

ARYZTA AG **Annual General Meeting**

Shareholder Information on the proposals of the Board of Directors submitted to the shareholders for approval at the Annual General Meeting of 13 December 2016 for the Remuneration of the Board of Directors and Executive Management

About this Booklet

This booklet provides the context and rationale behind the Board of Director's ('the Board') remuneration proposals for the Board and Executive Management. It is designed to be read with to the Compensation Report and is an important source of background for the Annual General Meeting ('AGM').

What's Inside:

1. Agenda Item 5.1: Remuneration of the Board until the next AGM



MOTION: The Board proposes that shareholders approve a maximum aggregate amount of the remuneration of the Board for the period from the 2016 AGM to the next AGM of CHF 1,000,000.

2. Agenda Item 5.2: Remuneration of Executive Management for the next financial year (i.e., the financial year from 1 August 2017 to 31 July 2018 (FY2018))



MOTION: The Board proposes that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 15,050,000 to the members of Executive Management.

Agenda Item 5.1: Remuneration of the Board Until the Next AGM



Board Remuneration Structure

Yearly Fees

88,000 Non-executive Directors

Additional IFees

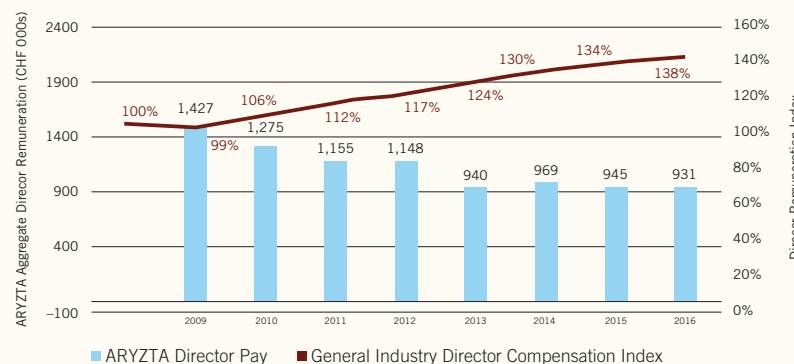
235,000 Chairman of the Board

16,000 Chairman of a Board Committee

8,000 Non-executive Board Committee Directors

- ✓ The structure for Board remuneration has remained the same since 2009.
- ✓ The number of members of the Board has decreased since 2009.
- ✓ All fees are paid 100% in cash.
- ✓ Non-executive members of the Board are not eligible for performance-related payments or the LTIP.
- ✓ Remuneration level reflects time, commitment and responsibilities for the respective roles and duties undertaken by each Board member.
- ✓ Members of Executive Management who are also members of the Board receive no additional remuneration for their role as a Board member.

Historical Board Remuneration



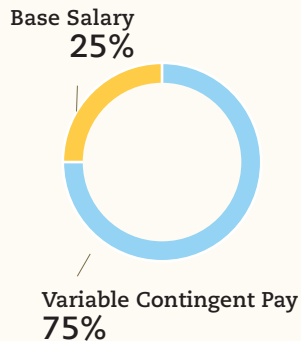
Overall total Board remuneration has decreased since 2009; however, general industry Board remuneration has increased¹.

¹ Based on a 2016 market study performed by Pearl Meyer/NACD

Agenda Item 5.2: Remuneration of Executive Management for the Next Financial Year

The majority of Executive Management remuneration is in the form of Variable Contingent Pay, which is measured on performance during the financial year.

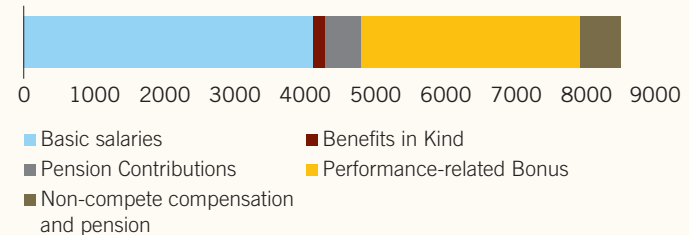
Base Salary vs. Variable Contingent Pay



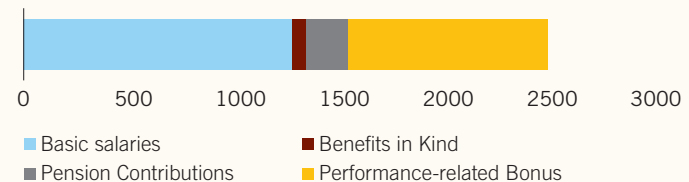
- ✓ **50%: Short-term performance-related bonus**
 - Free Cash Flow → achieved
 - ROIC Growth → did not achieve
- ✓ **50%: Long-term incentives ('LTIP')**
 - EPS growth → did not achieve
 - ROIC > 120% of WACC → achieved

