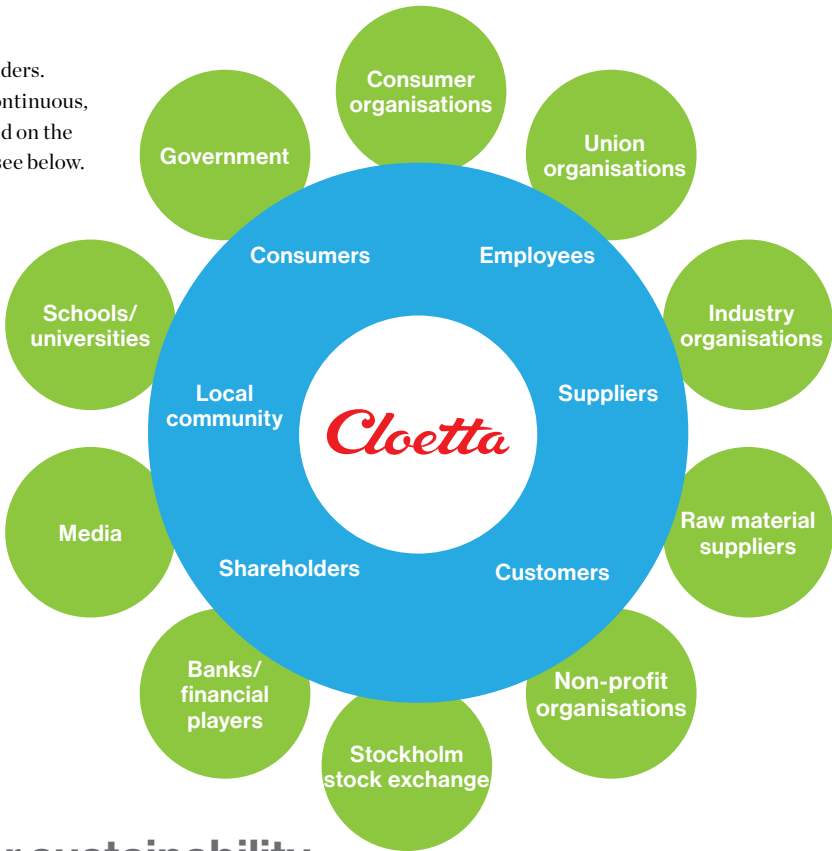
Systematic environmental management provides a foundation for Cloetta's efforts to minimise its environmental impact.

Cloetta's environmental work is aimed at complying with the applicable laws and rules, engaging the employees and focusing on continuous improvements in the environmental area. Cloetta's foremost environmental impact arises through water and energy consumption, wastewater emissions, waste and transports.

# Cloetta's stakeholders

Cloetta's primary stakeholders are customers, consumers, employees, shareholders, investors, business partners/suppliers and the local community. These groups are directly critical for Cloetta's long-term survival.

In addition, there are a number of other important stakeholders. These are shown in the illustration at right. Cloetta has a continuous, open dialogue above all with the primary stakeholders based on the expectations and requirements of each stakeholder group, see below.



## Key stakeholder issues for sustainability

Stakeholders	Key issues – sustainability	Communication and cooperation
Customers/consumers	<ul style="list-style-type: none"><li>• Product safety and quality.</li><li>• The Group's brands.</li><li>• Clear declarations of ingredients.</li><li>• Eco-friendly packages.</li><li>• Cloetta takes responsibility for the environment and working conditions as far as possible.</li><li>• Ethics in general.</li><li>• Effective transports to the retail trade.</li></ul>	<ul style="list-style-type: none"><li>• With consumers through various surveys and via the websites and social media.</li><li>• With customers through personal customer and sales meetings and via customer surveys, but also collaborative initiatives for eco-friendly transports.</li></ul>
Employees	<ul style="list-style-type: none"><li>• A good and stimulating working situation.</li><li>• A safe working environment.</li><li>• Health and fitness activities.</li><li>• Ethical issues in general.</li><li>• Good financial development for the company.</li></ul>	<ul style="list-style-type: none"><li>• Daily meetings to discuss occupational health and safety in the factories.</li><li>• Annual performance reviews with all employees.</li><li>• Systematic skills development activities.</li><li>• Up-to-date information via managers, the Intranet and union representatives.</li><li>• The survey Great Place to Work every other year.</li></ul>
Shareholders and investors	<ul style="list-style-type: none"><li>• Sustainable long-term financial value growth.</li><li>• Ethical issues in general.</li></ul>	<ul style="list-style-type: none"><li>• Annual report, website, analyst and investor meetings, interim reports and the annual general meeting.</li></ul>
Suppliers and other business partners	<ul style="list-style-type: none"><li>• Ethics and business codes in procurement.</li><li>• Product safety.</li><li>• Sustainable long-term development.</li><li>• Support of human rights among raw material producers.</li></ul>	<ul style="list-style-type: none"><li>• Collaborative projects for sustainability.</li><li>• Supplier evaluations, sponsorship evaluations and development projects.</li></ul>
The public/society	<ul style="list-style-type: none"><li>• Cloetta takes responsibility for the environment and working conditions as far as possible.</li><li>• Laws, regulations and standards.</li><li>• Cloetta makes a positive contribution to development of society, including the local environment.</li></ul>	<ul style="list-style-type: none"><li>• The local communities/municipalities around Cloetta's factories with regard to the local environment.</li><li>• Public authorities in areas related to occupational health and safety, environmental and product responsibility, schools and universities.</li><li>• Certification bodies for ISO and BRC.</li><li>• Key opinion leaders.</li></ul>





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

<p><b>World Cocoa Foundation (WCF)</b></p> <ul style="list-style-type: none"><li>♦ 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.</li></ul>	<p><b>Caobisco</b></p> <ul style="list-style-type: none"><li>♦ Caobisco (Chocolate, Biscuit &amp; Confectionery Industries of the EU) supports International Cocoa Initiatives, for example through the development of control and certification systems for cocoa production.</li></ul>	<p><b>Round Table on Sustainable Palm Oil</b></p> <ul style="list-style-type: none"><li>♦ The Round Table on Sustainable Palm Oil (RSPO) is committed to promoting the growth and use of sustainable palm oil worldwide.</li></ul>
<p><b>UN Global Compact</b></p> <ul style="list-style-type: none"><li>♦ The UN's Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour environment and anti-corruption.</li></ul>	<p><b>UTZ</b></p> <ul style="list-style-type: none"><li>♦ UTZ Certified stands for sustainable farming and better opportunities for farmers, their families and our planet. The UTZ programme enables farmers to learn better farming methods and to improve their working conditions and the environment.</li></ul>	

Industry organisations

<ul style="list-style-type: none"><li>♦ AIDI (Italian Confectionery Industry).</li><li>♦ Bord Bia, Irish Food Board, (Irish industry association).</li><li>♦ Chokofa is a Swedish industry association.</li><li>♦ Choprabisco, Belgium.</li></ul>	<ul style="list-style-type: none"><li>♦ DI (Danish Chocolate and Confectionery Industries).</li><li>♦ ETL (Finnish Food Industries' Federation).</li><li>♦ FFNLI (The Dutch Food Industry Federation).</li><li>♦ HSH (The Federation of Norwegian Commercial and Service Enterprises).</li></ul>	<ul style="list-style-type: none"><li>♦ IBC (Italian Branded Products Industry).</li><li>♦ ISA (International Sweeteners Association), Italy.</li><li>♦ VBZ (Association of the Dutch Bakery and Confectionery Industry), the Netherlands.</li></ul>
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# Production and purchasing

At year-end Cloetta had 11 factories in Sweden, Italy, the Netherlands, Belgium, Slovakia and Ireland. All in all, Cloetta produced 99,500 tonnes of confectionery in 2014.

