
Annual Report and Accounts 2018

Corporate Governance Report

Performance and Strategy

The financial year ending 31 July 2018 ('FY18') has been a very challenging year for ARYZTA, during which the Board continued to focus on reviewing ARYZTA's strategy and putting in place a leadership team with the capabilities and expertise to implement that strategy. The Board is working closely with the Group CEO and new Executive Management team to address the issues facing ARYZTA and to deliver the benefits of a revised strategy and multi-year turnaround plan to all our stakeholders.

ARYZTA's strategy is to focus on managing, improving and growing our strong international base and our leading position in B2B Frozen Bakery and European bakery driven food solutions. Together with a clear and relentless focus on customers, the Board remains confident in the underlying strength in the business.

Following significant refreshment of the composition of the Board over the past two financial years and which is continuing with the proposed election of three new members to the Board, if approved by shareholders, and the flexibility that will be provided by the capital raise being proposed at the 2018 AGM, if approved by shareholders, ARYZTA has the requisite expertise and skills in place at Board level to oversee and contribute to senior management's implementation of our revised strategy and multiyear turnaround plan.

ARYZTA Board and Executive Management

There were a number of changes to the Board and Executive Management team of ARYZTA during FY18.

At the ARYZTA 2017 Annual General Meeting ('AGM'), Wolfgang Werlé retired without seeking re-election and Jim Leighton and Kevin Toland were elected to the Board.

In addition, on 11 September 2018, as part of a continued programme of Board refreshment, ARYZTA announced the nomination of three new independent non-executive Directors to the Board. Subject to shareholder approval at the AGM on 1 November 2018, Michael Andres, Greg Flack and Tim Lodge will be appointed to the Board. Each of the three Directors has deep expertise in the food industry, as well as in business turnaround and transitions, and will be hugely valuable additions to the Board.

The Board would also like to extend its sincere appreciation to Chuck Adair, who will step down from the Board at the 2018 AGM, for his services to ARYZTA over the past eight years. He played a significant role on the Board and we are grateful for the commitment he has shown to the company during his tenure. We wish him well for the future.

Biographical details of Michael, Greg and Tim will be included in the 2018 AGM invitation.

Corporate Governance Report (continued)

As of 31 July 2017, the Executive Management team comprised: Pat Morrissey, Group General Counsel, Company Secretary and CAO; Dermot Murphy, COO Europe; and Robert O'Boyle, COO APMEA. The following changes to the Executive Management team took place during the course of FY18:

- Kevin Toland commenced his role as Group CEO on 12 September 2017.
- Frederic Pflanz commenced his role as Group CFO in January 2018. David Wilkinson, who had held the role of Interim CFO, worked alongside Frederic until 23 March 2018, in order to ensure a seamless transition.
- Tony Murphy commenced his role as Chief People Officer on 1 December 2017.
- Dave Johnson commenced his role as CEO North America on 23 January 2018.
- John Heffernan commenced his role as Chief Strategy Officer on 28 February 2018.
- Gregory Sklikas commenced his role as CEO Europe in May 2018, as a successor to Dermot Murphy, who had decided to step down from his position.
- Pat Morrissey stepped down from his role as Group General Counsel, Company Secretary and CAO on 30 June 2018.

The Board would like to express its sincere thanks to Pat Morrissey and Dermot Murphy for the invaluable contribution to ARYZTA throughout their service.

As a result, on 30 May 2018, the Board confirmed that it had appointed a new Executive Committee comprised of: Kevin Toland, CEO; Frederic Pflanz, CFO; Gregory Sklikas, CEO Europe; Dave Johnson, CEO North America; Claudio Gekker, COO Latin America; Robert O'Boyle, COO APMEA; John Heffernan, Chief Strategy Officer; and Tony Murphy, Chief People Officer.

In addition, on 11 September 2018, Rhona O'Brien commenced her role as General Counsel and Company Secretary and joined the Executive Committee.

We believe that our ability to attract this calibre of candidates to the Executive Committee during the past 12 months demonstrates the continued appeal of our franchise, and that ARYZTA is now in a strong position in terms of the range of talented leaders within the organization who have the skills and the commitment to deliver the multi-year turnaround programme.

Governance Framework

Details of the corporate governance framework adopted by ARYZTA (namely the Articles of Association, Organisational Regulations and Terms of Reference for the Committees of the Board) are available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

Leadership

The Board

The Board is responsible for stewardship, governance and oversight, and for setting the strategic direction of ARYZTA, in order to deliver sustainable value. The Board is also responsible for defining risk appetite and risk mitigation/management. The Board is committed to the highest standards of corporate governance in its management of ARYZTA and its accountability to shareholders and other stakeholders. Strong leadership and strong corporate governance are integral parts of our corporate culture and the Board leads by example. Biographical details of the Directors are provided on pages 36 to 38. When assessing its composition, as well as the composition of its main Committees, the Board reviews international best-practice standards and global corporate governance developments.

Board Independence

At 31 July 2018, the Board of ARYZTA consisted of the Chairman, one Executive Director and six Non-Executive Directors. The Board's policy is that a majority of its membership consist of independent Non-Executive Directors, as determined in accordance with the Swiss Code of Best Practice for Corporate Governance (the 'Swiss Code'). The Board confirms that it is, and was throughout FY18, fully compliant with the Swiss Code.

In June 2018, after careful consideration, the Company entered into a six-month consultancy arrangement with Jim Leighton pursuant to which Jim will provide advisory services on the implementation of ARYZTA's three-year €200m cost reduction plan, Project Renew. Over and above his normal Board fees, the compensation payable to Jim Leighton under the arrangement amounts to €125,000 over the period of the consultancy, of which €29,000 accrued during FY18.

In determining the arrangement with Jim Leighton, the Board was fully apprised of corporate governance best-practice and, as a result of this arrangement, Jim Leighton ceased to be regarded as an independent director. Notwithstanding this, the Board is firmly of the belief that Mr Leighton's established skills and experience, his knowledge of the ARYZTA business, and the importance of Project Renew to the Group's multi-year turnaround story meant such an arrangement was, in balance, in the best interests of the Group and our stakeholders. The fee arrangement will be reviewed annually and the Board does not currently envisage the term of the agreement remaining in place beyond FY19.

Outside of Mr Leighton's classification for the terms of the Swiss Code, the Board is fully satisfied that his contributions to the Board are hugely valuable to the Company and continues to believe that Jim Leighton exercises independent character and judgement when contributing to Board discussions and making decisions. In line with the Swiss Code, and subject to his re-election by shareholders, following the 2018 AGM Jim Leighton will not be re-appointed to the Audit Committee throughout the period of the consulting arrangement.

Save as set out above in respect of Jim Leighton, all Non-Executive Directors are considered by the Board to be independent in character and judgement within the meaning of the Swiss Code and none of the Non-Executive Directors are party to

Corporate Governance Report (continued)

relationships or circumstances with ARYZTA which, in the Board's opinion, are likely to affect their independence or judgement. Subject to the approval of all Directors at the 2018 AGM, 78% of the Board will be independent non-executive Directors.

To ensure the effective oversight of financial reporting, risk management, remuneration and the future leadership of the business, the Board delegates certain functions to three main Board Committees. Further details on the role of these key Committees are provided on pages 40 to 42.

The Chairman

The Chairman is responsible for the effective leadership, operation and governance of the Board and its Committees. He ensures that all Directors contribute effectively in the development and implementation of the Company's strategy whilst ensuring that the nature and extent of the significant risks the Company is willing to embrace in the implementation of its strategy are determined and challenged.

Governance and Culture

As a Board, we are committed to ensuring we adhere to best-practice corporate governance principles and apply them in a pragmatic way that adds value to ARYZTA. Continually enhancing our corporate governance is central to our aim of ensuring the stability of ARYZTA and returning the business to a satisfactory level of performance and growth.

