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 1 November 2018 for the remuneration of the Board of Directors and Executive Management

Compensation Booklet | Key Considerations

As described prior to the 2017 Annual General Meeting ('AGM'), the Board and the Committee invested significant time during this challenging year in reviewing our remuneration. In doing so, the Board and the Committee were supported by independent external consultants.

Last year a few shareholders voiced concerns over the payment of retention awards. ARYZTA would like to take this opportunity to re-iterate that the Group's remuneration philosophy is grounded in pay for performance – the FY17 retention awards were the exception rather than the rule – a one-off in extreme circumstances and have not been repeated.

As discussed in this year's Chairman's letter and the CEO's review contained in the Annual Report, 2018 ('FY18') was a very difficult year for ARYZTA and the Group remains in a period of transition. The challenges the business faced during FY18 are reflected in the absence of a short-term bonus pay out for the CEO and CFO during the year. The only pay outs were to Executives responsible for regions that performed well during the year.

During FY18, the Board has focused on implementing the necessary strategic, financial and operational changes required to ensure the Group returns to our peer group's level of performance. In the face of exceptional circumstances, as a Board, our focus has been to establish a baseline and develop a cohesive strategy to move forward.

Separate to the key component of stabilising the business was the appointment of a new Executive Committee. The Board has had significant success in recruiting individuals with relevant expertise and experience to lead the business through its multiyear turnaround. After a substantial period of change, seven of the nine members of the current Executive Committee have been appointed within the last 14 months.

In light of the challenges facing the business, the length and depth of the strategic review and the level of change at Executive Committee level, the Committee were not in a position to set sensible performance targets and grant a Long Term Incentive Plan (LTIP) during FY18. Only two members of the Executive management team received a Short Term Incentive Plan (STIP) award this year, based on the measures outlined in our 2017 AGM Compensation Booklet.

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Compensation Booklet | Key Considerations

Nonetheless, a fundamental part of recruiting our newly formed senior management team was the establishment of a LTIP, which we communicated would be set up upon completion of the strategic review and the stabilisation of business performance.

While significant progress has been made during FY18, it became clear to the Board that an equity raise of €800 million was required to stabilise the business and create the necessary financial flexibility to implement the business turnaround plan. The equity raise will be subject to shareholder approval at the 2018 AGM.

Following the AGM, we will have our recapitalisation plan and efficiency initiative (Project Renew) in place which provides the framework for the delivery of our strategic goals. The Committee is committed to ensuring that the remuneration arrangements are focused on recruiting, retaining and motivating executives who can improve the performance of the company and return it to our peer group's levels of performance.

The Committee determined that the appropriate timing for the granting of awards was after the successful completion of the equity raise in November, which will provide a clear reference point for management alignment with shareholders.

Subject to the successful completion of the equity raise, the Committee plans to grant the following awards:

FY18 Award – 2-year performance period (i.e. FY19 and FY20)

FY19 Award – 3-year performance period (i.e. FY19, FY20 and FY21)

The structure and timing of these plans will support us in retaining and incentivising management to deliver our strategic goals, and fulfils our contractual commitments. This is both key for our business and our shareholders to ensure future success and fits within the FY19 Executive Management Compensation limit, as approved by shareholders at the 2017 AGM.

The purpose of our Compensation Report is to clearly inform shareholders of the remuneration framework, policies and practices applicable to the Board and Executive Management.

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Compensation Booklet | Key Considerations

As with last year, in line with the Swiss Code of Best Practice for Corporate Governance, the Swiss Ordinance against Excessive Compensation regarding Listed Stock Corporations and our Articles of Association, we are asking shareholders at the 2018 AGM to cast an advisory (non-binding) vote on:

- The Compensation Report included in our Annual Report for FY18; and
- Separate binding votes on two aggregate amounts of remuneration for:
    1) The Board (until the 2019 AGM); and
    2) The Executive Management (for the financial year ending 31 July 2020 ('FY20').

This booklet provides the context and rationale behind the remuneration proposals for the Board and Executive Management.

We would like to thank shareholders and proxy advisors for their input and engagement during 2018 and continue to welcome all feedback on our remuneration and wider corporate governance practices. The Chairman of the Board and the Chairman of the Committee are available for consultation on either or both of these subjects.

Gary McGann,

Chairman, Board of Directors

Charles Adair,

Chairman, Remuneration Committee

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About this Booklet

This booklet is designed to be read with the FY18 Compensation Report, contained in the Annual Report, and is an important source of background material for the Annual General Meeting ('AGM').

What's Inside:

1. Agenda Item 1.2: Advisory Vote on the Compensation Report 2018

MOTION: The Board of Directors propose that the Compensation Report for the financial year 2018 be ratified in a non-binding advisory vote.

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

MOTION: The Board of Directors propose that shareholders approve a maximum aggregate amount of the remuneration of the Board for the period from the 2018 AGM to the next AGM of CHF 1,500,000.

3. Agenda Item 5.2: Remuneration of Executive Management for the next financial year (i.e., the financial year from 1 August 2019 to 31 July 2020 (FY20))

MOTION: The Board of Directors propose that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 18,000,000 to the members of Executive Management.