Cloetta's supply chain is responsible for production, purchasing, planning, logistics, quality, technology and safety. During the year, the top priority has been on completing the decided factory restructurings, integrating the new factories in Helsingborg, Sweden and Dublin, Ireland into the network and a constant striving for continuous improvements through Lean and Value Engineering.

## Production rationalisations

The merger between Cloetta and LEAF, combined with excess capacity in the production structure, created opportunities to rationalise production. In 2012 Cloetta decided to close the factories in Alingsås and Gävle, Sweden, and Aura, Finland. The closure of the Alingsås factory was completed during 2012.

The factory in Aura was closed in the first quarter of 2013 and the factory in Gävle terminated production at the end of December 2013. This production has been moved primarily to Ljungsbro, Sweden, and Levice, Slovakia, which reached full-scale production during 2014. In addition, manufacturing of a number of products has been moved from a third party to Cloetta's own factories during the year, of which the most important was Tupla for the Finnish market, which was insourced from the third-party supplier, Natra, to a new line in Ljungsbro. With this move, the Manufacturing restructuring programme that was announced in 2012 was concluded according to plan.

Moving a production line is a complex process that requires extensive documentation, careful planning, knowledge transfer, technical adaptations and fine-tuning. Added to this is often a physical relocation of machinery.

## Management systems

Cloetta has a central management system to ensure standardised working methods in its operations. Each production unit has a locally adapted management system that is linked to the central system. Central policies, goals and procedures are broken down and implemented at the factory level.

The management systems cover occupational health and safety, quality, product safety and the environment. The management systems are based on international standards (BRC Global Standard for Food Safety, ISO 14001 and OHSAS

18001), recurring risk assessments and continuous improvements.

One important part of this working method is a systematised meeting structure for monitoring of results against targets, to detect both positive and negative deviations. Goals and results are visualised for example on displays in the facilities to provide knowledge about the current situation, which contributes to creating awareness and engagement among the employees. Action can be taken immediately in the event of deviations and systematic follow-up creates scope for proactive improvements.

Read more about Cloetta's environmental work on pages 48–49.

## Occupational safety

Employee safety is fundamental and is the top priority in every production facility. Continuous risk assessments and increased reporting of accidents and injuries contribute to greater knowledge about the causes of accidents in the workplace, which leads to making preventative measures an integral part of day-to-day operations and minimises the risk for accidents. The key elements of these activities are discussions and workshops in the various workplaces to promote safety awareness and influence behaviour.

These systematic efforts have made it possible to reduce the number of injuries at work in recent years. In 2014 the number increased further to 18 from 12 in 2013 (measured as the number of days between occupational accidents with >1 day of sickness absence). Read more in the section on a good and safe working environment on page 51.

## Quality and product safety

Cloetta places rigorous demands on quality and product safety. First class raw materials and correct treatment and processing methods are essential for manufacturing of high quality confectionery.

Continuous efforts are made to ensure that the products meet the requirements and expectations of consumers and retailers. For each product there is a quality specification describing the required flavour, aroma, appearance, consistency and package. No azo food colourings are used in Cloetta's products.

Cloetta's factories are certified according to the BRC Global Standard for Food Safety and/or





ISO 9001. BRC is a standard for assurance of product safety and quality, and is one of the cornerstones of Cloetta's quality management. The goal is for all of Cloetta's factories to obtain BRC certification. The four Italian factories, which have previously chosen ISO 9001, started the implementation of BRC during 2012. The first three factories have now been certified and the fourth is planned for certification during 2015.

The Group's product safety work is based on the HACCP method (Hazard Analysis Critical Control Points). With the help of the HACCP method it is possible to analyse potential risks to the consumer. This provides a basis for steering and control of the entire process, from purchasing of raw materials to delivery of finished products, in order to eliminate and minimise all conceivable consumer risks.

Both the BRC standard and EU food product legislation require traceability of raw materials and products. This traceability has been assured and is tested regularly. Cloetta has a detailed action plan to enable rapid recall of a product from the market if needed.

#### Planning and logistics

Effective production planning leads to lower capital tied up in the form of inventories of both raw materials and finished products, at the same time that it increases the service level. Delivery reliability is one of the most critical parameters for the retail trade. Cloetta has a very well developed planning system that integrates the entire value chain from

supplier to production and final customer. The system also integrates financial planning and prices.

Cloetta works continuously to optimise its flows and working methods, both internally and externally, together with customers and suppliers.

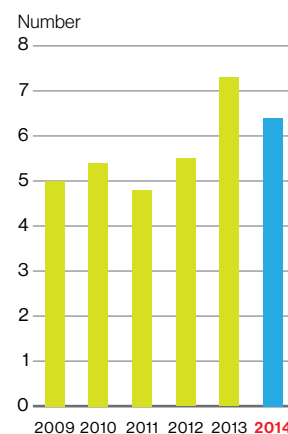
#### Purchasing

Cloetta's largest cost items in production, accounting for around 60 per cent of total costs, are raw materials and packaging.

Raw materials are purchased only from suppliers that can be verified against Cloetta's quality, product, safety and environmental requirements. All suppliers to Cloetta are evaluated and approved before they are permitted to deliver raw materials to the factories. The process varies depending on the type of supplier and the type of material delivered. Certain suppliers are physically audited at regular intervals by Cloetta's employees. Cloetta collaborates closely with its largest raw material suppliers, among other things through automated order and delivery processes that are adapted to raw material consumption in each factory.

Cloetta's range includes products that are produced by other manufacturers. The bulk of contract manufacturing in 2014 was used for chocolate and for specific packaging solutions. External production is outsourced only to manufacturers following approval by Cloetta, according to the same high quality standards that apply to production in Cloetta's own factories. External manufacturers are evaluated and tested regularly.

Complaints, feedback/  
millions of consumer units sold



Feedback from individual consumers who point out a defect or deficiency in a product is extremely valuable in Cloetta's pursuit of continuous improvements.

Returns are measured in the number per millions of consumer units sold (one consumer unit = a bag, a box, etc.).



### Consumer and customer feedback

Each market has a Consumer Service unit that receives, investigates and responds to product complaints and returns. As part of its investigation, Consumer Service always contacts the factory in question to find the underlying causes of possible quality problems.

The affected factory then uses the information provided by the return/complaint to systematically find the causes of any defects and thereby eliminate them.

### Lean 2020

Cloetta works constantly to decrease costs and reduce waste. Key success factors in the production process include long-term and day-to-day efforts to achieve continuous improvements and a