Culture and the fostering of an inclusive performance-based organisation is a key focus for us as part of our wider governance framework. The Board will continue to work to ensure that ARYZTA's revised strategy, operating model and remuneration framework are aligned with our cultural focus. The success of our strategy is dependent on developing a culture across ARYZTA that supports the pursuit of teamwork and excellence. We continue to focus on ensuring ARYZTA's core vision and values are developed and clearly understood by all our stakeholders, particularly our people. We recognise that the Board must lead by example to ensure these values are embedded not just in the boardroom, but are shared and understood throughout the business and form an integral part of interaction with all stakeholders.

A healthy culture protects and generates value for our stakeholders and the Board ensures that there is a regular review and evaluation of the corporate culture at ARYZTA. One of the key aspects of returning the business to performance and growth is continuing to foster a culture that thrives on ethics, transparency, excellence and performance accountability.

Board Refreshment and effectiveness

As detailed in this report, the last twelve months has seen a number of appointments to ARYZTA's Board. This reflects an ongoing programme of refreshment and renewal and the Board's desire to deepen its skills and expertise. Board refreshment is a fundamental aspect of fostering and sharing diverse perspectives in the boardroom and the generation of new ideas and business strategies. Improving the diversity of the Board will be a clear objective of the Board refreshment programme in FY19.

Central to effectively setting and overseeing ARYZTA's refocused strategy and determining our approach to risk is our Board's thorough understanding of our business and industry.

Corporate Governance Report (continued)

Throughout FY18, led by the Governance & Nomination Committee, the Board continued to review its composition to ensure it meets our objective of having the diversity of skills, experience, gender and geographic background relevant to ARYZTA's strategy and business profile. In the context of the challenges facing the business, the priority was to recruit Directors who would add to the existing skills and experience of the Board. With the help of an international executive recruitment firm, significant emphasis was placed on the diversity of skills and expertise required for new appointments and the importance of a strong cultural fit with ARYZTA, as it pursues its future strategy and objectives. A cornerstone of the recruitment process was the identification of individuals with relevant industry experience, but also situational experience, focusing on those candidates who have also had success in implementing business transformations or turnaround plans.

As part of the process of refreshment and renewal, the Board was delighted to confirm the appointment of Jim Leighton as a Non-Executive Director of the Company at the 2017 AGM. In addition, as announced on 11 September 2018, the Board intends to nominate Michael Andres, Greg Flack and Tim Lodge as candidates to serve as independent Non-Executive Directors of the Board at the 2018 AGM, subject to the approval of ARYZTA shareholders at the 2018 AGM.

The Board is satisfied that, subject to approval of the additional Directors at the 2018 AGM, its current composition includes an appropriate balance of longer-serving and newly appointed Directors who collectively have the critical skills and experience relevant to the challenges facing ARYZTA. The addition to the Board of Directors of the calibre of Michael Andres, Greg Flack and Tim Lodge, if elected by shareholders at the 2018 AGM, will contribute positively to the effectiveness of the Board.

The effectiveness of the Board is also impacted by the relationship between Non-Executive Directors and management. Together with the Group CEO and Group CFO, the Chairman has spent time ensuring the flow of information between senior management and Non-Executive Directors has been sufficient to further assist the Board to be effective in overseeing strategy and performance.

Given the level of recent Board refreshment, in 2019 a particular focus for the Chairman and the Board will be the development, and where applicable the training, of Non-Executive Directors to ensure the Board and its main Committees continue to evolve in line with our strategy and business.

Shareholder Engagement

The Board is committed to ongoing dialogue with shareholders to enable clear communication of ARYZTA's objectives and to foster mutual understanding of what is important to the Board and ARYZTA's shareholders. In addition, the Board is continually apprised of shareholder interaction by the Group CEO and Investor Relations team, consistent with the obligation to develop an understanding of the views and concerns of major shareholders.

Corporate Governance Report (continued)

Risk Management

The Board is and will be focused on ensuring that the Group's risk management and internal control systems are effective in underpinning robust decision-making on all capital allocation decisions. The Board has continued to debate and develop its understanding of risk, risk appetite and tolerance, risk testing and how to maximise business opportunities. Supported by the Audit Committee, the Board continues to strive for a better understanding of the risks we face.

Compensation Report

At the 2017 Annual General Meeting, shareholders ratified the 2017 Compensation Report through a separate advisory vote, and in line with Swiss law, shareholders approved the maximum aggregate amount of remuneration of the Board of Directors for the period ending at the 2018 AGM and for Executive Management for the financial year ending 31 July 2019.

ARYZTA Corporate Governance Report format

The ARYZTA Corporate Governance Report follows the SIX Swiss Exchange Directive on Information relating to Corporate Governance and takes into account the Swiss Code of Best Practice for Corporate Governance.

The ARYZTA Group consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRS') and the requirements of Swiss law. The ARYZTA AG Company financial statements are prepared in accordance with the requirements of Swiss Law and the Company's Articles of Association. Where necessary, the financial statement disclosures have been extended to comply with the requirements of the SIX Swiss Exchange Directive on Information relating to Corporate Governance.

In this report, the terms 'ARYZTA' and the 'Company' refer to ARYZTA AG, whereas the 'Group' and the 'ARYZTA Group' refer to ARYZTA AG and its subsidiaries. The 'Board' refers to the Board of Directors of the Company.

To avoid duplication in some sections, cross-references are made to the 2018 Financial Statements (comprising the Group consolidated financial statements and Company financial statements of ARYZTA AG), as well as to the Articles of Association of ARYZTA AG (available on the Company website at www.aryzta.com/about-aryzta/corporate-governance).

Corporate Governance Report (continued)

1 Group structure and shareholders

1.1 Group structure

The ARYZTA General Meeting is the ultimate governing corporate body of the Group and the Board is accountable and reports to the shareholders, by whom it is elected. The Board, while entrusted with the ultimate direction of ARYZTA, as well as the supervision of management, has delegated responsibility for the day-to-day management of the Group, to the extent allowed under Swiss law, through the Chief Executive Officer ('CEO'), to Executive Management. The Group's management and organisational structure corresponds to its current segmental reporting lines: ARYZTA Europe, ARYZTA North America and ARYZTA Rest of World. Please refer to the section 'Segmental Reporting' in the Group Statement of Accounting Policies and Note 1 to the ARYZTA Group Consolidated Financial Statements on page 89 and pages 100 to 103 respectively for further details regarding the Group's reporting segments.

Each segment's management team is responsible for the day-to-day activities of their segment and reports to Executive Management, which in turn reports through the CEO to the Board.

1.1.1 Listed companies of the ARYZTA Group

ARYZTA AG

Name and domicile:	ARYZTA AG, 8001 Zurich, Switzerland
Primary listing:	SIX Swiss Exchange, Zurich, Switzerland
Swiss Security number:	4 323 836
ISIN:	CH0043238366
Cedel/Euroclear common code:	037252298
Secondary listing:	Irish Stock Exchange, trading as Euronext Dublin, Dublin, Ireland
SEDOL Code:	B39VJ74
Swiss Stock Exchange symbol:	ARYN
Irish Stock Exchange symbol:	YZA

Stock market capitalisation as of 31 July 2018:

CHF 1,259,521,174 or €1,083,341,097 based on 89,933,679 registered shares outstanding (i.e. disregarding 2,987,108 treasury shares) and closing prices of CHF 14.005 or €12.046 per share.

Stock market capitalisation as of 31 July 2017:

CHF 2,758,615,019 or €2,443,078,456 based on 88,758,527 registered shares outstanding (i.e. disregarding 3,052,007 treasury shares) and closing prices of CHF 31.08 or €27.525 per share.

1.1.2 Non-listed companies of the ARYZTA Group

Details of the significant subsidiaries and associated companies of ARYZTA (being their company names, domicile, share capital, and the Company's participation therein) as well as the basis for classifying such subsidiaries as significant are set out in note 32 of the 2018 ARYZTA Group consolidated financial statements on page 153.