- In FY2016, underlying revenue growth momentum improved and cash generation targets were exceeded. However, EPS growth targets were not achieved and accordingly no LTIP compensation expense has been recognised.

2016 Total Executive management compensation



2016 Owen Killian Compensation



- The performance related bonus earned by Owen Killian in FY 2016 has been withheld pending a resumption of growth in underlying fully diluted earnings per share.

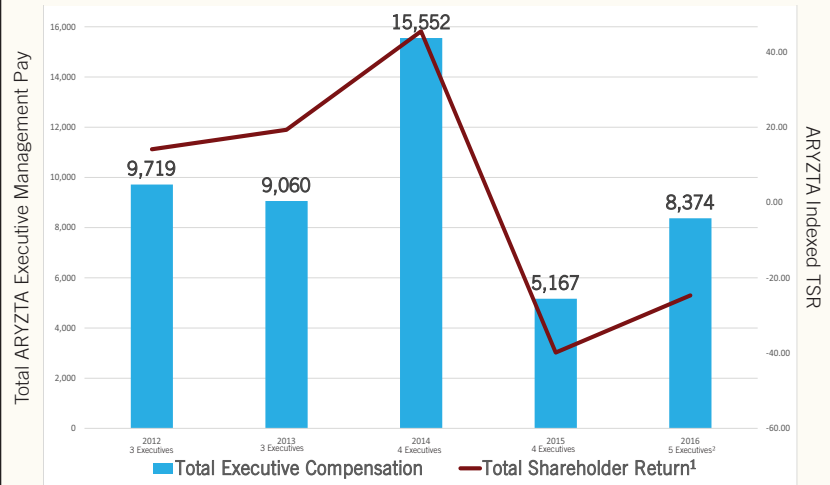
Agenda Item 5.2: Remuneration of Executive Management for the Next Financial Year



To help validate our program structure, in FY2016, the Board engaged an independent internationally respected compensation consulting firm to benchmark Executive Management compensation and review the design of the LTIP. The expert consulting firm’s assessment was that:

1. Target Total Direct Compensation (base salary, target short-term performance-related bonus, and the grant date fair value of the LTIP) is positioned within the competitive range (+/-15%) of the ARYZTA Peer Group Median¹.
2. Changes to the design of the LTIP should be considered to better align with the business strategy and market practices (see next page).

¹ See page 10 for a Glossary of Terms



1. Includes stock appreciation, dividends paid and stock repurchases measured over a specified time period.
2. Five executives until the resignation of Hilliard Lombard on 26 November, 2015.

Over the last eight years, Executive Management remuneration has been highly-correlated with Total Shareholder Return (“TSR”)*.

Agenda Item 5.2: Remuneration of Executive Management for the Next Financial Year



The following changes to the LTIP were recommended by the expert consulting firm and the Board has accepted these recommendations with respect to future awards:

- ✓ Use performance-based share options in addition to performance-based shares;
- ✓ Adopt TSR relative to ARYZTA Peer Group TSR as an additional metric to complement the EPS growth condition (weighted on a 50:50 basis);
- ✓ Maintain a three-year performance period, but replace the two-year holding period with a two-year malus claw-back obligation; and
- ✓ Make grants annually to drive continuous level of retention.

Three-Year Performance Vesting Conditions (At-A-Glance)¹

EPS Growth Condition: EPS CAGR must exceed the Euro Zone CPI plus 5% (50% weighting).

Relative TSR Condition: ARYZTA TSR must, at the minimum, match 50% of ARYZTA Peer Group TSR with maximum payout leverage range at 150% (50% weighting).

ROIC Condition: ROIC must exceed 120% of the WACC. ROIC is reported to investors in conjunction with the announcement of our annual and half-year results and is presented on a Group and segmental basis.