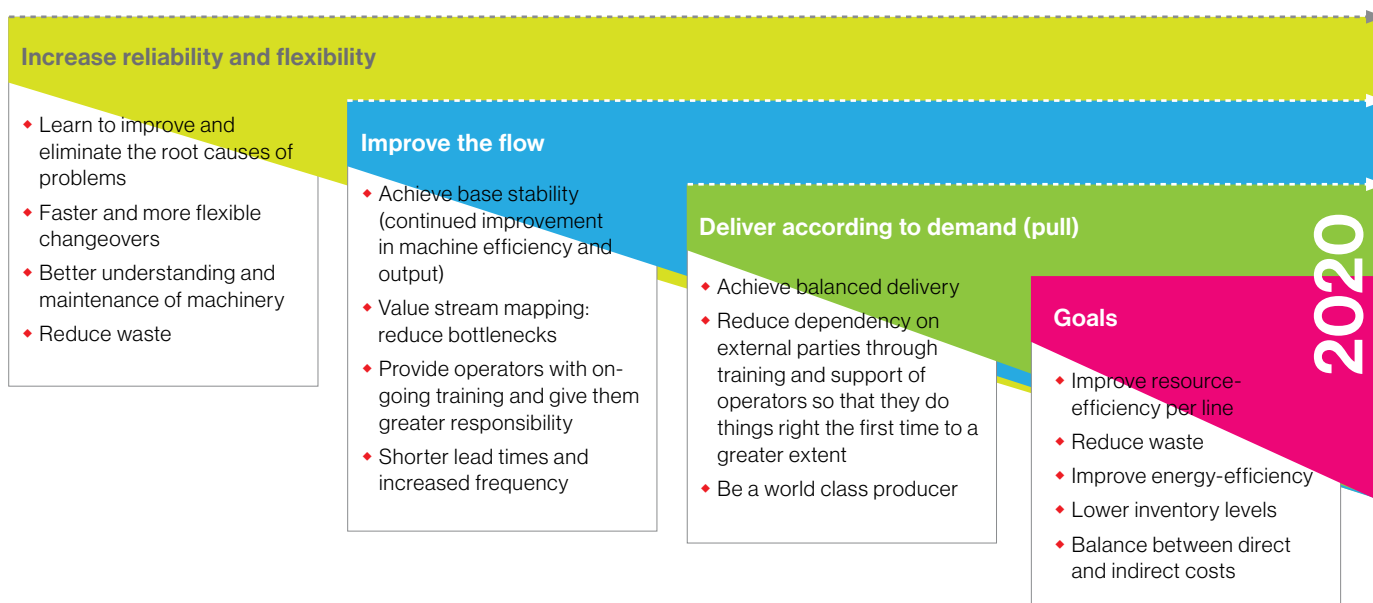
learning-driven culture. This is conducted through systematic work on lean processes and Value Engineering. Now that the Manufacturing restructuring programme has been completed, greater attention can be focused on continuous improvement.

In 2013 the production strategy was shaped into a long-term vision – “Lean 2020”. This vision is based on benchmarking of world class production. To clarify this ambition, five targets have been set for areas such as machine efficiency, energy consumption and reduction of inventories. The targets will be met through lean processes and tools. In 2014 the programme was further developed through the formulation of roadmaps to achievement of these targets and by developing the organisation that will deliver the results.

### The eight principles of Lean

1. Have a long-term, sustainable customer focus that is shared by all employees.
2. Maintain a continuously even process flow from raw material to customer delivery, with the lowest possible inventories and waiting times.
3. Have standardised processes to maximise safety and quality and to create opportunities for continuous improvement.
4. Encourage people to do things right the first time, i.e. have a culture where the individual operator immediately stops a machine or process that is not working correctly in order to find the root cause of problems.
5. Have operators and teams that understand the processes and the company's values, grow in their jobs and teach others.
6. Have a culture in which each individual identifies how problems arise and improvements can be made. Decisions shall be based on observations.
7. Develop a teaching and empowering organisation and utilise reflections and follow-up to optimise operations.
8. Make fact- and team-based decisions after weighing different possibilities, but implement decisions quickly. Focus on discussing how, not whether, to improve.

## Roadmap to Lean 2020





# Success factors for production

Cloetta ensures long-term profitability through continuous improvements.



## Engaged employees

Good communication about strategies, goals, etc., creates engaged employees who understand the business and how their work contributes to the Group's total results.



## Safety

A safe working environment is a fundamental right for each employee.



## Delivery reliability

Good production planning is decisive for effective production and low warehousing costs, but also for delivery reliability to the customers.



## High and even quality

The goal is to always deliver safe products with the right flavour, appearance and consistency according to their respective specifications.



## Flexibility

A production line is often used for several different products. Rapid changeovers and cleaning are vital for high machine capacity utilisation. Flexibility also means that each employee is able to work on more than one line.

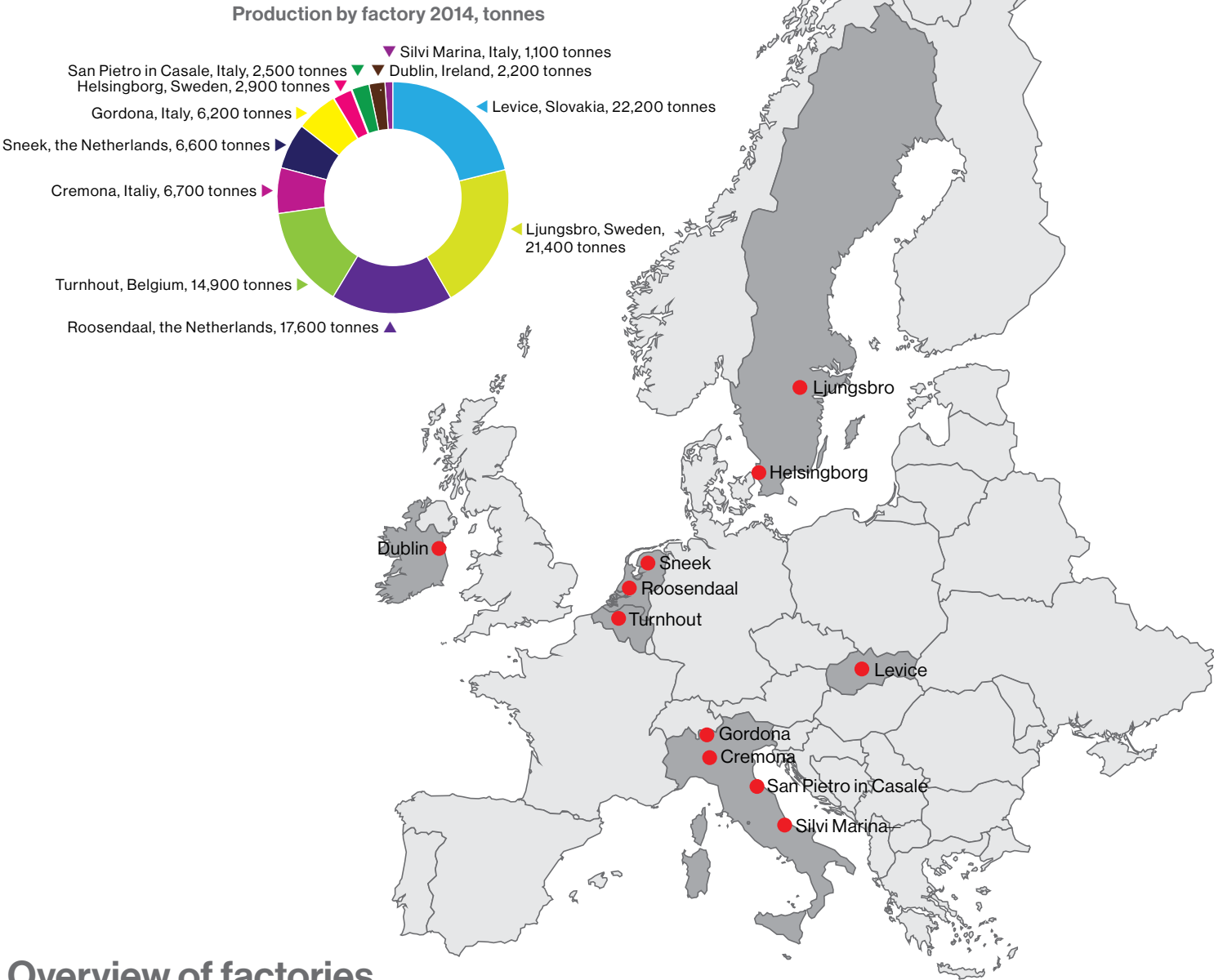


## Cost-efficiency

Cloetta's sales are based on large volumes. Cost-efficiency is necessary to offset the effects of competition.