Corporate Governance Report (continued)

1.2 Significant shareholders

As at 31 July 2018, the Company has been notified of the following shareholdings or voting rights (adjusted, where applicable, for the effects of the scrip dividend), which amount to 3% or more of the Company's issued ordinary share capital:

	Number of shares as at 31 July 2018	Number of shares % as at 31 July 2018	Number of shares as at 31 July 2017	Number of shares % as at 31 July 2017
Cobas Asset Management	9,309,685	10.02%	2,897,454	3.16%
Causeway Capital Management LLC	6,967,763	7.50%	6,881,741	7.50%
CI Financial Corp.	4,673,420	5.03%	2,843,081	3.10%
Black Creek Investment Management Inc.	4,660,950	5.01%	4,603,407	5.01%
Financière de l'Echiquier	4,636,210	4.99%	–	–
ARYZTA Treasury shares	2,987,108	3.21%	3,052,007	3.32%
BlackRock, Inc.	2,809,135	3.02%	–	–
Norges Bank	–	–	2,848,734	3.10%

Any significant shareholder notifications during the year, and since 31 July 2018, are available from the Group's website at:
www.aryzta.com/investor-centre/shareholder-notifications.

1.3 Cross-shareholdings

The ARYZTA Group has no interest in any other company exceeding five percent of voting rights of that other company, where that other company has an interest in the ARYZTA Group exceeding five percent of the voting rights in ARYZTA.

2 Capital structure

2.1 Capital

The registered share capital of the Company, as at 31 July 2018, amounts to CHF 1,858,415.74 and is divided into 92,920,787 registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-up.

2.2 Authorised and conditional capital

ARYZTA has no conditional share capital.

Pursuant to Article 5 of the Articles of Association (governing Authorised Share Capital), the amount by which the share capital of the Company may be increased for general purposes may not exceed CHF 161,416.00 (through the issue of up to 8,070,800 registered shares to be paid up in full with a par value of CHF 0.02 per share). Authority for this purpose expires on 9 December 2019.

The Board has the power to determine the issue price, the date of issue, the date of entitlement to dividends, the allocation of non-exercised pre-emptive rights and the type of contribution to be made. The Board may withdraw or limit the pre-emptive rights in the event of the use of those shares: (1) for acquisitions, (2) to broaden the shareholder constituency, or (3) or for the purposes of employee participation. For further details, refer to Article 5 of the Articles of Association, which is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

2.3 Changes in capital

Changes in share capital, treasury shares and the allocation of treasury shares to awards granted in connection with the ARYZTA Long-Term Incentive Plans (Restricted Stock Plan and Option Equivalent Plan) over the last three financial years are as follows:

	Nominal value CHF	Shares in issue	Shares outstanding	Treasury shares	Restricted Stock Plan Allocation	Option Plan Allocation	Unallocated Treasury shares
As of 31 July 2015	0.02	91,810,534	88,758,527	3,052,007	–	2,574,500	477,507
Granting of LTIP awards		–	–	–	–	2,624,500	(2,624,500)
Forfeitures of LTIP awards		–	–	–	–	(315,500)	315,500
As of 31 July 2016		91,810,534	88,758,527	3,052,007	–	4,883,500	(1,831,493)
Granting of LTIP awards		–	–	–	182,807	–	(182,807)
Forfeitures of LTIP awards		–	–	–	(4,850)	(1,223,000)	1,227,850
As of 31 July 2017		91,810,534	88,758,527	3,052,007	177,957	3,660,500	(786,450)
Scrip dividend issuance	0.02	1,110,253	1,110,253	–	–	–	–
Exercise of LTIP awards		–	64,899	(64,899)	(64,899)	–	–
Forfeitures of LTIP awards		–	–	–	(22,777)	(2,100,000)	2,122,777
As of 31 July 2018	0.02	92,920,787	89,933,679	2,987,108	90,281	1,560,500	1,336,327

Of the 92,920,787 registered shares, 89,933,679 are outstanding and 2,987,108 are classified as treasury shares.

2.4 Shares and participation certificates

ARYZTA's capital is composed of registered shares only. As at 31 July 2018, ARYZTA has 92,920,787 fully paid-up, registered shares (including 2,987,108 treasury shares) with a nominal value of CHF 0.02 each. Each share entered in the share register with voting rights entitles the holder to one vote at the General Meeting and all shares have equal dividend rights. ARYZTA has not issued any participation certificates¹.

2.5 Profit-sharing certificates

ARYZTA has not issued any profit-sharing certificates¹.

2.6 Restrictions on transferability and nominee registrations

Article 7 of the Articles of Association deals with the Shareholders' Register and Restrictions on Transferability, and is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

¹ Participation and profit-sharing certificates are instruments which have similar features to shares, but may differ with regard to their entitlement to dividend payments, voting rights, preferential rights to company assets or other similar rights.

Corporate Governance Report (continued)

2.6.1 Limitations on transferability

Pursuant to Article 7 b) of the Articles of Association, persons acquiring registered shares are, on application, entered in the share register without limitation as shareholders with voting power, provided they comply with the disclosure requirement stipulated by the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act, FMIA) of 19 June 2015 and expressly declare that they have acquired the shares in their own name and for their own account.

Pursuant to Article 7 f) of the Articles of Association, the Company may in special cases approve exceptions to the regulations described in section 2.6 above. The decision to grant exceptions is based on a discretionary decision of the Board.

2.6.2 Exceptions granted in the year under review

As part of the establishment of ARYZTA, former holders of IAWS Group plc shares and options received ARYZTA registered shares, delivered initially in the form of Capita Depository Interests and since replaced by CREST¹ Depository Interests ('CDIs')².

A CDI represents an entitlement to an ARYZTA registered share. CDI holders are not the legal owners of the shares represented by the CDIs. They are not in a position to directly enforce or exercise rights like a shareholder. However, CDI holders do maintain an interest in the shares represented by the CDIs.

To facilitate voting by CDI holders, the Company has entered arrangements with Euroclear UK and Ireland to enable, by way of exception, registration of CREST International Nominees Limited ('CREST') in the share register as nominee with voting rights for the number of registered shares corresponding to the number of CDIs on the CDI register. There were no other exceptions to the provisions of section 2.6.1 above granted in the year under review.

CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

¹ The CREST system, operated by Euroclear UK and Ireland, is the system for the holding and settlement of transactions in uncertificated (UK, Irish and Channel Island) securities.

² ARYZTA shares are held in trust by Euroclear UK and Ireland for the benefit of CREST members who have been issued with dematerialised interests representing entitlements to ARYZTA registered shares in the form of CDIs.

Corporate Governance Report (continued)

2.6.3 Admissibility of nominee registrations

Pursuant to Article 7 c) of the Articles of Association, nominee shareholders are entered in the share register with voting rights without further inquiry up to a maximum of 1.5% of the outstanding share capital available at the time. Above this 1.5% limit, registered shares held by nominees are entered in the share register with voting rights only if the nominee in question (at the application for registration or thereafter upon request by the Company) discloses the names, addresses and shareholdings of the persons for whose account the nominee holds 0.3% or more of the outstanding share capital available at that time, and provided that the disclosure requirement stipulated by the FMIA is complied with. The Board has the right to conclude agreements with nominees concerning their disclosure requirements.

Pursuant to Article 7 d) of the Articles of Association, the limit of registration in Article 7c) of the Articles of Association described above also applies to the subscription for, or acquisition of, registered shares by exercising option or convertible rights arising from registered or bearer securities issued by the Company, as well as by means of purchasing pre-emptive rights arising from either registered or bearer shares.

Pursuant to Article 7 e) of the Articles of Association, legal entities, or partnerships, or other associations or joint ownership arrangements, which are linked through capital ownership or voting rights, through common management or in like manner, as well as individuals, legal entities or partnerships that act in concert with intent to evade the entry restriction, are considered as one shareholder or nominee.

2.6.4 Procedure and conditions for cancelling transferability privileges

After due consultation with the person concerned, the Company is authorised to delete entries in the share register as a shareholder with voting rights, with retroactive effect, if they were effected on the basis of false information, or if the respective person does not provide the information pursuant to Article 7 c) described in section 2.6.3 above.

2.7 Convertible bonds, warrants and options

As of 31 July 2018, ARYZTA has not issued any convertible bonds or warrants.