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Agenda Item 1.2: Advisory Vote on the Compensation Report 2018

The Board of Directors propose that the Compensation Report for the financial year 2018 be ratified in a non-binding advisory vote.

Remark: As in prior years, and in keeping with recommendations in the Swiss Code of Best Practice for Corporate Governance, the Board of Directors has decided to submit the Compensation Report 2018 to a separate non-binding advisory vote of the shareholders.

Please refer to the Compensation Report 2018, Appendix II

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Executive Management Remuneration: Long Term Incentive Plan (LTIP) Details

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LTIP Awards

✔ Subject to the successful completion of the equity raise, the Committee will grant the following awards:

- **FY18 Plan: 2-year performance period**
  > (50% Options : 50% Performance Shares[1]).

- **FY19 Plan: Normalised 3-year performance period**
  > (25% Options : 75% Performance Shares[1]).

✔ The awards will be linked exclusively to financial measures:
- Operating Free Cash Flow (FCF)[2] and Return on Invested Capital (ROIC)[3].
- The exception is that the CEO is tasked with the successful disposal of Picard in his metrics.

✔ The target range will be in line with previously communicated management guidance.

✔ The market standard malus and clawback provisions will be included in the LTIP.

1. Explanatory Note on the choice of the use of Options and Performance Shares in the awards is contained in Appendix 1: Note 1
2. Explanatory Note on the definition of Operating Free Cash Flow is contained in Appendix 1 : Note 2
3. Explanatory Note on the definition of Return on Invested Capital is contained in Appendix 1 : Note 3

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Executive Management Remuneration: Long Term Incentive Plan (LTIP) Rationale

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FY18 Award is an exception to our practice of a 3-year performance plan

- ✔ Exceptional circumstances justified the delay in granting award during FY18 as it was not possible to establish credible 3-year targets:
  - The business was going through a period of stabilisation and dramatic change.
  - We were unable to align performance measures and targets.
  - We needed time to develop our three-year strategic plan including our efficiency plan (Project Renew).
  - The successful completion of the equity raise will provide a solid base to determine the level of the award and align with shareholders.
  - Setting targets post the equity raise aligns management incentives with shareholders' interests.
  - The awards are central to driving the multiyear turnaround.
- ✔ Simplified performance criteria focused solely on financial measures, more closely align the interests of management and shareholders during this critical first phase of the strategic turnaround.
- ✔ The plan was a key component in the recruitment of the Executive team.
  - It is critical to have a mechanism that will retain and incentivise management to deliver our strategic goals.
  - Most importantly, it is a core component of any company’s normal compensation package.
  - It honours our contractual commitments made to them.
- ✔ This will ensure there is complete alignment of the Management LTIP with the Shareholder expectations of the future financial performance of the Group.

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Executive Management Remuneration: Short Term Incentive Plan (STIP)

STIP Awards

- ✔ **FY18**
  - Awards based on achievement of two core metrics:
    - > **Financial**
      - » CEO & CFO: EBITDA & Net Debt:EBITDA
      - » Other Executives: EDITDA & Operating Free Cash Flow (FCF)
    - > **Strategic / Personal**
      - » A limited number of core metrics set in conjunction with their manager
  - No award for Group CEO & CFO and majority of Executive Committee.
  - The only executive bonuses paid were for the COO APMEA and COO LATAM.
- ✔ **FY19**
  - Strategic / Personal objectives removed
  - Awards based on achievement of purely financial metrics:
    - > **Financial**
      - » CEO & CFO and Function Heads: EBITDA & Net Debt:EBITDA
      - » Regional CEOs & COOs: EDITDA & Operating Free Cash Flow (FCF)
  - Board will set threshold & maximum target range for each measure; Bonuses may not exceed 150% of base salary.
  - The target range will be in line with previously communicated management guidance.
- ✔ The Committee is satisfied that these measures are fully aligned to the Group's goals of driving earnings growth while deleveraging the business.

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Executive Management Remuneration: CEO Remuneration

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- ✔ CEO Remuneration remains unchanged from the last AGM.
- ✔ As per last year, the maximum potential annual bonus for the CEO, based on EBITDA (50%) and Net Debt:EBITDA (50%) performance measures, is capped at 150% of salary.
- ✔ No guaranteed pay out exists under the annual bonus.
- ✔ Based on the financial outcome of FY18 no bonus is payable to the CEO
- ✔ The proposed CEO LTIP award level remains unchanged from the previous year.
- ✔ CEO LTIP performance measures are (i) Operating Free Cash Flow (FCF) (50%); (ii) Return on Invested Capital (ROIC) (50%).
- ✔ Performance shares and share options will be valued for reporting purposes using generally accepted valuation models to determine their fair value at grant.
- ✔ Under each of the measures, the Committee will set threshold and maximum targets with straight line vesting between the two.
- ✔ Within the stated LTIP opportunity the CEO's targets include the successful disposal of the Picard investment.
- ✔ Market standard malus and clawback provisions will be included in the LTIP.