# Factories



## Overview of factories



**Levice, Slovakia**

**Production volume in 2014:** 22,200 tonnes

**Number of plant employees:** Approx. 665

**Number of machine lines:** 10 production lines, 31 packaging lines

**Largest brands:** Malaco, Red Band, Läkerol, Chewits, Venco, Läkerol Dents, Mynthon

**Manufacturing methods:** Starch moulding, extrusion, coating, hard-boiled candy, soft boiled candy and chewy toffee manufacturing

**Certifications:** BRC Global Standard for Food Safety



**Ljungsbro, Sweden**

**Production volume in 2014:** 21,400 tonnes

**Number of plant employees:** Approx. 315

**Number of machine lines:** 12 production lines with online packaging, 3 packaging lines, 1 chocolate production centre

**Largest brands:** Kexchoklad, Ahlgrens bilar, Center, Polly, Plopp, Sport-lunch, Juleskum

**Manufacturing methods:** Chocolate production and moulding, starch moulding, coating and wafer production

**Certifications:** BRC Global Standard for Food Safety and ISO 14001



**Roosendaal, the Netherlands**

**Production volume in 2014:** 17,600 tonnes

**Number of plant employees:** Approx. 160

**Number of machine lines:** 5 production lines, 9 packaging lines

**Largest brands:** Red Band, Malaco, Venco, Lakrisal

**Manufacturing methods:** Starch moulding, coating and compression of pastilles

**Certifications:** BRC Global Standard for Food Safety



#### Turnhout, Belgium

**Production volume** 14,900 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 120

**Number of machine lines:** 2 production lines, 4 packaging lines

**Largest brands:** Malaco, Red Band

**Manufacturing methods:** Starch moulding

**Certifications:** BRC Global Standard for Food Safety



#### Cremona, Italy

**Production volume** 6,700 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 110

**Number of machine lines:** 8 production lines, 23 packaging lines

**Largest brands:** Sperlari, Galatine, Extra Starka, Läkerol

**Manufacturing methods:** Hard boiled candy manufacturing, compression of milk candies and nougat production

**Certifications:** ISO 9001, ISO 14001 and OHSAS 18001



#### Sneek, the Netherlands

**Production volume** 6,600 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 100

**Number of machine lines:** 5 production lines, 19 packaging lines

**Largest brands:** Sportlife, XyliFresh, King, Jenkki

**Manufacturing methods:** Rolling and scoring of chewing gum, coating of chewing gum, manufacturing of hard boiled candy manufacturing and lozenges

**Certifications:** BRC Global Standard for Food Safety and ISO 14001



#### Gordona, Italy

**Production volume** 6,200 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 80

**Number of machine lines:** 3 production lines, 6 packaging lines

**Largest brands:** Sperlari, Red Band, Kick, AKO, Hopea Toffee

**Manufacturing methods:** Starch moulding and toffee manufacturing

**Certifications:** BRC Global Standard for Food Safety, ISO 9001, ISO 14001 and OHSAS 18001



#### Helsingborg, Sweden

**Production volume** 2,900 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 45

**Number of machine lines:** 6 production lines, 5 packaging lines

**Largest brands:** Nutisal

**Manufacturing methods:** Dry roasting, frying, coating of nuts

**Certifications:** BRC Global Standard for Food Safety



#### San Pietro in Casale, Italy

**Production volume** 2,500 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 90

**Number of machine lines:** 4 production lines, 10 packaging lines

**Largest brands:** Dietor, Dietorelle, Läkerol, Fruttli, Sisu

**Manufacturing methods:** Manufacturing of sweetener and starch moulding

**Certifications:** BRC Global Standard for Food Safety, IFS Food Standard Version 6, ISO 14001 and OHSAS 18001



#### Dublin, Ireland

**Production volume** 2,200 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 70

**Number of machine lines:** 1 production line, 10 packaging lines

**Largest brands:** The Jelly Bean Factory

**Manufacturing methods:** Starch moulding and coating

**Certifications:** BRC Global Standard for Food Safety



#### Silvi Marina, Italy

**Production volume** 1,100 tonnes  
**in 2014:**

**Number of plant employees:** Approx. 50

**Number of machine lines:** 4 production lines, 10 packaging lines

**Largest brands:** Saila, Läkerol

**Manufacturing methods:** Coating and compression of pastilles, liquorice production

**Certifications:** BRC Global Standard for Food Safety, ISO 9001, ISO 14001 and OHSAS 18001

# Raw material costs

Raw materials and packaging account for around 60 per cent of total production costs. In terms of value, the most significant raw materials are sugar, glucose syrup, polyols, cocoa, milk powder, and packaging. In 2014, the purchasing prices for raw materials decreased somewhat for many of Cloetta's commodities, except for cocoa and nuts. Overall, the total cost for Cloetta remained largely unchanged.

The most important materials that Cloetta purchases are commodities for which the price is set on the international European commodities exchanges, either directly as in the case of cocoa or indirectly as for glucose syrup, whose price is mainly determined by the price of wheat and corn. This means that Cloetta's purchasing costs for these items are dependent on market pricing. The total cost for raw materials is also affected by more efficient use in the factories.

Cloetta has a central purchasing unit that can ensure more efficient purchasing both by consolidating and by exploiting local purchasing opportunities. As a rule, the central purchasing unit pre-purchases the most important raw materials so that they are accessible for a period equal to 6–9 months of production. This also creates predictability in prices and financial outcomes, since cost decreases affect Cloetta's purchasing costs at a certain delay. This often makes it possible to avoid temporary price swings in the commodities market.

### Agricultural policy

The prices of most of Cloetta's raw materials are affected by agro-political decisions regarding subsidies, trade barriers, etc. The EU's new agricultural policy reform, which was passed in 2013, will among other things end the current system of sugar quotas with effect from 2017.

The prices of agricultural commodities are naturally also affected by supply and demand, i.e. the size of the harvest and consumption of food products. In recent years, speculative trading of agricultural commodities has increased considerably, which has contributed to greater price volatility.

### Suppliers

Cloetta uses several suppliers for the majority of its raw materials, but significant consolidations have taken place among the suppliers and this has sometimes made it difficult to find alternative suppliers. The ten largest suppliers of raw materials and packaging account for 41 per cent of the total purchasing volume.

All suppliers to Cloetta are evaluated and approved before they are permitted to deliver to the factories. Read more on page 45.

### Cost trend

#### Sugar

In recent years the sugar price has reached record levels. The EU consumes some 16 million tonnes of sugar annually, but produces only around 13 million tonnes that are permitted for use in manufacturing of food products. The deficit is an effect of the partial deregulation and quota system that have applied in the EU. At the same time that there is a shortage of sugar in Europe, imported sugar has been levied with

customs duties that have pushed up sugar prices in the EU to a level higher than the global market price in recent years. In 2014, EU intervention and the increased attractiveness of sugar imports have led to lower prices.

### Cocoa

The price of cocoa has once again risen in the past year. The cocoa price is often subject to sharp fluctuations that are partly explained by the fact that the cocoa exchange is comparatively small and therefore of interest for speculation. The cocoa price is naturally also dependent on the level of supply, i.e. the harvest and trends in demand. Furthermore, the cocoa bean price has been affected by a long-term deficit perspective, the Ebola threat and El Niño risk in Côte d'Ivoire, from which most of Europe's cocoa is sourced.

