



# 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 8 December 2015 for the Remuneration of the Board of Directors and Executive Management

# 1. Preliminary

- At the Annual General Meeting on 2 December 2014, ARYZTA AG shareholders approved revisions to the Articles of Association to meet the requirements of the Swiss Ordinance against Excessive Compensation at Listed Companies (VegüV), including the new power of the General Meeting to approve the maximum aggregate amount of the remuneration of (a) the Board of Directors and (b) Executive Management in separate binding votes. This brochure has been produced on behalf of the Board of Directors to provide additional transparency regarding the Board's proposals, as reflected in Agenda Items 5.1 and 5.2 of the 2015 Annual General Meeting.

# Agenda Item 5.1 - Remuneration of the Board until the next Annual General Meeting



## Motion

- The Board of Directors proposes that shareholders approve a maximum aggregate amount of the remuneration of the Board of Directors for the period from the 2015 Annual General Meeting to the next Annual General Meeting of CHF 1,000,000.

## Remarks

- The level of remuneration for the Chairman and other non-executive board members reflects the time, commitment and responsibilities that are integral to the respective roles and duties undertaken.
- The pay structure is intended to ensure that the Board of Directors remains focused on the long-term performance and success of ARYZTA. Non-executive board members (other than the Chairman) are paid a yearly fee of CHF 88,000. The Chairman is paid a yearly fee of CHF 323,000. Additional compensation for non-executive directors for service on a Board Committee is CHF 8,000 (and CHF 16,000 for the Chair thereof).
- ARYZTA's remuneration rates for the Chairman and other non-executive board members have remained unchanged since 2008. The annual fees cover the period from each AGM to the next succeeding AGM.
- Board membership and Committee fees are paid 100% in cash. Non-executive Board members are not eligible for performance-related payments and do not participate in ARYZTA's LTIP.
- Note that any members of Executive Management who are also members of the Board of Directors receive no additional compensation for their role as a board member. Accordingly, Agenda Item 5.1 is concerned exclusively with the level of remuneration for the Chairman and other non-executive board members. The level of remuneration for Executive Management is addressed separately under Agenda Item 5.2.

# Agenda Item 5.1 - Remuneration of the Board until the next Annual General Meeting



- The following table, extracted from the 2015 Compensation Report, reflects the direct payments received by Board members during the years ended 31 July 2015 and 2014. Fluctuations in amounts received are reflective of the changing roles and responsibilities held by the individual directors, during each respective year.

<b>Direct Payments Board of Directors – Audited</b> in CHF '000	<b>Year ended</b> <b>31 July 2015</b>	<b>Year ended</b> <b>31 July 2014</b>
Denis Lucey	323	323
Charles Adair	96	96
Hugh Cooney <sup>1</sup>	40	96
J Brian Davy	104	104
Annette Flynn <sup>1</sup>	64	N/A
Shaun B. Higgins	104	104
Owen Killian	–	–
Patrick McEniff	–	–
Andrew Morgan <sup>2</sup>	96	62
Götz-Michael Müller <sup>1</sup>	22	88
Wolfgang Werlé	96	96
John Yamin <sup>2</sup>	–	–
<b>Total</b>	<b>945</b>	<b>969</b>

<sup>1</sup> The terms of office as Members of the Board of Directors of H. Cooney and G-M. Müller expired on 2 December 2014, and on that date A. Flynn was elected to the Board.

<sup>2</sup> Effective 10 December 2013 A. Morgan and J. Yamin were elected to the Board.

# Agenda Item 5.2 - Remuneration of Executive Management for the next financial year

## Motion

- The Board of Directors proposes that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 17,750,000 to the members of the Executive Management.

## Explanation

- The Total Compensation for Executive Management comprises:
  - » a fixed component – base salaries, benefits in kind (principally car allowances) and pension contributions; and
  - » a variable contingent component - short-term performance-related bonus and long-term incentives.
- The proposed maximum aggregate amount of the variable contingent component has been set at 3 times base salaries.
  - » 50% of the variable contingent is attributed to short-term performance-related bonus.
  - » 50% of the variable contingent is attributed to long term incentives.
- Accordingly, the maximum CHF 17,750,000 may be summarised as follows:
- CHF 5,000,000 comprises fixed income;
  - » CHF 4,250,000 by way of base salaries;
  - » CHF 225,000 by way of benefits in kind; and
  - » CHF 525,000 by way of pension contributions.
- CHF 12,750,000 (3 times base salaries) comprises the maximum variable contingent income;
  - » up to CHF 6,375,000 (1.5 times base salaries based on maximum target achievement) by way of short-term performance-related bonus; and
  - » up to CHF 6,375,000 (1.5 times base salaries based on maximum target achievement) for long-term incentive plans (based on fair value at grant).