As of 31 July 2018, a total of 90,281 Restricted Stock Plan awards and 1,560,500 Option Equivalent Plan awards were outstanding, subject to fulfilment of predefined vesting conditions in connection with the ARYZTA Long Term Incentive Plan.

Please refer to the Compensation Report on pages 55 to 64 of this Annual Report for further information pertaining to any Long Term Incentive Plan awards granted as an element of Executive Management compensation.

Corporate Governance Report (continued)

3 Board of Directors

3.1 Members of the Board of Directors

At 31 July 2018, the Board of ARYZTA consists of the Chairman, an executive director and six non-executive directors. Board policy is that a majority of its membership consist of independent Non-Executive Directors, as determined in accordance with the Swiss Code. The Board confirms that it is fully compliant with the Swiss Code.

At the ARYZTA 2017 Annual General Meeting ('AGM'), Wolfgang Werlé retired without seeking re-election and Jim Leighton was elected to the Board. As noted on page 27 above, Mr Leighton ceased to be regarded as an independent director within the meaning of the Swiss Code during FY18. Save as set out above in respect of Mr Leighton, all Non-Executive Directors are considered by the Board to be independent in character and judgement and none of these Non-Executive Directors are party to relationships or circumstances with ARYZTA which, in the Board of Directors' opinion, are likely to affect their judgement.

As at 31 July 2018, the Board of ARYZTA was comprised as follows:



Gary McGann (1950, Irish)

Chairman (since December 2016), and non-executive member

BA from University College Dublin; MScMgmt from IMI/Trinity College Dublin and a Fellow of the Association of Chartered Certified Accountants

Gary McGann is the Chairman of Paddy Power Betfair plc. He is also a director of Green REIT plc. He is the former Group Chief Executive Officer of the Smurfit Kappa Group plc, one of the leading providers of paper-based packaging solutions in the world. He is also former CEO of Aer Lingus Group and Gilbeys of Ireland. Gary is also Chairman of Sicon Ltd (Sisk Group) and Aon Ireland, and a former President of IBEC (Irish Business and Employers' Confederation) and CEPI (Confederation of European Paper Industries). In the 'not for profit sector', he is a director of Barnardos and The Ireland Funds. Gary became a member of the ARYZTA Board of Directors in December 2016.



Chuck Adair (1951, American)

Non-executive member

Bachelor of Arts in Biology from North Park College and a Master of Science from Michigan State University in Resource Economics

Chuck Adair retired as Vice-Chairman of BMO Capital Markets in August 2016. BMO Capital Markets is a full-service global investment bank headquartered in Toronto, Canada. He began his career in the agricultural commodity trading and transportation industries in the U.S. and joined BMO Capital Markets in 1984. He was a leader in the formation of BMO's initial U.S. investment banking effort, as one of the senior members of the Chicago investment banking platform in 1995. In addition, he started BMO's Food & Agribusiness Mergers & Acquisitions practice from Chicago. With over 38 years of experience in the food and agribusiness industries, he continues to consult and invest with food and agribusiness companies globally. He is a non-executive director of Darling Ingredients Inc. and a member of the compensation committee. He became a member of the ARYZTA Board of Directors in December 2010 and will retire from the Board without seeking election at the 2018 AGM.

Corporate Governance Report (continued)



Dan Flinter (1950, Irish)

Non-executive member

MA in Economics from University College Dublin, Ireland

Dan Flinter is a former CEO of Enterprise Ireland and a former Executive Director of IDA Ireland. He is Chairman of the Boards of PM Group Holdings Ltd and The Irish Times Ltd. He is a board member of Dairygold Co-Operative and Chairman of its Remuneration Committee. He is a member of the Board of the Institute of Directors, Ireland and joined the Board of the IEDR (Irish Exchange Domain Registry) in July 2017. He is Chairman of the Board of VCIM. He is also a former Chairman of the Governing Authority of Maynooth University and of the Centre For Effective Services. He is a former member of the Board of the Dundrum Theatre Management Company Ltd. He became a member of the ARYZTA Board of Directors in December 2015.



Annette Flynn (1966, Irish)

Non-executive member

Bachelor of Commerce from University College Cork, Ireland; Fellow of the Association of Chartered Certified Accountants; and Chartered Director

Annette Flynn has held various senior roles in UDG Healthcare plc, including Managing Director of the Packaging & Specialty division and Head of Group Strategy. Prior to joining UDG Healthcare, Annette held senior positions with Kerry Group plc working in their Irish, UK and US operations. She is a non-executive director of Canada Life International Assurance Ireland DAC, where she chairs the Risk Committee and is also a member of the Audit Committee. She is also a non-executive director of Dairygold Cooperative Society Ltd where she chairs the Audit Committee. She was formerly an executive and subsequently a non-executive Director of UDG Healthcare plc and a non-executive director of Grafton Group plc. She is a Fellow of the Association of Chartered Certified Accountants and a Chartered Director accredited by the Institute of Directors UK. She became a member of the ARYZTA Board of Directors in December 2014.



Jim Leighton (1956, American)

Non-executive member

Bachelor of Arts, Business Administration & Industrial Relations, University of Iowa

Jim Leighton served as President of Perdue Foods, a large privately-held food and protein company from 2009 to 2013; and Senior Vice President of operations and supply chain from 2006 to 2009. From 2002 to 2006, he served as the Senior Vice President of Operations of ConAgra Foods, Inc., one of the largest publically traded food companies in the United States. Between 2013 and 2016, Jim served as Chief Operating Officer and, subsequently, as Interim Chief Executive Officer of Boulder Brands Inc., one of the largest and fastest growing Health and Wellness food companies in North America. Jim served as President of 40 North Foods from 2016 to 2018, and is currently CEO of Getting FIT, both entities that he founded. He became a member of the ARYZTA Board of Directors in December 2017.

Corporate Governance Report (continued)



Andrew Morgan (1956, English)

Non-executive member

BA from the University of Manchester

Andrew Morgan has more than 25 years with Diageo Plc including most recently seven years as President Diageo Europe. Diageo is the world's leading premium drinks business and a FTSE top 10 company. Andrew also spent eight years with the Gillette Company in a number of sales and marketing roles. He has held a succession of marketing, strategy and general management positions with Diageo and has lived in London, Athens, Madrid and Barcelona, as well as managing emerging markets in Latin America, Asia and Africa. He is a member of Council at the University of Leicester and is investing chairman of two start-up companies in the consumer goods sector. He is a former President of AIM, the European Consumer Goods association and served two terms on the Global Advisory Board of British Airways. He became a member of the ARYZTA Board of Directors in December 2013.



Kevin Toland (1965, Irish)

Executive member

Fellow of the Chartered Institute of Management Accountants; Diploma in Applied Finance from the Irish Management Institute

Mr Kevin Toland is the Chief Executive Officer ('Group CEO') of ARYZTA. From 2013 to 2017 he was CEO of daa plc, which operates Dublin and Cork airports, ARI (a global retailer in travel retail) and daa International. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc Board of Directors from 2003 to 2013; and, was based in the US from 2004 to 2012. Kevin is a director of Total Produce plc and IBEC (the Irish Business and Employers Confederation). He became a member of the ARYZTA Board of Directors in December 2017.



Rolf Watter (1958, Swiss)

Non-executive member

Doctorate in law from the University of Zurich, Master of Law degree from Georgetown University, Washington D.C., USA

Rolf Watter has been a partner at the Zurich law firm Bär & Karrer since 1994. He specialises in M&A and is an expert in corporate governance. He is currently chairman of PostFinance AG and of Ceva Logistics AG and serves as a director of A.W. Faber Castell (Holding) AG and AP Alternative Portfolio AG. He is also a board member in three charitable foundations, a member of the Regulatory Board of the SIX Swiss Exchange and a professor of law at the University of Zurich. He is a former chairman of Nobel Biocare Holding AG and Cablecom Holdings. In addition, he was a Board member of Zurich Insurance Group AG, Syngenta AG, Forbo Holding AG, and Centerpulse AG. He became a member of the ARYZTA Board of Directors in December 2016.