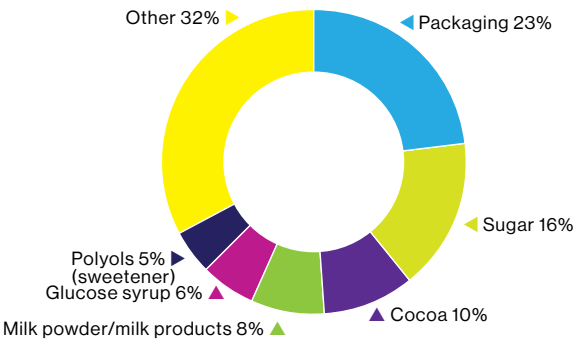
### Other raw materials and packaging

The price of wheat and corn has a powerful influence on the price of glucose syrup. The good harvest in 2014 has decreased glucose prices. The price of polyols (sweetener) is less affected by grain prices and has therefore not fallen. The cost of nuts, particularly hazelnuts and almonds, has risen significantly, mainly as a result of poor harvests.

Purchasing costs for packaging materials have been stable.



Breakdown of raw material and packaging costs





# Sustainable sourcing

Sustainable sourcing in Cloetta's supply chain is a prioritised area. By incorporating sustainability aspects into the company's purchasing strategy, Cloetta creates a platform for ensuring the supply of high quality raw materials to the factories while at the same time improving the opportunities for growers in the countries of origin to develop sustainable farming.

First of all, sustainable sourcing at Cloetta is about having control one step back in the supply chain, i.e. to the first line of suppliers. Raw materials are purchased only from suppliers that can be verified against Cloetta's requirements for quality, product safety and sustainability. All suppliers to Cloetta are evaluated and approved before they are permitted to deliver to the factories. The process varies in relation to the risks, type of supplier involved and which raw material is delivered. Certain suppliers are evaluated and tested by Cloetta's employees via physical visits according to an established schedule.

Secondly, sustainable sourcing at Cloetta is about directly addressing different types of social, environmental and economic challenges that are found in the value chain beyond first line suppliers of specific raw material groups. Cloetta's sustainable sourcing programme is based on external certifications and/or verification according to the guidelines defined in Cloetta's Code of Conduct.

In 2014 Cloetta evaluated all raw material groups and prioritised them based on the existing sustainability challenges and Cloetta's opportunities to address these challenges.

## Evaluation methodology

In prioritising Cloetta's raw materials portfolio, the following aspects have been taken into account:

- ♦ What are the sustainability challenges for each raw material
- ♦ What types of sustainability initiatives have been defined
- ♦ Is this a strategic raw material for Cloetta
- ♦ How large are the volumes purchased by Cloetta
- ♦ Can Cloetta create and manage sustainability projects independently
- ♦ What are the delivery and quality risks

## Cloetta buys sustainable cocoa

In 2014 Cloetta changed over to sustainable cocoa from UTZ-certified farmers. This means that all cocoa and chocolate that is delivered to Cloetta's factories are UTZ-certified. For Cloetta it is vital to address the challenges facing the cocoa growers in West Africa. By switching to sustainable cocoa from UTZ-certified farmers, Cloetta creates a platform for ensuring a supply of high quality cocoa to the factories while providing better prospects



for the West African cocoa growers to develop sustainable farming.

## Sourcing of cocoa

West Africa accounts for around 70 per cent of the total global harvest of cocoa beans. There cocoa is cultivated by three million small growers, where each farm consists of an average of 2–4 hectares of land and produces an average of 1–2 tonnes of cocoa beans per year. Local intermediaries then distribute the raw materials to the international cocoa wholesalers and exporters, after which the cocoa is sent to Europe. 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.

## Low productivity for cocoa farmers

The West African cocoa farmers face a number of economic, social and environmental challenges, of which low productivity on the farms is one of the most critical. Limited knowledge about how to cultivate high quality cocoa in an efficient manner is a fundamental cause behind the farmers' productivity problems. The farmers are also struggling with aging cocoa trees and reduced soil fertility at the same time that they often lack the means to finance investments in new plants, fertilisers, etc.



UTZ-certified cocoa – for a better future

With UTZ-certified cocoa, the growers are assisted in building a better future with sustainable farming practices. Through the UTZ programme, they are provided with training in better farming methods, improved working conditions and sustainable growing. The farmers are also given support to buy better plants. All in all, this generates more income and creates better prospects for the individual farmers while better safeguarding the environment.

To earn UTZ certification the farmer must meet strict requirements, which are closely monitored by an independent third party. These requirements include better farming methods and farm management, safe and healthy working conditions, the abolishment of child labour and protection of the environment.

Read more about UTZ certification at [www.utzcertified.org](http://www.utzcertified.org).

Palm oil

From a sustainability perspective, there are a number of problems surrounding cultivation and production of palm oil and palm kernel oil. As a result, in April 2014 Cloetta adopted a new palm oil policy that is aimed at preventing destruction of rainforest in the countries of origin and increasing the traceability of the palm oil that Cloetta uses indirectly.

Palm oil is a high-yield crop that is one of the most traded vegetable oils in the world. Malaysia and Indonesia account for around 90 per cent of total global palm oil production, and

if cultivated in a sustainable manner it can be an important source of income and economic development in these countries. However, there are a number of environmental and social challenges associated with production of palm oil, such as deforestation in environmentally sensitive areas, which has a negative impact on the entire ecosystem.

Due to the urgency of combating the long-term negative effects of palm oil production, Cloetta has decided to formulate a sustainable plan that contributes to preserving the rainforests for future generations. Consequently, in its palm oil policy Cloetta declares a commitment to zero deforestation by implementing new ways of working with its suppliers of oils and fats containing palm oil.

Some of Cloetta's products contain small amounts of palm oil. However, Cloetta does not buy pure palm oil but only oils and fats that contain derivatives of palm oil to a varying extent. In total, Cloetta uses less than 0.003 per cent of global palm oil production.

All palm oil (part of the content in an oil or fat) that is purchased by Cloetta is covered by GreenPalm certificates in accordance with the Roundtable on Sustainable Palm Oil (RSPO). This means that for each tonne of palm oil that is used in production, Cloetta pays a premium to palm oil producers that work according to the RSPO standard. Today, RSPO is the most widely supported method for achieving sustainable palm oil production. However, Cloetta has decided that this standard is not enough and will

therefore expand and strengthen its collaboration with the RSPO, particularly with regard to conserving the rainforests.

Cloetta's palm oil policy

Cloetta's palm oil policy goes beyond that which is required in the RSPO standard and states that by the end of 2015, Cloetta's suppliers must have a fully traceable pipeline back to known mills. By 2020 the same pipeline must be traceable down to known plantations.

In addition, Cloetta will only buy oils and fats from suppliers that can verify that the palm oil plantations comply with local laws in the countries of origin and guarantee that production is carried out in a sustainable manner and according to Cloetta's policy. No later than in 2017, Cloetta's suppliers must be able to verify that the plantations are run sustainably in compliance with Cloetta's policy. Furthermore, Cloetta will not permit palm oil extraction in primary forest, peatlands, areas with protected forest or areas where slash and burn farming is used in plantation operation.

Compliance with the policy

In 2014 a process to monitor compliance with Cloetta's policy was defined. So far, 82 per cent of all of the palm oil purchased by Cloetta has been audited according to the new policy and these volumes meet Cloetta's requirement for Cloetta's suppliers to have a fully traceable pipeline back to known mills by the end of 2015. The remaining 18 per cent will be audited during 2015.