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

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Board Remuneration Structure

in CHF	
323,000	**Chairman of the Board**
88,000	**Non-Executive Directors**

Additional Fees

in CHF	
16,000	**Chairman of a Board Committee**
8,000	**Non-Executive Board Committee Directors**
15,000	**North American Directors (supplementary)**

- Remuneration levels for the Board have remained effectively the same since 2009.
- Fees for Board members remain unchanged.
- The extra supplementary fees of CHF 15,000 for US based Directors compensates for the significant extra travel time involved in attending Board and Committee meetings, primarily in Zurich.
- Overall fees increase to CHF 1,500,000.
- The increase in the total amount is reflective of net two additions to the Board and also allows for additional consultancy payments, including FX movements, to Jim Leighton for advice in relation to the implementation of ARYZTA's three-year €200m cost reduction initiative, Project Renew.

Evolution of Board Remuneration

in CHF	2018-2019 AGM	2017-2018 AGM
Chairman of the Board	323,000	323,000
Other Members of the Board[1]	1,177,000	787,000
Total	1,500,000	1,110,000

1 Includes, in both years, payment for Jim Leighton of USD150,000 for advice in relation to the implementation of ARYZTA's three-year €200m cost reduction initiative, Project Renew

- A decision to align with shareholders' interests will see the Board Remuneration structure now feature a split between cash (60%) and restricted shares (40%); with Social Security costs on Equity Award included in the payment.
- Non-Executive members of the Board are not eligible for performance-related payments or the LTIP.
- Remuneration levels reflect 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.

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

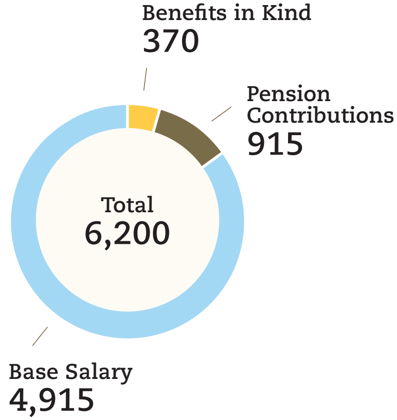
The Board of Directors propose that shareholders approve a maximum aggregate amount of remuneration for the 2020 financial year of CHF 18 million to the members of the Executive Management[4].

At the 2017 AGM, ARYZTA Executive Management comprised 4 individuals.

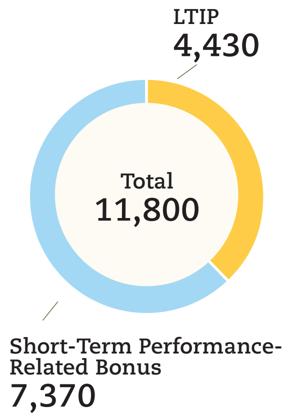
During the course of FY18, the Board put in place a more conventional group executive management committee for ARYZTA, comprised of the following roles: CEO; CFO; CEO North America; CEO Europe; COO APMEA; COO LATAM; Chief Strategy Officer; Chief People Officer; and General Counsel & Company Secretary.

The Executive Management will comprise 10 individuals by FY20.

Fixed Remuneration (000s) CHF (provision for total maximum)



Variable Contingent Pay (000s) CHF (provision for total)



» **to a maximum CHF 18,000,000**

4 Explanatory Note on comparison with previously approved number of CHF 21M is contained in Appendix 1: Note 4

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

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This table shows the maximum prospective compensation proposed at the FY16, FY17 and FY18 AGMs.

– Note that the number of individuals in Executive Management has fluctuated, which impacts the aggregate amounts sought at AGM and the actual amounts paid.

	Maximum Prospective (for approval at 2018 AGM)	**Maximum Prospective (approved at 2017 AGM)**	**Maximum Prospective (approved at 2016 AGM)**
in CHF '000	**Total Executive Management FY20**	**Total Executive Management FY19**	**Total Executive Management FY18**
Base salaries	4,915	4,800	3,600
Benefits in kind	370	225	200
Pension contributions	915	825	450
Annual bonus	7,370	7,200	5,400
Long-term incentives (LTIP)	4,430	7,950	5,400
Total compensation	**18,000**	**21,000**	**15,050**
Headcount	**up to 10**	**up to 10**	**4**

No compensation expense has been recognized to date for LTIP awards made in FY16, as the required minimum performance targets have not been achieved.