Corporate Governance Report (continued)

3.2 Other activities and functions

As noted in section 3.1 above, Rolf Watter is a member of the Regulatory Board of the SIX Swiss Exchange.

In June 2018 the Company entered into a consultancy arrangement with Jim Leighton pursuant to which Jim Leighton will provide advisory services on the implementation of ARYZTA's €200m cost reduction plan, Project Renew. The compensation payable to Jim Leighton under the arrangement amounts to €125,000, over the period of the consultancy, of which €29,000 accrued during FY18. As a result of this arrangement, Jim Leighton ceased to be regarded as an independent director within the meaning of the Swiss Code during FY18.

None of the non-executive members of the Board of Directors has fulfilled any operational management functions for companies of the ARYZTA Group in the three years immediately preceding the period. Related-party transactions with any members of the Board of Directors or Executive Management did not exceed €100,000 in aggregate during the years ended 31 July 2018 and 2017.

3.3 Number of activities permitted outside the Group

Pursuant to Article 25 of the Articles of Association, the members of the Board of Directors currently may hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

- up to three mandates in listed companies;
- up to three mandates in non-listed companies;
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

For further details, refer to Article 25 of the Articles of Association, which is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

3.4 Elections and terms of office

The General Meeting has the competence to appoint and remove the members of the Board. By virtue of the Ordinance against Excessive Compensation with respect to Listed Stock Corporations enacted by the Swiss Federal Council (the "Ordinance"), as from the ARYZTA 2014 AGM, all directors are subject to individual annual election by the General Meeting.

3.5 Internal organizational structure

3.5.1 Allocation of tasks within the Board of Directors

The Board has adopted Organizational Regulations that define the essential roles and responsibilities of the Board, the Chairman, the Committees of the Board and Executive Management. By virtue of Swiss law, as from the ARYZTA 2014 AGM, the office of Chairman and the members of the Remuneration Committee are subject to annual election by the General Meeting. Membership of the Audit Committee, the Governance and Nomination Committee and the respective Chairs thereof, are determined annually by the Board, following the Annual General Meeting, in accordance with the Organizational Regulations, which are available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

Corporate Governance Report (continued)

3.5.2 Tasks and areas of responsibility for each Committee of the Board of Directors

ARYZTA has an Audit Committee, a Governance and Nomination Committee and a Remuneration Committee. The powers and responsibilities of each Committee are set out in their respective Terms of Reference, as approved by the Board and which are available on the ARYZTA website at www.aryzta.com/about-aryzta/corporate-governance.

As of 31 July 2018, these Committees were comprised as follows:

	Governance and Nomination Committee	Audit Committee	Remuneration Committee
Gary McGann (Chairman)	X		X
Charles Adair			X ¹
Dan Flinter	X ¹		
Annette Flynn		X ¹	
Andrew Morgan		X	
Rolf Watter	X		X
James B. Leighton		X	

X denotes that the Board Member is on the applicable Committee.

¹ denotes the Board Member who chairs the applicable Committee.

Audit Committee

From 1 August 2017 until the Annual General Meeting on 7 December 2017, the Audit Committee was comprised of three non-executive directors, namely Annette Flynn (Chair), Andrew Morgan and Wolfgang Werlé. From 7 December 2017 to 31 July 2018, the Audit Committee was comprised of three non-executive directors, namely Annette Flynn (Chair), Andrew Morgan and James B. Leighton. In the 2018 financial year, the Audit Committee met seven times and the average duration of the meetings was approximately three hours. Due to the entering into of a consulting arrangement with Jim Leighton, and subject to his re-election as a director by shareholders, Jim Leighton will not be re-appointed to the Audit Committee following the 2018 AGM.

The Audit Committee's role includes reviewing the Group consolidated financial statements and Company financial statements, the interim and full-year results and the significant financial reporting judgements contained therein. The Audit Committee also reviews the Group's internal controls, and the scope and effectiveness of the Group's Internal Audit function. The Head of Internal Audit has access to the Audit Committee at all times and they, as well as the Group CFO, regularly attend meetings of the Audit Committee by invitation.

In the financial year 2018 the Audit Committee, operating under its Terms of Reference, discharged its responsibilities by reviewing:

- the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- the appropriateness of the Group's accounting policies;
- the audit and non-audit fees payable to the Group's external auditor;

Corporate Governance Report (continued)

- the external auditor's plan for the audit of the Group's accounts, which included key areas of extended scope work, key risks to the accounts, confirmations of auditor independence and the proposed audit fee, and approving the terms of engagement for the audit;
- the Group's financial controls and risk systems;
- the Internal Audit function's terms of reference, resources, its work programme and reports on its work during the year;
- the arrangements by which staff may, in confidence, raise concerns about possible fraud; and
- the quality of underlying earnings reported by ARYZTA.

Remuneration Committee

From 1 August 2017 to 31 July 2018, the Remuneration Committee was comprised of three non-executive directors, namely Chuck Adair (Chairman), Gary McGann and Rolf Watter. Each of these directors is considered by the Board to be independent in judgement and character. In FY 2018, the Remuneration Committee met seven times and the average duration of the meetings was approximately two hours.

The Remuneration Committee is responsible for determining all elements of the remuneration of the members of the Board and the Group CEO, and for approving the remuneration of other members of senior management, upon the recommendation of the Group CEO. The Remuneration Committee also reviews and makes recommendations to the Board on an annual basis regarding the proposed total remuneration of the Board and the Executive Management for future financial periods for approval at the Annual General Meeting of shareholders. The Group's remuneration policy for executive and non-executive directors and details of directors' remuneration are contained in the Compensation Report on pages 55 to 64 of this Annual Report, in accordance with the Swiss Code of Obligations and the SIX Directive on Information relating to Corporate Governance.

Governance and Nomination Committee

From 1 August 2017 to 31 July 2018, the Governance and Nomination Committee was comprised of three non-executive directors, namely Dan Flinter (Chairman), Gary McGann and Rolf Watter. Each of these directors is considered by the Board to be independent in judgement and character. In financial year 2018, the Governance and Nomination Committee met four times and the average duration of the meetings was approximately two hours.

The Governance and Nomination Committee is responsible for identifying and nominating, for approval of the Board and ultimately the shareholders, candidates to fill Board vacancies and for the continuous review of senior management succession plans. This role was prominent in Committee discussions during FY18. In addition, the Governance and Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board and making appropriate recommendations to the Board in order to ensure an adequate size and a well-balanced composition of the Board. The Governance and Nomination Committee is also responsible for making determinations regarding the independence of members of the Board. In that context, the Governance and Nomination Committee also engaged (together with other Directors) in a significant number of interviews over the course of FY18 in order to identify and recommend for approval to the full Board a number of candidates for election by shareholders as part of the Board renewal programme.

Corporate Governance Report (continued)

The Governance and Nomination Committee is charged with monitoring the Company's compliance with corporate governance best practices and with applicable legal, regulatory and listing requirements and recommending to the Board such changes or actions as it deems necessary. The Governance and Nomination Committee is also responsible for reviewing the performance and effectiveness of the Chairman and the full Board during the year. In the financial year 2018 the Governance and Nomination Committee worked collaboratively with the Remuneration Committee.

Ad hoc committee

In addition, in FY 2018 the Board established an ad hoc Committee comprising Gary McGann, Annette Flynn, Rolf Watter and Dan Flinter to review certain budgeting and forecasting controls and processes in ARYZTA. The ad hoc Committee made a number of recommendations to the Board during the course of the year and was dissolved in July 2018.

3.5.3 Work methods of the Board and its Committees

Eleven Board meetings were held during the financial year 2018. Save for Wolfgang Werlé who retired at the 2017 AGM without offering himself for re-election, no Board member attended less than 75% of Board and/or Committee meetings which he/she was eligible to attend. The average duration of regular Board meetings was approximately five hours. At regularly scheduled meetings, the Chairs of the Committees reported to the Board on their activities. Details of the remit of the Committees are set out in section 3.5.2.