Goals for sustainable sourcing

Goal 2020	Outcome 2014
<p><b>Responsibility for raw material producers</b></p> <ul style="list-style-type: none"><li>♦ Sustainability programmes implemented for all prioritised raw materials by 2020.</li><li>♦ By the end of 2015, Cloetta's suppliers of oils and fats must have a fully traceable pipeline of palm oil fractions back to known mills. By the end of 2020, the same pipeline will be traceable back to known plantations.</li><li>♦ 100 per cent of the cocoa and chocolate purchased by Cloetta will be UTZ-certified.</li></ul>	<p><b>Responsibility for raw material producers</b></p> <ul style="list-style-type: none"><li>♦ A method for evaluating sustainability challenges for Cloetta's raw materials was developed.</li><li>♦ The process for monitoring compliance with Cloetta's palm oil policy was defined.</li><li>♦ 82 per cent of the palm oil indirectly purchased by Cloetta has been verified against Cloetta's policy (goal for 2015).</li><li>♦ At the end of 2014, all cocoa and chocolate purchased by Cloetta was UTZ-certified.</li></ul>



# 5 questions for Nick

Kouassi N'Guessan Nick is a cocoa farmer in Côte d'Ivoire and is participating in the UTZ programme, which Cloetta has chosen to take part in.

**“Aside from my work,  
I love football!”**



**Kouassi N'Guessan Nick** lives about 12 km from Daloa in Côte d'Ivoire, where he works with his brother on the family's cocoa plantation of around 4 hectares. Through the profits from cocoa farming he has made two fish ponds. The next goal is to build a chicken farm, if business is good. Nick also organises football tournaments and his favourite team is Chelsea.

## **Does everyone in your family work with cocoa?**

*In my family we have always had cocoa trees – my father was a cocoa farmer, and his father before him. But not everyone in my family is in cocoa. Through the profits we have made, two of my brothers have been able to carry on their education after school.*

## **What kind of changes have you seen since joining the UTZ programme?**

*Many! Our farm produces more: we harvested 1.2 tonnes in 2011-2012 and were able to increase this to 1.825 tonnes in 2013-2014. In this way the UTZ programme has enabled me to build my house. And it also means that we can afford gas for cooking. The increase in production is because of what I have learned at training and in the field schools. I have always kept the plantation clean and tidy, but now I have also learned that we must cut the shoots, cut off dead branches and rid the area of any diseased pods for the field to produce well.*

*My trees date from 1998. As those trees stop producing, I am successively replacing them with the CNRA variety, which is more productive. Before joining the programme, I did not know about the different varieties.*

*And of course the first positive result of the programme is the premium.*

## **How could things be improved for cocoa farmers in Côte d'Ivoire?**

*I think it is very important that small producer groups are helped to increase their income in many ways, not only through cocoa but also, for example, through market gardening. To do this, it would help farmers if they had more access to inputs like fertilisers.*

## **How could things be better for you?**

*I would help me a lot if the road was improved leading to our farm, so that we could take cocoa to the cooperative more easily.*

## **What does the future hold?**

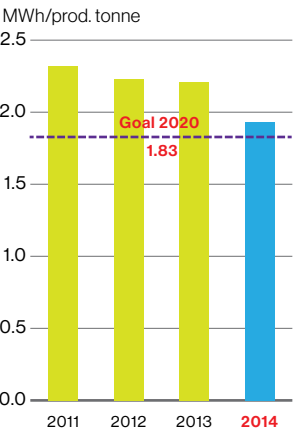
*If I make a little more money, I plan to install a solar panel to provide light and watch television to follow the news.*



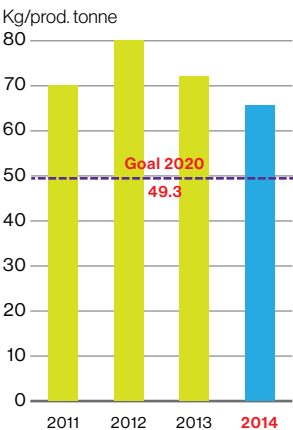
# Lower environmental impact

Cloetta's greatest environmental impact arises through 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.

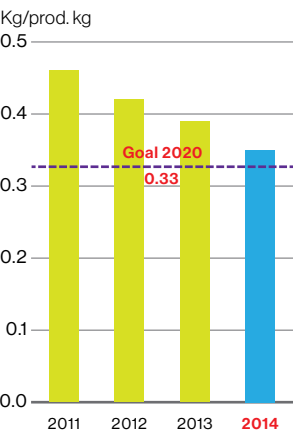
### Energy consumption



### Waste



### CO<sub>2</sub> emissions



CO<sub>2</sub> equivalents linked to the Group's use of different energy types. Transports are excluded.

Cloetta works to reduce its environmental impact through systematic environmental management.

### 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 increase awareness about the effects of different working methods on the environment.

### Systematic environmental work

All of Cloetta's factories conduct systematic environmental management that includes action plans and monitoring in a number of different areas. Six of the eleven factories are certified according to the ISO 14001 standard.

In 2015 all production units that already had ISO14001 certification will be added to Cloetta's multi-site certificate. The four factories that are not yet certified will be added to Cloetta's multi-site certificate at a rate of one factory per year.

### Central environmental management system

To ensure the use of a structured and systematic approach to Cloetta's environmental issues, a decision was made in 2014 to implement a central environmental management system encompassing the entire Group.

The goal is to develop and integrate the environmental management system together with Cloetta's central ERP system. A fully integrated methodology creates better potential to live up to the Code of Conduct and deliver results in line with Cloetta's production policy.

### Environmental goals 2020

Continuous reduction of the company's environmental impact is a central component of Cloetta's sustainability management. One important part of this work is the formulation of long-term goals and action programmes with clearly defined roles and responsibilities in order to meet the targets. For this purpose, Cloetta has defined three long-term environmental goals that extend until 2020:

- ◆ Have reduced energy consumption in relation to the produced volume by 5 per cent.
- ◆ Have reduced CO<sub>2</sub> emissions (from used energy types) in relation to the produced volume by 5 per cent.
- ◆ Have reduced the volume of waste in relation to the produced volume by 25 per cent.

The base year for the above-mentioned reduction targets is 2014.

### 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.

### 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,

## Key environmental performance indicators

	2011	2012	2013	2014
Total energy consumption, GWh	226	215	219	202
Energy consumption per produced tonne, MWh	2.32	2.23	2.21	1.93
CO <sub>2</sub> per produced kilo, kg	0.46	0.42	0.39	0.35
Wastewater per produced tonne, m <sup>3</sup>	4.4	5.0	4.0	2.9
COD* per produced tonne, kg	22.6	28.1	26.7	16.6
Waste per produced tonne, kg	70	80	72	66
Recycled waste, %	64	49	71	80

Figures excluding Helsingborg and Dublin. \* See next page.

# Origin Green

The Jelly Bean Factory, which was acquired by Cloetta in 2014, is based in Dublin, Ireland. The industry association Bord Bia, the Irish Food Board, has developed a sustainability programme for Irish food and beverage producers, both large and small – Origin Green – in which The Jelly Bean Factory is a member. The programme members cover the entire food chain from individual farmers to large industrial companies as well as national agencies such as the Irish Food Board.

Via Origin Green, the members collaborate in the initiative through action plans in a number of areas such as sourcing of raw materials, environmental issues in the manufacturing process and social sustainability, including employee well-being, community initiatives and responsibility for health and nutrition.



**“At The Jelly Bean Factory we are committed to striving for sustainable development, and being a member of Origin Green is therefore an important cornerstone for our business.”**

Richard Cullen, The Jelly Bean Factory

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
- ♦ Waste volume, type and recycling
- ♦ Carbon reduction

## Energy consumption

The Group's aggregate energy consumption during the financial year was around 202 GWh (219). Approximately 25 per cent of the total energy usage is independent from the production volume, i.e. related to heating and cooling of properties, while 75 per cent is directly linked to production.