Dividend Policy: ARYZTA must adhere to its dividend policy; payout ratio not less than 15% of underlying fully diluted EPS.

Employment: Participant must remain continuously employed by the Group throughout the three performance years.

¹ . See page 10 for a Glossary of Terms. Please refer to the Compensation Report for complete details.

Agenda Item 5.2: Remuneration of Executive Management for the Next Financial Year



In addition to the LTIP changes, the following practices and policies are features of our program structure that are designed in the best interests of our shareholders and executives.

What we do

- ✓ Significant alignment between pay and performance
 - ✓ Majority of compensation opportunity is provided in the form of performance-based incentives
 - ✓ Ensure maximum compensation is balanced, coherent and appropriate through measured control ratios
 - ✓ Ensure transparency and respect for shareholder views
 - ✓ Mitigate potential dilutive effect of equity awards through coherent anti-dilutive flow controls
 - ✓ Use an independent, external compensation consulting firm, which provides no other services to ARYZTA
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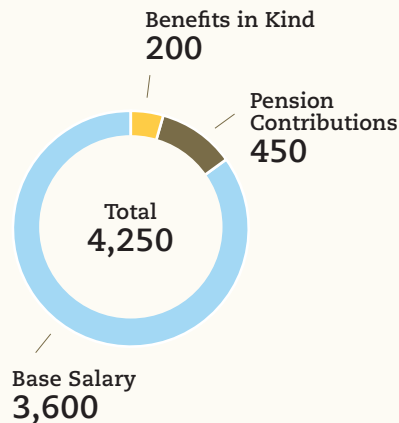
What we don't do

- ✗ No repricing of underwater share options
 - ✗ No inclusion of the value of any variable, incentive compensation in pension calculations
 - ✗ No dividends or dividend equivalents on unearned performance shares
 - ✗ Do not pay Executive Directors for their service as a Board member
 - ✗ No discretionary adjustments to short-term related bonus payouts
 - ✗ No loans or advances were made by Aryzta to members of the Board or Executive Management during the financial year
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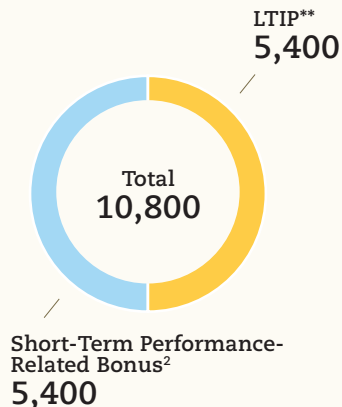
Agenda Item 5.2: Remuneration of Executive Management for the Next Financial Year

For FY2018, the proposal made by the Board reflects the maximum possible payment. Actual payments depend on performance results.

Fixed Remuneration
(000s) CHF



Variable Contingent Pay¹
(000s) CHF



» to a maximum CHF 15,050,000

1. Proposed maximum aggregate amount has been set at 3x base salaries.
2. Assumes 1.5x base salary based on maximum target achievement.

Short-term performance-related bonus

- Target bonus is 100% of base salary (capped at 150%) and is earned over one financial year.
- At the start of FY2018, the RemCo will approve a mix of one or more of the following financial metrics upon which performance will be measured for bonus determination following the end of the financial year:
 - » Incremental gains on ROIC (same methodology as for FY2016);
 - » Free Cash Conversion;
 - » EPS; and
 - » EBITDA.

LTIP

- Valued at the date of grant using generally accepted valuation models to determine fair value at that time.
- Earned over three financial years and are subject to a two-year malus claw-back obligation. Awards may be comprised of performance-based share options, performance-based shares or a mix of both.

Agenda Item 5.2: Remuneration of Executive Management for the Next Financial Year



This table shows the total actual compensation for Executive Management in FY2015 and FY2016 compared to the maximum prospective compensation proposed for FY2017 and FY2018.

- Note that the number of individuals in the Executive Management Group fluctuates, which impacts the aggregate amounts. At the time of publication of this report, Executive Management included four individuals.