Board of Directors

	Eligible to attend	Attended
Gary McGann (Chairman)	11	10 ¹
Chuck Adair	11	11
Dan Flinter	11	11
Annette Flynn	11	11
Jim Leighton	8	8
Andrew Morgan	11	10
Kevin Toland	9	9
Rolf Watter	11	10
Wolfgang Werlé	2	2

Audit Committee

	Eligible to attend	Attended
Annette Flynn (Chair)	7	7
Jim Leighton	5	5
Andrew Morgan	7	7
Wolfgang Werlé	2	2

Governance and Nomination Committee

	Eligible to attend	Attended
Dan Flinter (Chair)	4	4
Gary McGann	4	3 ¹
Rolf Watter	4	4

¹ Gary McGann was unable to attend one meeting during FY18 due to an emergency hospitalisation.

Corporate Governance Report (continued)

Remuneration Committee

	Eligible to attend	Attended
Chuck Adair (Chair)	7	7
Gary McGann	7	7
Rolf Watter	7	7

3.6 Definition of areas of responsibility

The Board of Directors is the ultimate governing body of ARYZTA AG. It has the power and competencies afforded by Swiss law (art. 716a of the Swiss Code of Obligation ('CO')) including in particular:

- 1) to approve the strategic objectives, annual budget and capital allocations;
- 2) to appoint and remove executive management; and
- 3) to act as the ultimate supervisory authority.

The following matters fall within the exclusive competency of the Board of Directors:

- To ultimately direct the Company and issue necessary directives;
- To determine the organisation of the Company;
- To organise the accounting, the internal control system, the financial control and the financial planning system, as well as perform a risk assessment;
- To appoint and remove the persons entrusted with the management and the representation of the Company and to grant signatory power;
- To ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law and with the Articles of Association, regulations and directives;
- To prepare the business report, as well as to convene the General Meeting and to implement its resolutions;
- To inform the judge in the event of over-indebtedness;
- To pass resolutions regarding the subsequent payment of capital with respect to non-fully paid-up shares;
- To pass resolutions confirming increases in share capital and the amendments to the Articles of Association entailed thereby;
- To examine compliance with the legal requirements regarding the appointment, election and the professional qualifications of the external auditors; and
- To execute the agreements pursuant to art. 12, 36 and 70 of Swiss merger law.

The Board has delegated responsibility for the day-to-day management of the Group, through the Group CEO, to Executive Management, to the extent allowed by Swiss law.

3.7 Information and control instruments pertaining to Group Executive Management

On 30 May 2018, the Board confirmed the appointment of a new Executive Committee as follows; Kevin Toland, Group CEO; Frederic Pflanz, Group CFO; Gregory Sklikas, CEO Europe; Dave Johnson, CEO North America; Claudio Gekker, COO Latin America; Robert O'Boyle, COO APMEA; John Heffernan, Chief Strategy Officer; and Tony Murphy, Chief People Officer.

Corporate Governance Report (continued)

In addition, on 25 June 2018, the Board confirmed the appointment of Rhona O'Brien as the new General Counsel and Company Secretary of the Company, commencing 11 September 2018. On commencement of her appointment, Rhona also joined the Executive Committee.

The Executive Committee reports in a structured manner to the Board with the Group CEO and Group CFO reporting to the Board on a regular basis. In particular, at each Board meeting, the Group CEO informs the Board of the status of current business operations, significant developments and major business transactions and the Group CFO reports on financial performance across the Group and on key financial figures and parameters. In addition, executives within the Group deliver presentations directly to the Board as and when appropriate.

The Board approves the formal Risk Assessment, as well as the design, implementation and maintenance of the Internal Control System.

The ARYZTA Internal Audit function reports directly to the Audit Committee and to the Group CEO and Group CFO. Internal Audit may audit all Group activities and regularly meets with Group Executive Management. Internal Audit discusses audit plans with the Audit Committee on at least an annual basis, but may discuss them more frequently should circumstances require.

The external auditors, PricewaterhouseCoopers AG (the Auditors of the ARYZTA Group consolidated financial statements and the Company financial statements), conduct their audits in compliance with the auditing standards referenced in their respective opinions.

4 Group Executive Management

On 30 May 2018, the Board confirmed that it had approved a new Executive Committee, comprised as follows: Kevin Toland (Group CEO); Frederic Pflanz (Group CFO); Gregory Sklikas (CEO Europe); Dave Johnson (CEO North America); Claudio Gekker (COO Latin America); Robert O'Boyle (COO APMEA); John Heffernan (Chief Strategy Officer); and Tony Murphy (Chief People Officer).

In addition, on 25 June 2018, the Board confirmed the appointment of Rhona O'Brien as its new General Counsel and Company Secretary, commencing 11 September 2018. On commencement of her appointment, Rhona also joined the Executive Committee.



Kevin Toland (1965, Irish)

Chief Executive Officer ('Group CEO')

Fellow of the Chartered Institute of Management Accountants; Diploma in Applied Finance from the Irish Management Institute

Mr Kevin Toland is the Chief Executive Officer ('Group CEO') of ARYZTA. From 2013 to 2017 he was CEO of daa plc, which operates Dublin and Cork airports, ARI (a global retailer in travel retail) and daa International. He previously held the position of Chief Executive and President of Glanbia USA & Global Nutritionals, a division of Glanbia plc, based in Chicago, Illinois. He was a member of the Glanbia plc Board of Directors from 2003 to 2013; and, was based in the US from 2004 to 2012. Kevin is a director of Total Produce plc and IBEC (the Irish Business and Employers Confederation). He became a member of the ARYZTA Board of Directors in December 2017.

Corporate Governance Report (continued)



Frederic Pflanz (1968, French/German)

Chief Financial Officer ('Group CFO')

Graduate Diploma in European Business Administration, ESB Business School; Bachelor of Business Administration (BBA), International Finance, European Studies, NEOMA Business School

Frederic Pflanz joined ARYZTA in January 2018 having previously served as a member of the Executive Board of Maxingvest AG from 2015 to 2017 and as a member of the Supervisory Board of Beiersdorf AG from 2015 to 2018. Prior to this, Frederic held a number of roles in Remy-Cointreau Group from 2010 to 2014, including Group CFO, COO, heading the Group's Global Operations and Director of External Development. Between 1992 and 2010, Frederic held a number of senior positions at L'Oreal Group, the world's largest cosmetics company, where he worked extensively across Continental Europe and Asia. Most recently he served as Chief Financial Officer of the Global Consumer Products Division, the largest division in the L'Oreal Group. Frederic has been a member of the Advisory Board (Beirat) of Stiftung Meridian since November 2017.



Dave Johnson (1956, American)

CEO North America

Bachelor of Business Administration with a concentration in Finance and an MBA from the University of Wisconsin

Dave Johnson is a native of Wisconsin, USA and brings to ARYZTA an extensive background in the food industry. Most recently he served for nine years at Barry Callebaut as President and CEO Americas, retiring in August 2017. Prior to Barry Callebaut, Dave spent over 20 years with Kraft Foods Global, Inc serving in a number of senior positions and was a member of the Global Executive team. His positions included President of Kraft North America from 2003-2006 and President of Operations, Technology and Procurement from 2002-2003. Dave also served as Chief Operating Officer and then Chief Executive Officer and member of the Board, at Michael Foods from 2007-2009.



Gregory Sklikas (1964, Greek)

CEO Europe

MSc, Computing Science, Cardiff University; Bachelor Business Administration, Economics, Athens School of Economics

Gregory is a seasoned international business leader, who has spent the whole of his career in food. Prior to joining ARYZTA in May 2018, Gregory spent 11 years at Royal Friesland Campina where he held a number of senior roles, including most recently, COO, Consumer Products EMEA and serving as a member of the Executive Board. Gregory also served as Regional Director South East Europe between 2011 and 2012 and Managing Director FrieslandCampina Hellas between 2006 and 2012. Between 1993 and 2006, Gregory spent 14 years at Unilever where he was Managing Director Algida Ice Cream Greece & Country Board Member based in Greece and previously held roles in regional marketing, trade and customer management.