## 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-related and other waste. A decrease in raw material waste has a positive impact on both the environment and the Group's total costs. At present, 79.7 per cent of the waste is recycled.

## 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 CO<sub>2</sub> equivalents generated by the chosen energy types.

## Transports

Since 2014 Cloetta calculates CO<sub>2</sub> emissions from transports which Cloetta is responsible for. In 2014 46 kg of CO<sub>2</sub> was released per tonne transported. To reduce both freight costs and CO<sub>2</sub> emissions, Cloetta uses stackable pallets for transports between the factories and finished inventory. Furthermore, Cloetta chooses transporters that have two-level trailers and extra long bodies and that use a combination of road/rail/water transports, when possible. If viable, without jeopardising product quality, refrigerated transports are avoided.

## Wastewater

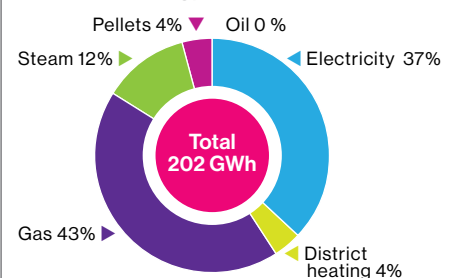
The volume of wastewater was 2.9 m<sup>3</sup> (4.0) per produced tonne.

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, see example above.

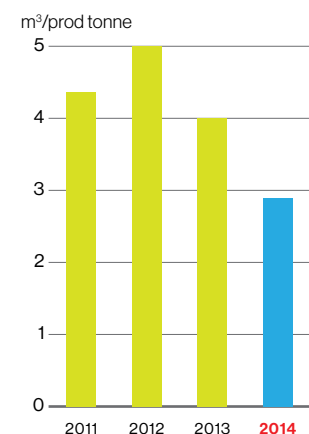
## Packaging

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 method for consumer packaging is so-called “flexibles”, a material that can be recycled or incinerated.

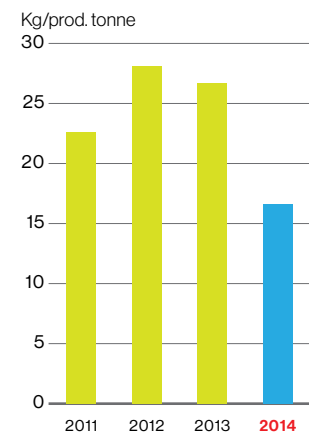
## Energy sources



## Wastewater



## COD\*



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

## Goals for reduced environmental impact

Goal 2020	Outcome 2014
<b>Energy consumption</b> <ul style="list-style-type: none"> <li>♦ Reduce energy consumption in relation to the produced volume (MWh/tonne) by 5 per cent.</li> </ul>	<b>Energy consumption</b> <ul style="list-style-type: none"> <li>♦ Energy consumption in relation to the produced volume reduced by 12.7 per cent.</li> </ul>
<b>Waste</b> <ul style="list-style-type: none"> <li>♦ Reduce the volume of waste in relation to the produced volume (kg/tonne) by 25 per cent.</li> </ul>	<b>Waste</b> <ul style="list-style-type: none"> <li>♦ Waste volume in relation to the produced volume reduced by 8.8 per cent</li> </ul>
<b>Carbon dioxide emissions</b> <ul style="list-style-type: none"> <li>♦ Reduce CO<sub>2</sub> from production in relation to the produced volume (kg/kg) by 5 per cent.</li> </ul>	<b>Carbon dioxide emissions</b> <ul style="list-style-type: none"> <li>♦ CO<sub>2</sub> in production in relation to the produced volume reduced by 10.3 per cent.</li> </ul>

# 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 is decisive for the company's future.

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

**Employee survey**  
**– Great Place to Work**

To create an attractive workplace for all employees, it is essential that there is a genuine interest in understanding how the employees see their place of work, i.e. what they appreciate and what they find lacking or are simply dissatisfied with.

According to Great Place to Work, the best workplaces are built through day-to-day relationships. From the employees' perspective, a good workplace is one where you:

- ♦ **TRUST** the people you work for
- ♦ Have **PRIDE** in what you do, and
- ♦ **ENJOY** the people you work with.

Cloetta conducted the recurring employee survey "Great Place to Work" at the end of 2013. The response rate was 85 per cent and Cloetta achieved a Trust Index® of 60 per cent. The target for the next survey is to reach 63 per cent.

In 2014 the focus was on analysing the various country/factory and department results in greater detail. The results were discussed and reviewed on an in-depth level in order to understand the underlying factors. In many groups, these activities were tied together with the work previously carried out in connection with the roll-out of Cloetta's shared values. In 2014 many groups formulated "Golden Rules" for the group they worked in, with reference to Cloetta's core values. These "Golden Rules" expanded on the areas for improvement that were identified in the employee survey.

In most of Cloetta's organisations, the main focus areas have been related to improving communication both between the management and employees and between departments.

This means:

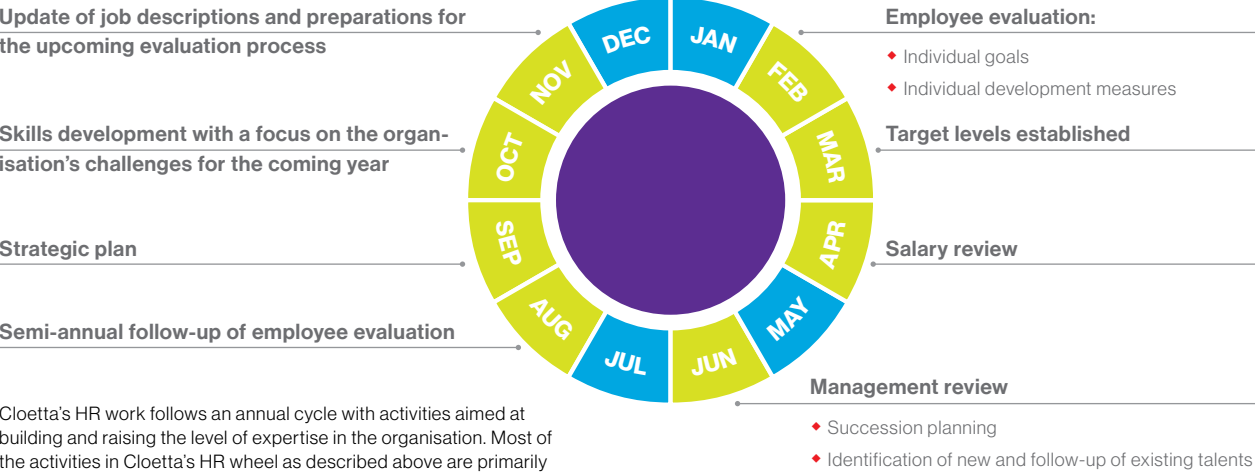
- ♦ Clarifying What
- ♦ Clarifying Why
- ♦ Sharing both mistakes and successes so that everyone can learn from each other.

In order for this to be possible it is vital to trust each other.

**The right expertise**

Cloetta is committed to continuously renewing and utilising the Group's aggregate expertise. Competent employees that are given scope to realise their full potential create the conditions to maintain

## Cloetta's HR wheel







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 jobs and to continuously 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 and thereby 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.

#### **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 trade unions organisations. 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 International Labour Organization (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.