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Binding Motions - Key Takeaways

Agenda Item	Motion	Why you should vote to approve
5.1: Remuneration of the Board until the next AGM	The Board proposes that shareholders approve a maximum aggregate amount of the remuneration of the Board for the period from the 2018 AGM to the next AGM of CHF 1,500,000.	✔ ARTZTA non-executive director fees have remained largely unchanged since 2008 and will be paid partly in shares to align with shareholder's interests.
5.2: Remuneration of Executive Management for the next financial year (i.e., the financial year from 1 August 2019 to 31 July 2020 (FY20))	The Board proposes that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 18,000,000 to the members of Executive Management.	✔ The majority of remuneration is variable ('at-risk') and based solely on financial performance achievements. ✔ The programme structure includes shareholder-friendly features and mitigates risk-taking behavior. ✔ The remuneration strategy is fully aligned with shareholders and features targets embedded in the 3 Year Plan

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Appendix I: Explanatory Notes

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Explanatory Notes

Note 1: Use of options and performance shares
In 2016, as part of a review of the long-term incentive plan, the Committee approved the use of performance shares, with half of awards to be granted in performance shares and half in the form of share options. For FY18, awards will be made in the same manner. The Committee is aware of the evolution of market practice on long-term incentive plans which includes a shift away from share options. The Committee envisages transitioning to performance shares only by 2020, with the initial step proposed in 2019.

In the interim, the Committee remains confident that the mix of performance shares and share options is an appropriate long-term incentive for the leaders of the business. The share options provide an additional stretch in that the share price has to grow materially in addition to the performance conditions being achieved for value to accrue to Executive Management. This strengthens the alignment between Executive Management and shareholders in the commitment to re-establishing stability for the business and, in turn, promoting performance and growth. In summary, the Committee considers that at this particular time, as the business progresses through this period of stability, turnaround, and growth over the period of the plan, the mix provides the most appropriate tool.

Note 2
Operating free cash generation (or operating free cash flow) (FCF), is defined as EBITDA net of working capital movement (incl. debtor securitisation), capital expenditure, proceeds from sale of fixed assets & investment property, and restructuring-related cash flows.

Note 3
Return On Invested Capital (ROIC) is calculated using a pro-forma trailing twelve month segmental Underlying EBITA ('TTM EBITA') reflecting the full twelve month contribution from acquisitions and full twelve month deductions from disposals, divided by the respective Segmental Net Assets, as of the end of each period.

Note 4
As detailed in the Compensation Report, actual remuneration in FY18 was significantly below the maximum proposed amount approved at the 2016 AGM (CHF 15,050,000). Following the significant change at senior management level during FY17, the Executive Management team going forward is planned to be more conventional and comprise substantially more than the previous level. For FY20, Executive Management will comprise 10 individuals.

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Appendix II: Compensation Report 2018

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Annual Report and Accounts 2018
Compensation Report

Introduction

As discussed in the Chairman's letter and the CEO's review, the financial year ended 31 July 2018 ('FY18') was a very difficult year for ARYZTA and the Group remains in a period of transition. Bonus payouts for the year under review reflect the disappointing financial and shareholder returns performance. The only payouts under the short-term incentive scheme related to Executives responsible for regions that performed well during the year. The CEO and CFO did not receive a bonus payout for FY18.

Review of Remuneration
During FY18, the Board has focused on implementing the necessary strategic, financial and operational changes required to ensure the Group returns to expected levels of performance. In the face of exceptional circumstances, as a Board our focus has been to establish a baseline and develop a cohesive strategy to move forward.

Separate to the key component of stabilising the business was the appointment of a new Executive Committee. As detailed on page 26, the Board has had significant success in recruiting individuals with the relevant expertise and experience to lead the business through its multiyear turnaround. After a substantial level of change, seven of the nine members of the current Executive Committee have been appointed within the last 14 months.

In light of the challenges facing the business, the length and depth of the strategic review and the level of change at Executive Committee level, as a Committee, we were not in a position to set sensible performance targets and grant an Long Term Incentive Plan (LTIP) during FY18. Nonetheless, a fundamental part of recruiting our newly formed senior management team was the establishment of a LTIP, which we communicated would be set up upon completion of the strategic review and the stabilisation of business performance. There were no recruitment or sign-on payments granted to any of the recruited Executive Committee members.

While significant progress has been made during FY18, it became clear to the Board that a capital raise of €800 million was required to create the necessary strategic and financial flexibility to implement the business turnaround plan. The capital raise will be subject to shareholder approval at the 2018 AGM.

Following the AGM, we will have our recapitalisation plan and efficiency plan (Project Renew) in place which provides the framework for the delivery of our strategic goals. This has allowed us to develop measures that the Committee consider central to our refocused strategy and the restoration of performance. The Committee is committed to ensuring the remuneration arrangements are focused on recruiting, retaining and motivating executives who can improve the performance of the company and return it to acceptable levels of performance.

In structuring the revised remuneration framework, the Committee placed significant emphasis on aligning the interests of management and shareholders, and awards will be linked to purely financial measures; namely Operating Free Cash Flow (FCF) and Return on Invested Capital (ROIC). Those measures are fully aligned with our short-and long-term strategy to generate the necessary cash flow to deleverage the business, while ROIC promotes capital discipline and emphasises the importance of returns.

The Committee determined that the appropriate timing for the granting of awards was after the successful completion of the capital raise in November, which will provide a solid base to determine the level of award.