Financial Year	Head Count
2015	Four
2016	Five
2017	Four
2018	Four

	Maximum Prospective (for approval at 2016 AGM)	Maximum Prospective (approved at 2015 AGM)	Actual	Actual
	Total Executive Management 2018	Total Executive Management 2017	Total Executive Management 2016	Total Executive Management 2015
in CHF '000				
Base salaries	3,600	4,250	4,077	3,551
Benefits in kind	200	225	205	189
Pension contributions	450	525	489	441
Performance-related bonus	5,400	6,375	3,058 ²	–
Long-term incentives (LTIP)	5,400	6,375	–	986 ¹
Non-compete and pension	–	–	545	–
Total compensation	15,050	17,750	8,374	5,167

1. The FY 2015 Executive Management LTIP compensation expense relates entirely to 2012 LTIP awards, which vested in September 2015. No compensation expense has been recognized to date for LTIP awards granted in September 2014, as the performance criteria for those awards requires that Underlying EPS in FY 2017 would exceed 500 cent per share, which is currently considered remote. Additionally, no compensation expense has been recognized to date for LTIP awards made in FY 2016 as the required minimum performance targets have not been achieved in FY 2016.

2. The performance-related bonus earned by Owen Killian in FY2016 has been withheld pending a resumption of growth in Underlying fully diluted earnings per share.

Agenda Item

5.1: Remuneration of the Board until the next AGM

5.2: Remuneration of Executive Management for the next financial year (i.e., the financial year from 1 August 2017 to 31 July 2018 (FY2018))

Motion

The Board proposes that shareholders approve a maximum aggregate amount of the remuneration of the Board for the period from the 2016 AGM to the next AGM of CHF 1,000,000.

The Board proposes that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 15,050,000 to the members of Executive Management.

Why you should vote to approve

- ✓ ARTZTA non-executive director compensation is below its Peer Group median, but consistent with European headquartered companies
 - ✓ Majority of remuneration is 'at-risk' and based on financial performance achievements
 - ✓ Target Total Direct Compensation is positioned within the competitive range (+/- 15%) of the ARYZTA Peer Group Median
 - ✓ Remuneration has historically demonstrated a powerful correlation to shareholder returns
 - ✓ The program structure includes shareholder-friendly features and mitigates risk-taking behaviors
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Glossary of Terms

Term	Description
AGM	Refers to the Annual General Meeting of ARYZTA AG shareholders for the relevant year.
ARYZTA	Refers to ARYZTA AG
ARYZTA Peer Group	Associated British Foods Plc, Cambell Soup Company, ConAgra Foods Inc., Cranswick Plc, Flowers Foods Inc., Glanbia Plc, Greencore Group Plc., Greggs Plc, Hershey Company, J&J Snack Foods Corp., JMSmucker Company, Kerry Group Plc, Chocoladefabriken Lindt & Sprungli AG, Mondelez International Inc., Treehouse Foods Inc.
ARYZTA TSR	Total Shareholder Return – Total return of ARYZTA stock to an investor. The calculation includes stock price appreciation, plus dividends
ARYZTA Peer Group TSR	Total Shareholder Return of each company in ARYZTA's Peer Group
The Board	Means the Board of Directors of ARYZTA AG
Earnings Per Share ('EPS')	Calculated based on underlying net profit, divided by the weighted average number of ordinary shares used to determine diluted earnings per share in accordance with IFRS
EBITDA	Presented as earnings before interest, taxation, depreciation and amortisation; before net acquisitions, disposal and restructuring-related costs and related tax credits
Financial Year ('FY')	Refers to the financial year of ARYZTA running from 1 August to 31 July, in each case, for the relevant financial year
Return on Invested Capital ('ROIC')	The incremental gain in ROIC is calculated on a constant currency basis, by comparing the FY 2016 ROIC to FY 2015 ROIC. Any asset impairments or non-recurring charges recorded in FY 2016 are reversed for the purposes of the comparison, so ensuring that Executive Management do not benefit therefrom. Likewise, the net assets and historical annual EBITA levels of any acquisitions made in FY 2016 are added to the FY 2015 ROIC base, for the purposes of the comparison. ROIC is reported to investors in conjunction with the announcement of annual and half-year results and is presented on a Group and segmental basis. ROIC reported for the year ended 31 July 2016 was 10.5% (2015: 10.9%).
Weighted Average Cost of Capital ('WACC')	The average after-tax cost of a company's various capital sources. The Group WACC on a pre-tax basis is currently 8.0% (July 2015: 7.4%).