# Agenda Item 5.2 - Remuneration of Executive Management for the next financial year

- The 2015 Compensation Report sets out how Executive Management were remunerated in financial year 2015 and it includes extensive detail concerning the short-term performance-related bonus and long-term incentive components of Executive Management remuneration. Relevant extracts are repeated on page 7 for ease of reference.
- The proposal made by the Board of Directors to the shareholders reflects the maximum possible payment.
- The short-term performance-related target bonus is 100% of base salary (capped at 150%) and is to be earned over one financial year.
- For FY 2016 and FY 2017, 50% of the maximum short-term performance related bonus will be on the same basis as FY 2015 - i.e. incremental gains in ROIC.
- The remaining 50% of the maximum available short-term performance related bonus will be based on free cash conversion, as follows:

<b>Free Cash Generation achieved</b>	<b>% of base salary earned as short-term performance related bonus</b>
€250m or more	75% of base salary
€225m	50% of base salary
€200m	25% of base salary
Less than €200	0% of base salary
Between €200m-€250m	+1% of base salary earned for every €1m of cash generation

- Contingent benefits under long-term incentives are valued at the date of grant using generally accepted valuation models to determine their fair value at that time.
- The long-term incentives are to be earned over three financial years and are generally first accessible after five financial years.

# Agenda Item 5.2 - Remuneration of Executive Management for the next financial year



- The following table reflects the total actual compensation for Executive Management in financial years 2014 and 2015 compared to the maximum prospective compensation proposed for financial year 2017. Note that Executive Management for 2014 and 2015 comprised 4 individuals. At the time of publishing this brochure, Executive Management now consists of a total of 5 individuals.

	Maximum Prospective	Actual	Actual	Actual	Actual
	Total Executive Management 2017 <sup>1</sup>	Total Executive Management 2015 <sup>2</sup>	Owen Killian 2015	Total Executive Management 2014 <sup>2</sup>	Owen Killian 2014
in CHF '000					
Base salaries	4,250	3,551	1,277	3,234	1,277
Benefits in kind	225	189	83	241	83
Pension contributions	525	441	192	423	192
Performance-related bonus	6,375	–	–	3,234	1,277
Long-term incentives (LTIP)	6,375	986 <sup>3</sup>	305 <sup>3</sup>	8,420	3,312
<b>Total compensation</b>	<b>17,750</b>	<b>5,167</b>	<b>1,857</b>	<b>15,552</b>	<b>6,141</b>
<b>Average total compensation per member of ARYZTA Executive Management</b>	<b>3,550</b>	<b>1,292</b>		<b>3,888</b>	

1. Executive management comprises of five individuals. Amounts shown represent the maximum prospective compensation.

2. Executive management comprises of four individuals. Amounts shown represent the actual compensation as recognised in each respective year.

3. The FY 2015 Executive Management LTIP compensation expense relates entirely to 2012 LTIP awards, which vested in September 2015. No compensation expense has been recognised to date for LTIP awards granted in September 2014, as the performance criteria for those awards requires that Underlying EPS in FY 2017 would exceed 500 cent per share, which is currently considered remote.

## – Extract from FY 2015 Compensation Report

*For financial year 2015, the short-term performance-related bonus for Executive Management was determined by reference to incremental gains in Food Group ROIC. The incremental gain in Food Group ROIC is calculated on a constant currency basis, by comparing the FY 2015 ROIC to FY 2014 ROIC. Any asset impairments or non-recurring charges recorded in FY 2015 are reversed for the purposes of the comparison, thereby ensuring that Executive Management do not benefit therefrom. Likewise, the net assets and historical annual EBITA levels of any acquisitions made in FY 2015 are added to the FY 2014 ROIC base, for the purposes of the comparison.*

# Agenda Item 5.2 - Remuneration of Executive Management for the next financial year



For long-term incentive awards to become capable of vesting, the four conditions set out below generally must be satisfied over three financial years (commencing with the year of grant).

## 1. EPS Growth Condition

Earnings Per Share Compound Annual Growth Rate (“EPS CAGR”) must exceed the Euro Zone Consumer Price Index (“CPI”) plus 5%.

## 2. ROIC Condition

Return On Invested Capital (“ROIC”) must exceed 120% of the Weighted Average Cost of Capital (“WACC”). ROIC is reported to investors in conjunction with the announcement of our annual and half-year results and is presented on a Group and segmental basis. WACC is determined as a blend of the Food Group’s deemed cost of capital and deemed cost of debt, with each of these components weighted on the basis of the Food Group’s debt to equity ratio. WACC is measured annually by an external specialist using standard calculation methodology and is reported to investors in conjunction with the announcement of yearly and half-yearly results.

## 3. Dividend policy

ARYZTA must adhere to its dividend policy - (pay-out ratio not less than 15% of underlying fully diluted EPS).

## 4. Employment

Participant must remain continuously employed by the Group throughout the 3 performance years.

In the event that the four performance conditions are satisfied, a participant will, after a further two year “holding period”, be able to realise vested awards provided that:

- » ARYZTA has not had to re-state its financial statements, such that the above performance criteria are not satisfied;
- » Participant has not been convicted of a criminal offence that damages ARYZTA’s reputation.