Compensation Report (continued)

LTIP Awards
Subject to the successful completion of the equity raise, the Committee will grant the following awards:

– FY18 Award – 2-year performance period (i.e. FY19 and FY20)
– FY19 Award – 3-year performance period (i.e. FY19, FY20 and FY21)

The Committee is fully aware of the expectation that all LTIP awards are subject to a three-year performance period. However, in light of the truly exceptional circumstances that the business faced in FY18, the Committee determined that delaying the grant of the FY18 award – and basing it on FY19 and FY20 performance – was in the best interests of shareholders and would support the business by incentivising management to deliver our strategic goals, while also fulfilling our contractual commitments to members of senior management, a number of whom were appointed during FY18.

The granting of this deferred LTIP, and the one-off shortened period for the FY18 award, reflects the inability of the Committee to confirm the performance measures and targets during FY18 in light of the exceptional challenges facing the business. These awards are central to driving the multiyear turnaround we now have in place and ensuring the delivery of our refocused strategy and future success. As detailed in last year's annual report, all equity awards to be granted to the CEO, including the FY18 award, remain subject to a two-year holding period after vesting.

Short-term Incentive Plan
The Committee has also reviewed the annual bonus plan to ensure it appropriately complements our multiyear turnaround plan. Following that review, the Committee can confirm that the short-term incentive plan will be based on the following measures:

– EBITDA
– Net Debt: EBITDA or Regional Operating Free Cash Flow for Regional CEO's

The Committee is satisfied that these measures are fully aligned to the Group's goals of driving earnings growth while deleveraging the business. As noted, there were no pay-outs to the CEO under the short-term incentive framework based on FY18 performance.

Shareholder Engagement
At the 2017 Annual General Meeting ('AGM'), a significant minority of shareholders opposed the approval of the Compensation Report. In engaging with shareholders to fully understand the reasons for opposing the Compensation Report for the financial year ended 31 July 2017 ('FY17'), the Committee recognises that a number of shareholders voiced concerns over the payment of retention awards. ARYZTA reaffirms that the Group's remuneration philosophy is grounded in pay for performance – the FY17 retention awards were the exception rather than the rule. No such payments have been made this year or will be made in future.

As part of the process to confirming our approach to the FY18 and FY19 LTIPs, we engaged with certain shareholders and proxy advisors. During FY19, we will build on this engagement and engage with shareholders to foster mutual understanding of our respective views on remuneration and corporate governance generally.

Compensation Report (continued)

In compliance with the Articles of Association of the Company, at the 2018 AGM, shareholders will be asked to approve the maximum aggregate amount of remuneration of:

- the Board of Directors for the period until the next AGM (i.e. the period until the 2019 AGM); and
- the Executive Management team for the following financial year (i.e. the financial year ending 31 July 2020).

In addition, as in prior years, the Board will submit this Compensation Report to a separate advisory vote of the shareholders at the 2018 AGM in line with the Swiss Code.

Executive Management Changes

A detailed overview of the changes to the Executive Management team during the year ended FY18 is set out on page 26 of the Corporate Governance Report.

As noted therein, on 30 May 2018, ARYZTA announced that the Board 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 25 June 2018, ARYZTA confirmed the appointment of Rhona O'Brien as its new General Counsel and Company Secretary. On commencement of her appointment on 11 September 2018, Rhona also joined the Executive Committee.

In connection with his departure from the Group, ARYZTA entered into a Termination Agreement with Pat Morrissey, former General Counsel, Company Secretary and CAO. Amounts payable to Pat Morrissey under the Termination Agreement in respect of FY18 have been included in the table of aggregate remuneration payable to members of Executive management on page 61.

The table on page 61 of this Compensation Report presents total FY18 remuneration for the Executive Management team in accordance with applicable Swiss law (rather than IFRS). For greater transparency, this is broken out further between current and former Executive Management in the table also on page 61.

CEO Remuneration

Kevin Toland commenced his role as CEO on 12 September 2017. The Committee gave careful and detailed consideration to our new CEO's remuneration. In particular, the Committee took time to assess European best-practice in terms of structuring the package. As a reference point, the Committee had regard to market data on remuneration to ensure it was market competitive. The aim of the Committee in designing remuneration arrangements for the new CEO was to ensure they reflect evolving best-practice, have clear alignment with shareholders, incorporate both robust structural elements and an emphasis on performance, and promote the long-term success of the company.

The Board is committed to ensuring that our remuneration framework supports ARYZTA's strategy, and provides a balance between motivating and challenging the CEO to deliver ARYZTA's near term business priorities together with sustainable, long-term success. While the targets and measures to be employed under the Group's LTIP are yet to be finalized, a significant part of the performance related reward will be delivered through

Compensation Report (continued)

equity awards to promote alignment between his interests and those of ARYZTA's shareholders.

The Committee is conscious of the increased focus on executive remuneration from a number of stakeholders. While ARYZTA's primary listing is in Switzerland, given the global scale of our business, the Committee keeps apprised of key developments with regard to corporate governance and remuneration throughout Europe.

Performance Measures and Targets
As detailed in the introduction the Compensation Report, the Board and the CEO conducted a deep review of strategy during FY18 with the aim of narrowing the focus to our core B2B business.