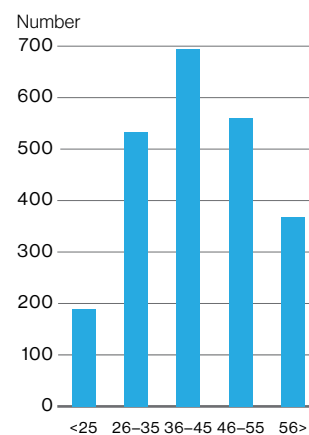
In production, employee safety is always the top priority. All factories carry out continuous risk assessments to minimise the risk for accidents. All incidents and injuries are followed up and reported. The Lean method is used to prevent and reduce production-related occupational injuries. Thanks to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

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

#### **Trust in leadership and in each other**

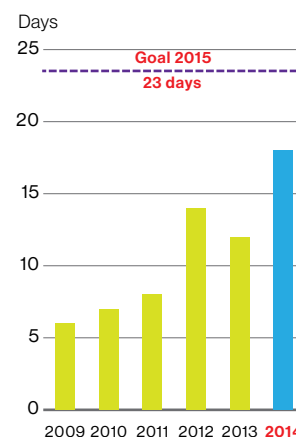
As a leader, it is vital that you dare to trust in both your own leadership and in others. It is also essential to understand each other and why different individuals behave the way they do. In 2014

#### **Age distribution**



#### **Occupational accidents**

(average days between accidents with >1 day of sickness)



Cloetta has continued to work with attitudes toward risks, improvements in the equipment and implementation of policies. The use of discussions and workshops promotes safety awareness, which is critical in changing behavior.



The leadership tool Management Drives has continued during 2014.



Management Drives Colour sessions in 2014.



At the Great Place to Work gala in Helsinki in February 2014, Cloetta Finland was named one of the best workplaces in Finland.

Cloetta continued the roll-out of the leadership tool Management Drives to a large number of managers and their immediate teams. Management Drives is based on the use of a questionnaire among other things to identify the drives for each employee, what energises them and what drains them of energy. By making both managers and employees aware of their own profiles and thereby which working methods suit them best, this is now laying the foundation for moving forward in 2015 with the launch of Cloetta's Leadership Dimensions connected to Management Drives. The goal is to recognise how to best develop your own leadership in a way that boosts motivation and performance in your immediate team, through trust, understanding and communication.

**New salary framework**

One major factor in how employees perceive the attractiveness or their workplace is the feeling that they are fairly paid and that there is a well supported salary structure in the company.

For several years Cloetta has been working closely with one of the major consulting companies to develop an optimised framework and strategy for Cloetta's remuneration/salary structure. All positions at Cloetta have been evaluated and plotted on a matrix where comparable jobs are ranked similarly regardless of company or function. This has then been supplemented with a salary structure that is benchmarked against other food producing companies in each country. The results provide an excellent basis for upcoming salary reviews, where

the existing salary level and the year's performance are key parameters in the framework that has now been established.

**Number of employees**

The average number of employees in 2014 was 2,533 (2,472). The increase is due to the acquisitions of Nutisal and The Jelly Bean Factory, but was offset somewhat by the factory restructurings that were carried out successively during 2014. Of the total number of employees, 57 per cent are employed under collective agreements and 43 per cent are salaried employees.

**A flat organisation for shorter decision-making processes**

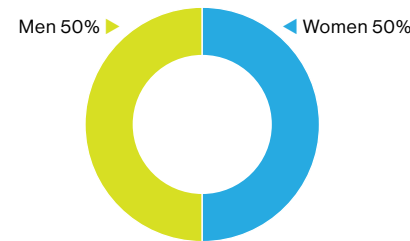
Cloetta has around 2,500 employees in 14 countries who are active in sales and marketing, production, innovation and support functions. Cloetta's head office is located in Stockholm.

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

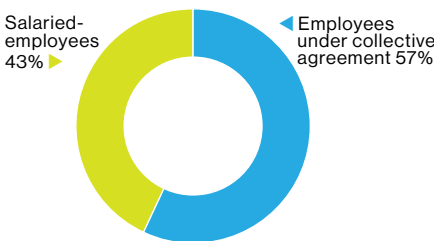
**Goals for greater well-being**

Goal	Outcome 2014
<b>Employees</b> <ul style="list-style-type: none"><li>♦ The number of days between occupational accidents with &gt;1 day of sickness absence will exceed 23.0 days in 2015.</li><li>♦ Great Place to Work – the Trust Index will exceed 63 per cent in 2016.</li></ul>	<b>Employee</b> <ul style="list-style-type: none"><li>♦ The number of days between work-related accidents with &gt;1 day of sickness absence amounted to 18.</li><li>♦ Great Place to Work – Trust index, 60 per cent.</li></ul>

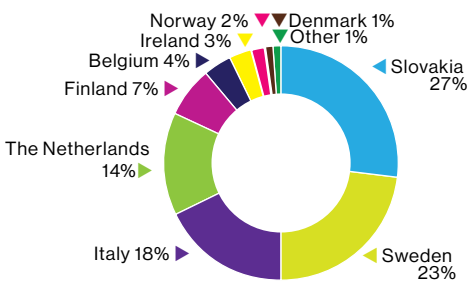
**Gender distribution**  
31 December 2014



**Employee categories**  
31 December 2014



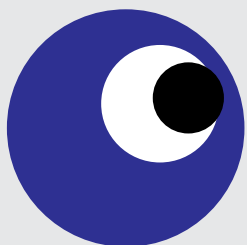
**Employees by country**



Employees	Slovakia	Sweden	Italy	Nether-lands	Finland	Belgium	Ireland	Norway	Denmark	UK	Germany	Other	Total
Average no. of employees	677	586	464	343	185	105	77	41	34	8	7	6	2,533
– of whom, women	446	277	190	94	152	24	31	20	17	6	3	5	1,265
Sickness absence, %	5.8	3.5	6.7	4.8	2.3	4.0	1.8	5.7	1.1	–	2.8		

# Core values

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



**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.



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

Teamplay 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. Teamplay manifests itself in cross-functional cooperation, shared learning and together acting as "One 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.



# Greater well-being – better for you

Many consumers are seeking genuine raw materials and more healthy or functional confectionery/snacks. For Cloetta, it is therefore vital to offer a wide range of products with varying compositions and in different packaging alternatives. Around 33 per cent of Cloetta's revenue comes from sugar-free products.



### Fewer calories with stevia

In order to offer products with a reduced calorie content, stevia plays a important role for Cloetta's products. Stevia is a plant native to South America whose leaves contain an intense and natural sweetness. Cloetta uses stevia extract in a number of different products, such as Läkero!, chewing gum, Dietor and Dietorelle.



### Nuts

Nuts are a natural source of many vital nutrients and also contain antioxidants. Cashew nuts are rich in iron, folic acid and zinc, peanuts (which are actually seeds) are rich in protein and contain high levels of Vitamin B3, almonds (actually seeds) are rich in Vitamin E and pistachios are very rich in antioxidants.



### Better dental health with xylitol

Production of the sweetener xylitol, which has fewer calories than natural sugar, was originally started in Finland in the 1970s through extraction from birch sap. Today xylitol is extracted from many hardwoods and corncobs. Xylitol protects from tooth decay.



### Clear declaration of contents

Cloetta works continuously to develop responsible and clear information about the contents of our products via packages and the website.



### Genuine and natural raw materials

Goody Good Stuff and The Jelly Bean Factory are two examples of products where Cloetta has fully implemented the idea of 100 per cent natural ingredients. All artificial colours and flavours have been replaced by natural fruit and plant extracts and all other food additives have been eliminated. Furthermore, both Goody Good Stuff and The Jelly Bean Factory are free from allergens and contain no animal-based gelatine, which makes the products suitable for vegetarians and people with food allergies.