Corporate Governance Report (continued)



Claudio Gekker (1965, Brazilian)

COO Latin America

Industrial engineering, Federal University of Rio de Janeiro, Brazil; MBA from the COPPEAD Graduate School of Business with an extension in the ESSEC International Business School in France

Claudio joined ARYZTA in May 2014 as head of the Group's Latin American activities. Before joining ARYZTA, Claudio had a long and experienced career in Brazil and Latin America working for multinational companies such as Nabisco, Coca-Cola Company, McCann Erickson, Nestlé and Bimbo Group. In January 2018 he became Vice President and member of the Board of the Brazilian Food Service Institute.



Robert O'Boyle (1975, Irish)

COO APMEA

Bachelor Degree of International Commerce (German) from University College Dublin, Ireland. Fellow of the Institute of Chartered Accountants in Ireland

From 1999 to 2008, Robert worked in Andersen and subsequently KPMG. Since 2008, Robert has fulfilled a number of senior management roles in ARYZTA. From 2013 to 2015 he held the role of European Trading Director, moving in 2016 to head of the Group's APMEA activities as regional COO.



John Heffernan (1970, Irish)

Chief Strategy Officer

Master of Business Administration, INSEAD; MSc, International Accounting and Finance, London School of Economics and Political Science; Bachelor of Commerce (B. Comm.), Banking and Finance, University College Dublin, Ireland

John joined ARYZTA as Chief Strategy Officer in February 2018, having previously held roles in daa plc; ARI and daa International. John served as Chief Development Officer of daa plc from 2014 to 2018. From 2006 to 2014, John was the founder and CEO of a number of businesses in clean energy including Clearpower and Aer Ltd. From 2003 to 2006, he was Acquisitions and Development Director with Boundary Capital, a boutique Irish-based private equity investor and corporate finance advisory. Prior to this, he worked with McKinsey and Company from 1997 to 2003.



Tony Murphy (1963, British)

Chief People Officer

B.A., Industrial Economics, University of Nottingham

Tony joined ARYZTA as Chief People Officer in December 2017. Tony previously held a number of senior HR roles, including with Mondelez as Vice President of Human Resources for the North America Region from 2012 to 2017, with Kraft Foods as Vice President of Human Resources for the Snacks & Confectionary Business in the United States from 2010 to 2012 and with Cadbury as Executive VP for Human Resources in North America from 2008 to 2010, Vice President for Human Resources for the United States and Canada from 2005 to 2008 and People Capability Director in the UK from 2004 to 2005. Tony also served in a number of senior HR roles with Diageo plc in the UK and North America from 1993 to 2004.

Corporate Governance Report (continued)



Rhona O'Brien (1974, Irish)

General Counsel and Company Secretary

Solicitor, Law Society of Ireland; Law (LLB Hons), Trinity College Dublin; Masters (LLM Hons) in Commercial Law from University College Dublin; Diploma in Notarial Law & Practice (Dip. Not. L.) (F.N.P.I.), Faculty of Notaries Public in Ireland

Rhona has served as senior legal and regulatory advisor with over 18 years of legal and governance experience. Rhona joined ARYZTA on 11 September 2018 from DCC Vital Ltd (part of the DCC plc business) where she held the role of Senior Counsel, Legal & Compliance. Prior to joining DCC Vital, Rhona was Senior Director of Legal and Risk Management at Parexel International (IRL) Limited, part of Parexel International Corporation. Rhona has held a variety of senior legal roles at eir (formerly eircom), including as General Counsel and a member of the Executive Senior Management Team from 2013 to 2016 and as Director of Regulation, Public Policy, Compliance and Equivalence from 2014 to 2016. Rhona trained with Arthur Cox before joining eircom as Director of Legal Services in 2007. Rhona is a qualified solicitor admitted in Ireland by the Law Society of Ireland and in England and Wales by the Law Society of England and Wales. Rhona is also a voluntary unpaid non-Executive Director on Dublin City Council Culture Connects Company Ltd.

4.2 Other activities and functions

Except for the above-mentioned assignments, members of Group Executive Management are currently not involved in other management or supervisory bodies. They are not active in managing or consulting functions with interest groups, nor do they hold public or political office. No member of the Group Executive Management holds management contracts for any company outside the ARYZTA Group.

4.3 Number of activities permitted outside the Group

Pursuant to Article 25 of the Articles of Association, the members of the Executive Management, subject to the approval by the Chairman of the Board, may currently hold no more than the following number of additional mandates in the supreme executive bodies of companies and organisations outside of the Company:

- none in listed companies;
- up to two mandates in non-listed companies;
- up to four mandates upon instruction of the Company in companies that are not directly or indirectly controlled by the Company (such as in pension funds and joint-ventures); and
- up to four mandates in (i) charitable organisations, (ii) associations or foundations and (iii) other non-profit institutions.

As noted above, in addition to his role as Group CEO of ARYZTA, Kevin Toland is a non-executive director of Total Produce plc, an Irish company whose shares are listed on the Irish Stock Exchange, trading as Euronext Dublin and the London Stock Exchange. The Board intends to propose an amendment to Article 25 at the Company's 2018 AGM, which would permit members of the Executive Management Team to hold up to one mandate in the supreme executive body of a listed company outside of the Group. The Board believes that there is benefit for the group if members of Executive Management hold a Non-Executive Directorship with another company as it can enhance their overall business experience, while providing insight into strong practices at other companies. If the proposed amendment is approved by shareholders, in line with international best practice corporate governance, members of Executive Management will only be permitted

Corporate Governance Report (continued)

to hold one external mandate as a Board Member of a listed company. Further details of the proposed amendment will be contained in the Company's 2018 AGM invitation.

For further details, refer to Article 25 of the Articles of Association, which is available on the Company website at www.aryzta.com/about-aryzta/corporate-governance.

4.4 Management contracts

There are no management contracts with third parties at ARYZTA Group.

Corporate Governance Report (continued)

5 Compensation, shareholdings and loans

Please refer to the Compensation Report on pages 55 to 64 for disclosures pertaining to compensation, as well as the content and method of determining the compensation and share-ownership programmes. Also, see Articles 20 and 21 of the Articles of Association (available at <http://www.aryzta.com/about-aryzta/corporate-governance/>), which govern the responsibilities of the Remuneration Committee and Group Remuneration principles.

Non-executive Directors' and Executive Management's share interests

As at 31 July 2018 and 31 July 2017, the Directors and Company Secretary had no interests, other than those shown below, in the ordinary shares in, or loan stock of, the Company or other Group undertakings.

Beneficial interests at 31 July 2018 and 31 July 2017 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of shares 2018	No. of shares 2017
Directors		
Gary McGann	14,700	5,650
Chuck Adair	5,062	5,000
Dan Flinter	1,215	1,200
Annette Flynn	1,012	1,000
Jim Leighton ¹	–	N/A
Andrew Morgan	–	–
Kevin Toland ¹	8,840	N/A
Rolf Watter	7,137	7,050
Wolfgang Werlé ¹	N/A	2,336
Executive Management		
Claudio Gekker	–	N/A
John Heffernan	1,274	N/A
Dave Johnson	–	N/A
Pat Morrissey ²	N/A	131,922
Dermot Murphy ²	N/A	35,000
Anthony Murphy	–	N/A
Robert O'Boyle	10,127	10,000
Frederic Pflanz	–	N/A
Gregory Sklikas	–	N/A
Total	49,367	199,158

¹ Effective 7 December 2017, W. Werlé retired from the Board and J. Leighton and K. Toland were elected to the Board.

² During FY2018 P. Morrissey and D. Murphy resigned from Group Executive management.

No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during the financial year, or were outstanding at 31 July 2018 (2017: none).

Corporate Governance Report (continued)

6 Shareholders' participation

6.1 Voting rights

Each ARYZTA share registered as a share conferring a voting right entitles the holder to one vote at a General Meeting. Only holders who are registered as shareholders with voting rights are entitled to exercise voting rights or the rights associated with them. The consent of the Company is required for registration in the share register as a shareholder with voting rights and such consent may be declined in the circumstances specified in Article 7 c), d) and e) of the Articles of Association (available at <http://www.aryzta.com/about-aryzta/corporate-governance/>) as described in more detail in section 2.6.3 above.