As part of the process to establish appropriate performance measures, targets and vesting schedules and our commitment to transparency, ARYZTA consulted with shareholders during FY18 to provide them with the opportunity to express their views on the Committee's proposals and our remuneration framework.

After the completion of that review, and the establishment of the key performance criteria necessary to deliver the multiyear turnaround plan and return to the business to acceptable performance, the Committee determined the following measures and weightings for the FY18 and FY19 LTIP awards:

– Operating Free Cash Flow after Capex and Disposals (50%)
– Return on Invested Capital (50%)

Under the short term incentive plan, bonuses will be paid based on performance against the following measures:

– EBITDA
– Net Debt: EBITDA

The targets to be employed under the STIP and LTIP will be determined in due course and disclosed in the FY19 Compensation Report.

Compensation Process

Role of the Remuneration Committee of the Board
As in prior years, FY18 the Committee was, within the limits of the relevant shareholder approvals, responsible for:

– determining the remuneration of executive and non-executive members of the Board; and
– approving the remuneration of other members of senior management, upon the recommendation of the CEO.

The Committee reviews the various elements of remuneration on an annual basis to ensure that executives are remunerated in line with the level of their authority and responsibility within the Group. The Committee reports to the Board at the next Board meeting following each meeting of the Committee. In addition, all Committee papers (e.g., agenda, minutes, presentations, etc.) are available to all members of the Board. The CEO attends meetings of the Committee by invitation only.

Compensation Report (continued)

Shareholder Approval and Pay-outs
At our December 2017 AGM, shareholders ratified the FY17 Compensation Report in a separate advisory vote. At that meeting, shareholders also fixed CHF 1,200,000 as the maximum remuneration of the Board of Directors for the period ending at our 2018 AGM. As per the table on page 60, directors' fees for FY18 totalled CHF 990,000.

At our December 2016 AGM, shareholders approved a maximum aggregate amount of remuneration of CHF 15,050,000 for members of Executive Management for the 2018 financial year. As per the table on page 61, Executive Management remuneration during FY18 totalled CHF 9,949,000.

Employment Contracts
The employment contracts of the CEO and other members of Executive Management provide for notice periods of no more than 12 months and non-compete clauses of up to an additional 12 months thereafter.

Compensation to members of the Board of Directors – FY 2018

For FY 2018, consistent with the shareholder approval, non-executive Board members were paid a yearly fee of CHF 88,000, reflecting the time commitment and responsibilities of the role. Additional compensation for non-executive directors for service on a Board Committee was CHF 8,000 and CHF 16,000 for the Chair thereof. In addition, in recognition of the extra burden and time commitment associated with transatlantic travel, an additional allowance of CHF 15,000 per annum was allowed for Board members based in North America.

The non-executive Chairman of the Board was paid an annual fee of CHF 323,000 to cover all his duties.

Non-executive Board members are not eligible for performance-related payments and therefore did not participate in the LTIP.

The CEO received no additional compensation for his role as a Board member.

In June 2018 the Group entered into a consultancy arrangement with Jim Leighton pursuant to which Mr Leighton will provide advice in relation to the implementation of ARYZTA's three-year €200m cost reduction, Project Renew. The compensation payable to Mr Leighton under the arrangement amounts to €125,000, over the course of the consultancy, of which €29,000 accrued during FY18.

The following table reflects the payments received by Board members during the years ended 31 July 2018 and 2017 (inclusive of any additional fees for service on a committee). Fluctuations in amounts received are reflective of the changing roles and responsibilities held by the individual directors, during each respective year.

Compensation Report (continued)

in CHF `000	**Direct payments year ended 31 July 2018**	Direct payments year ended 31 July 2017
Denis Lucey[3]	**–**	135
Gary McGann[3]	**323**	215
Chuck Adair	**119**	104
Dan Flinter	**104**	104
Annette Flynn	**104**	104
Shaun B. Higgins[3]	**–**	43
Jim Leighton[1 4]	**106**	–
Owen Killian[2]	**–**	–
Andrew Morgan	**96**	96
Kevin Toland[1]	**–**	–
Rolf Watter[3]	**104**	69
Wolfgang Werlé[1]	**34**	96
Total	**990**	966

1 The term of office as Member of the Board of Directors of W. Werlé expired on 7 December 2017 and on that date J. Leighton and K. Toland were elected to the Board.

2 O. Killian resigned as a director on 31 March 2017

3 The terms of office as Members of the Board of Directors of D. Lucey and S. Higgins expired on 13 December 2016 and on that date G. McGann and R. Watter were elected to the Board.

4 The fee for J. Leighton includes a consultancy payment of CHF 34,000 for advice in relation to the implementation of ARYZTA's three-year €200m cost reduction, Project Renew.

Compensation to members of Executive Management

As set out in more detail on page 26 of the Corporate Governance report, during FY18 Kevin Toland (CEO), Frederic Pflanz (CFO), Tony Murphy (Chief People Officer), Dave Johnson (CEO North America); John Heffernan (Chief Strategy Officer) and Gregory Sklikas (CEO Europe) each joined the Company and Dermot Murphy (COO Europe) and Pat Morrissey (Group General Counsel, Company Secretary and CAO) each stepped down from their positions.

As a result, as at 31 July 2018 the Executive Committee was comprised as follows: 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 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.

The elements of the remuneration package for Executive Management for financial years 2018 and 2017 comprised:

- basic salary and benefits (including benefits-in-kind and pension contributions);
- short-term performance-related bonus (measured by reference to performance in the financial year) and for FY17 only, retention payments; and
- long-term incentives (LTIP).

Compensation Report (continued)

in CHF `000	Total Executive Management 2018	Kevin Toland 2018	Total Executive Management 2017	Owen Killian 2018	Owen Killian 2017
Basic salaries	**6,477**	881	**4,340**	853	1,277
Benefits in kind	**510**	41	**316**	55	83
Pension contributions	**786**	176	**487**	128	192
Performance and contractual related bonus and retention	**2,176**	–	**1,396**	425	213
Long-term incentives (LTIP)	**–**	–	**–**	–	–
Total compensation paid to members of ARYZTA Executive Management	**9,949**	1,098	**6,539**	1,461	1,765
Average total compensation per member of ARYZTA Executive Management	**995**		**1,090**		

The highest total compensation in FY2018 was earned by Owen Killian and his total remuneration is disclosed separately in the table above.

The FY18 remuneration of Owen Killian disclosed in the table above is presented in accordance with Swiss Law and reflects amounts in connection with the 12 month contractual notice period and related contractual bonus, as included in his employment contract.

The compensation to members of Executive Management, during financial years 2018 and 2017, includes compensation for their roles as members of the Board or Company Secretary of ARYZTA.

The total remuneration for Executive management during FY18 is allocated between current and former Executive Management as follows:

in CHF `000	Current Executive Management 2018	Former Executive Management 2018[1]	Total Executive Management 2018
Basic salaries	2,680	3,797	**6,477**
Benefits in kind	318	192	**510**
Pension contributions	374	412	**786**
Performance and contractual related bonus and retention	686	1,490	**2,176**
Long-term incentives (LTIP)	–	–	**–**
Total compensation paid to members of ARYZTA Executive Management	4,058	5,891	**9,949**

1 Former Executive Management includes Owen Killian, Patrick McEniff, John Yamin, Pat Morrissey, Dermot Murphy and Ronan Minahan.

Severance

Outside of contractual entitlements, no severance or termination payments were made to any member of Executive Management during financial years 2018 and 2017.

As detailed on page 57, a Termination Agreement was entered into with Pat Morrissey in FY18 in connection with his resignation.

As detailed on page 49 of the 2017 Annual Report, Termination Agreements were entered into with each of Owen Killian, Patrick McEniff and John Yamin in connection with their resignations.

Compensation Report (continued)

One-off Retention Payments
As disclosed on page 55 of the 2017 Annual Report and detailed on page 61 of the 2018 Annual Report, during FY17 continuity payments of 50% of base salary were awarded to the then Executive Management team in order to ensure senior executive continuity and to stabilise a severely depleted Executive Management team. While these payments were one-off in nature, a portion of the payments vested in respect of continued service during FY18 and is reflected in the table above. No new retention payments were made in FY18 and it is not envisaged that these payments will occur in the future.

Loans and Advances
No loans or advances were made by the ARYZTA Group to members of the Board of Directors or to Executive Management during FY18, or were outstanding at 31 July 2018 (2017:none).

Executive Management basic salary and benefits

At the 2016 AGM, shareholders approved the maximum possible remuneration for Executive Management for FY18 (CHF 15,050,000). At the 2016 AGM, shareholders also approved the ratio between base salary and maximum variable contingent consideration for Executive Management of 1:3 for FY18, of which the variable contingent portion of the consideration may be comprised of short-term performance-related bonus up to 1.5 times base salary and long-term incentive plans up to 1.5 times base salary (based on fair value at grant).

Employment-related benefits consist principally of a car allowance and pension. Pension benefits are determined solely by reference to basic salary.

At the 2017 AGM, shareholders approved the maximum possible remuneration for Executive Management for FY19 (CHF 21,000,000) and shareholders have the authority to approve the maximum remuneration for Executive Management for future years. As stated in the booklet accompanying the Invitation for the 2017 AGM, following the significant change at senior management level during FY17 and FY18, Executive Management now comprises more than the previous four or five individuals with a corresponding increase in remuneration payable to Executive Management.

Executive Management short-term performance-related bonus

At the 2016 AGM, shareholders approved the FY18 short-term performance- related bonus targets for Executive Management at 100% of base salaries, with the maximum potential amounts to be earned being capped at 150% of base for outperformance of targets.

As detailed on page 49 of the 2017 Annual Report, Termination Agreements were entered into with each of Owen Killian, Patrick McEniff and John Yamin in FY17, which included any obligation with regard to short-term bonus.

As detailed on page 57 of this Compensation Report, the Company entered into a Termination Agreement with Pat Morrissey on his resignation, which included any obligation with regard to short-term bonus.