Under Article 7 f) of the Articles of Association, the Company may approve exceptions to these restrictions in exceptional cases. As indicated in section 2.6.2 above, ARYZTA has entered into arrangements with Euroclear UK and Ireland to enable investors whose interests in ARYZTA are represented by CDIs to exercise their voting rights. CDI holders who wish to be in a position to directly enforce or exercise their rights must have their interests entered in the share register in accordance with Article 7 of the Articles of Association and effectively hold their shares through a member of the Swiss SIS Settlement System.

Proxies are entitled to attend shareholders' meetings and exercise all rights of the represented shareholders at such meetings. Provisions regarding the appointment of proxies and the issuing of instructions to the independent proxy are contained in Article 13 of the Articles of Association.

6.2 Statutory quorums

Pursuant to Article 15 of the Articles of Association, resolutions at the General Meeting calling for a quorum of at least two-thirds of the votes represented are required for:

- The cases listed in art. 704 para. 1 CO and in art. 18 and 64 Merger Act;
- The easement or abolition of the restriction of the transferability of registered shares;
- The conversion of bearer shares into registered shares; and
- Any change to the provisions of article 15 of the Articles of Association.

6.3 Convocation of General Meeting of the shareholders

General Meetings are convened by the Board of Directors and, if need be, by the Auditors. In addition, the Board of Directors must convene a General Meeting within two months if shareholders who jointly represent at least ten per cent of the share capital of the Company request in writing that a meeting be called and give details of the items to be discussed and the motions. Notice of the General Meeting is given by publication in the Swiss Official Gazette of Commerce and on the Group's homepage (www.aryzta.com) at least 20 days before the date of the meeting. The notice must state, inter alia, the day, time and place of the Meeting and the agenda.

Corporate Governance Report (continued)

6.4 Agenda

The Board states the items on the agenda. One or more registered shareholders with voting rights who jointly represent at least ten percent of the share capital of the Company registered in the Commercial Register may request items to be included in the agenda. Such requests must be in writing, specifying the items and the proposals, and be submitted to the Chairman at least 45 days before the date of the General Meeting.

6.5 Entry in the share register

The relevant date to determine the shareholders' right to participate in the General Meeting, on the basis of the registrations appearing in the share register, is set by the Board in the invitation to the General Meeting.

7 Change of control and defence measures

7.1 Obligation to make an offer

ARYZTA does not have a provision on opting out or opting up in its Articles of Association. Thus, the provisions regarding the legally prescribed threshold of 33 1/3% of the voting rights for making a public takeover offer set out in Article 135 of the FMIA are applicable.

7.2 Change of control clauses

Benefits under the ARYZTA LTIP vest upon a change of control by reference to the fair value of the LTIP instruments. The final determination of such fair value falls to be made by the Board of Directors (acting through the Remuneration Committee thereof) on the basis of independent, external, professional advice. Otherwise, the agreements and plans benefiting the members of the Board or the Group Executive Management team are unaffected by a change of control. Further details regarding the benefits under the ARYZTA LTIP are set out in the Compensation Report on pages 55 to 64 of this Annual Report.

8 Auditors

8.1 Duration of the mandate and term of office of the lead auditor

Following a formal tender process, PricewaterhouseCoopers AG, Zurich, was elected as statutory auditor and Group auditor beginning in December 2009 and has been elected for a term of one year each year thereafter. Sandra Boehm was the lead auditor for the financial years 2018 and 2017. Patrick Balkanyi was lead auditor from PricewaterhouseCoopers AG's appointment in 2009 to 2016. The lead auditor rotates every seven years in accordance with Swiss law. At the 2017 AGM, PricewaterhouseCoopers AG, Zurich, was re-elected as statutory auditor and Group auditor for the 2018 financial year.

8.2 Audit fees

The total audit and audit-related fees charged by the Group auditors in financial year 2018 amounted to €2,450,000.

The total audit and audit-related fees charged by the Group auditors in financial year 2017 amounted to €2,479,000.

Corporate Governance Report (continued)

8.3 Additional fees

The Group's policy is to manage its relationship with the Group's external auditor to ensure their independence is maintained. In order to achieve this, the Board has determined limits on the type and scale of non-audit work that can be provided by the auditor.

Contracts to the auditor for other non-audit work are deemed to be pre-approved by the Audit Committee, up to an aggregate limit of 75% of the audit fee on average over a three year period. This is subject to the requirement that all contracts for specific pieces of non-audit work with fees exceeding €250,000 be awarded on the basis of competitive tendering. Where the awarding of a contract for non-audit work to the auditor is to be made that is likely to increase total fees for non-audit work above this aggregate limit, the Group CFO consults the Chair of the Audit Committee in advance of such a contract being awarded.

Fees for additional services rendered by the auditors to the ARYZTA Group in financial year 2018 totalled €1,138,000 (2017: €1,429,000). A significant portion of these fees related to tax return preparation or review in over 20 countries, covering more than 100 legal entities.

Auditor's remuneration

in EUR '000	2018	2017
– Auditor's remuneration for audit and audit-related services	2,450	2,479
– Auditor's remuneration for tax compliance and related services	758	1,052
– Auditor's remuneration for tax consulting services	340	377
– Auditor's remuneration for advisory services	40	–
	3,588	3,908
– Total other fees / Audit and audit-related services	46%	58%
– Tax consulting or advisory services / Audit and audit-related services	16%	15%

8.4 Information tools pertaining to the external audit

PricewaterhouseCoopers presents to the Audit Committee a detailed report on the results of the 2018 Group consolidated and Company financial statement audits, the findings on significant financial accounting and reporting issues, as well as the findings on the Group's internal control system ('ICS').

In the financial year 2018, both PricewaterhouseCoopers and the Group Head of Internal Audit participated in all regularly scheduled Audit Committee meetings. The Group CFO or Interim CFO attended and participated in all Audit Committee meetings during their respective appointments. Other members of the Group Executive Management attended the meetings as invited. In addition, the Group Head of Internal Audit regularly met with the Chair of the Audit Committee for interim updates. During the year the Audit Committee and the Chair of the Audit Committee met with PricewaterhouseCoopers without management present and vice versa.

On an annual basis, the Board of Directors reviews the selection of the auditors, in order to propose their appointment to the Annual General Meeting of ARYZTA. The Audit Committee assesses the effectiveness of the work of the auditors in accordance with Swiss law. The lead auditor rotates every seven years in accordance with Swiss law.

Corporate Governance Report (continued)

During meetings of the Audit Committee, audit and non-audit-related fees to be charged by PricewaterhouseCoopers during the year, are reviewed to mitigate the risk of any potential impairment to PricewaterhouseCoopers' independence. PricewaterhouseCoopers monitors its independence throughout the year and confirms its independence to the Audit Committee annually.

9 Investor Communications Policy

Guiding principles

ARYZTA is committed to pursuing an open and consistent communication policy with shareholders, potential investors and other interested parties. The guiding principles of this policy are that ARYZTA gives equal treatment to shareholders in equal situations, that any price-sensitive information is published in a timely fashion and that the information is provided in a format that is as complete, simple, transparent and consistent as possible.

Quarterly announcement cycle

Announcement	News Release	Report	Conference Call	Webcast
First-quarter trading update	x		x	
Half-Year results	x	x	x	x
Third-quarter trading update	x		x	
Full-year results	x	x	x	x
Annual Report	x	x		

All announcements, reports and webcasts are available on the ARYZTA website: www.aryzta.com. An automatic alerting service is also provided through the website.

ARYZTA's Investor Relations programme for institutional investors is carried out in line with the quarterly announcement cycle. These investor communications focus either on recently announced financial results, recent corporate activity or the longer-term strategy of the Group. They do not serve the purpose of disclosing new information that might encourage an investment decision.

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Corporate Governance Report (continued)

Key dates to September 2019

Annual General Meeting 2018	1 November 2018
First-quarter trading update	26 November 2018
Announcement of half-year results 2019	11 March 2019
Third-quarter trading update	28 May 2019
Announcement of the 2019 annual results	30 September 2019