During FY18 a short-term performance-related bonus was paid to certain members of Executive Management where regional performance met the required thresholds.

Compensation Report (continued)

Save as set out above, no short-term performance-related bonus was earned by any members of Executive Management in FY18.

Executive Management Long-term Incentive Plan (LTIP)

As outlined in detail in the introduction to the Compensation Report, the significant and exceptional challenges facing the business dictated that the Committee was unable to confirm targets and make an LTIP award during FY18. As such, no LTIP awards were granted during either FY17 or FY18.

However, the Committee also recognise the importance of putting in place an incentive framework to recruit, retain and incentivise senior management while clearly aligning their interests with those of shareholders. The structure of this incentive framework will play a central role in incentivising the delivery of our turnaround plan and return the company to acceptable levels of performance from a very difficult position. In light of the progress in stabilising the business, and putting in place a highly experienced management team, the Committee has determined that the first LTIP awards under our revised remuneration framework will be granted following the successful completion of the capital raise in November 2018.

The awards will be granted subject to the following structures:
– FY18 Award – 2-year performance period (i.e. FY19 and FY20)
– FY19 Award – 3-year performance period (i.e. FY19, FY20 and FY21)

Awards under both the FY18 and FY19 will vest subject to the achievement of targets relating to the following measures:
– Operating Free Cash Flow (50%)
– Return on Invested Capital (50%)

As noted in the introduction, the Committee is fully aware of the expectations that LTIP awards are subject to a three-year performance period. The once-off shortened period for the FY18 award reflects the inability of the Committee to confirm the performance measures and targets during FY18 in light of the exceptional challenges facing the business. The CEO's 2018 award will continue to be subject to the post-vesting holding period of two years and, from FY19, all awards will be subject to a three-year performance period in line with best practice.

The Option Equivalent Plan

Vesting of the awards under the Option Equivalent Plan issued during financial year 2016 was conditional on compound annual growth in underlying diluted EPS (including the associated cost of any awards expected to vest) in three consecutive accounting periods exceeding the compound growth in the Euro-zone Core Consumer Price Index, plus 5%, on an annualised basis. The awards were also subject to additional conditions, including notably:

(a) the requirement to remain in service throughout the performance period;
(b) the requirement that ARYZTA's reported ROIC over the expected performance period is not less than 120% of its weighted average cost of capital; and
(c) the requirement that annual dividends to shareholders are at least 15% of underlying EPS during the performance period.

As the above performance conditions were not met, the Option Equivalent Plan awards granted during financial year 2016, for which no expense had been recognised to date, were forfeited during the current year.

The vested Option Equivalent Plan awards still outstanding as of 31 July 2018 can be exercised no longer than ten years after grant date.

Compensation Report (continued)

Executive Management Option Equivalent Plan Allocation

Executive Management were granted no Option Equivalent Awards under the Option Equivalent Plan during FY 2018 and FY 2017. As shown in the table on page 61, no expense was recognised for Executive Management LTIP awards in FY 2018 or FY 2017.

The following table details awards outstanding under the Option Equivalent Plan in favour of Executive Management:

	Options carried forward 1 August 2017	Granted during the year	Forfeited during the year	Closing position 31 July 2018	Of which Vesting criteria have been fulfilled[1]
Executive Management					
Kevin Toland	–	–	–	–	–
Frederic Pflanz	–	–	–	–	–
John Heffernan	–	–	–	–	–
Anthony Murphy	–	–	–	–	–
Dave Johnson	–	–	–	–	–
Gregory Sklikas	–	–	–	–	–
Robert O'Boyle	32,500	–	(10,000)	22,500	22,500
Claudio Gekker	20,000	–	(20,000)	–	–
Total current executive management	**52,500**	**–**	**(30,000)**	**22,500**	**22,500**
Owen Killian	1,160,000	–	(410,000)	750,000	750,000
Patrick McEniff	910,000	–	(300,000)	610,000	610,000
Ronan Minahan	120,000	–	(120,000)	–	–
Pat Morrissey	220,000	–	(120,000)	100,000	100,000
Dermot Murphy	125,000	–	(75,000)	50,000	50,000
John Yamin	150,000	–	(150,000)	–	–
Total former executive management	**2,685,000**	**–**	**(1,175,000)**	**1,510,000**	**1,510,000**
Total current and former executive management	**2,737,500**	**–**	**(1,205,000)**	**1,532,500**	**1,532,500**

1 The weighted average exercise price of all Option Equivalent Plan awards that remain outstanding and for which the vesting conditions have been met is CHF 39.20.

Governance

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2018

We have audited the remuneration report of ARYZTA AG for the year ended 31 July 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables on pages 60 and 61 of the remuneration report.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report of ARYZTA AG for the year ended 31 July 2018 complies with Swiss law and articles 14–16 of the Ordinance.

pwc PricewaterhouseCoopers AG

Carrie Rohner

Sandra Böhm
Audit expert
Auditor in charge

Carrie Rohner

Zurich, 1 October 2018