

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 7 December 2017 for the remuneration of the Board of Directors and Executive Management

The Board of Directors would like to acknowledge the strong shareholder support for all remuneration-related resolutions at the 2016 AGM. Since then, we have faced significant challenges and conducted an extensive review of our business. Part of that review involved an appraisal of our remuneration arrangements and considerations of the key role the remuneration framework will play in the restoration of stability to the business; and, in turn, the return of performance and growth.

The outcome of that review and our consultation with shareholders and proxy advisors is detailed in the following pages. As with last year, in line with the Ordinance against Excessive Remuneration in Listed Companies and our Articles of Incorporation, we are asking shareholders at the 2017 AGM to cast separate binding votes on two aggregate amounts of remuneration for our Board and Executive Management, and an advisory (non-binding) vote on our Compensation Report.

The purpose of our Compensation Report is to clearly inform shareholders of our Board and Executive Committee remuneration framework, policies and practices. Over the past 12 months, we have placed significant focus on improving transparency and disclosure of our approach to remuneration within the Compensation Report contained in our Annual Report. In line with our commitment to enhancing disclosure, the Compensation Report included details of the remuneration framework under which our new CEO will be compensated.

FY17 was a difficult year for ARYZTA, which involved significant change at management level. FY17 bonus targets associated with the performance of their respective regions were established for Dermot Murphy and Robert O'Boyle in September 2016, i.e. prior to their joining Executive Management in March 2017. The final pay-out associated with these FY17 targets are set out in the Compensation Report. Otherwise, no pay-outs were made under our regular short-term performance related bonus system for Executive Management where, in FY17, performance was tested against ROIC and Free Cash Flow. No options or equity based award vested based on the performance measures under the LTIP. The performance measures were EPS, ROIC and relative TSR. The Remuneration Committee ('Committee') is satisfied that the challenging year for the business and our shareholders is reflected in the absence of pay-outs to Executive Management under the variable remuneration arrangements.

Outside of the remuneration framework, as detailed in the Compensation Report, there were payments made to members of the Executive Management during 2017. Given the extent of management change during the year – the departure of the CEO, CFO and CEO Americas – and the risk of further upheaval from consequent flight risk, payments of 50% of base salary were awarded to the Executive Management team to ensure senior executive continuity. These payments were one-off in nature and reflect the exceptional circumstances and challenges facing ARYZTA during FY 2017, including the need to avoid the risk of even greater damage to the business impacting our customers, our employees and shareholders.

The Committee is fully aware of the sensitives around one-off payments being made outside the regular remuneration framework; however, after significant deliberation, and in light of the unprecedented upheaval at senior management level, the Committee determined that the retention payments were aligned with the best interests of all stakeholders. The Committee considers that the circumstances were exceptional and does not envisage making any further payments of this kind in the future.

We would like to thank shareholders and proxy advisors for their input and engagement during 2017, and continue to welcome all feedback on our remuneration and wider governance practices. The Chairman of the Board and the Chairman of the Remuneration Committee are available for consultation on either or both of these subjects.

Gary McGann,
Chairman, Board of Directors

Charles Adair,
Chairman, Remuneration Committee



About this Booklet

This booklet is designed to be read with the FY 2017 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 2017



MOTION: The Board of Directors proposes that the Compensation Report for the financial year 2017 be ratified in a non-binding advisory vote

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



MOTION: The Board proposes that shareholders approve a maximum aggregate amount of the remuneration of the Board for the period from the 2017 AGM to the next AGM of CHF 1,200,000.

3. Agenda Item 5.2: Remuneration of Executive Management for the next financial year (i.e., the financial year from 1 August 2018 to 31 July 2019 (FY2019))



MOTION: The Board proposes that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 21,000,000 to the members of Executive Management.

Agenda Item 1.2: Advisory Vote on the Compensation Report 2017

The Board of Directors proposes that the Compensation Report for the financial year 2017 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 2017 to a separate non-binding advisory vote of the shareholders.

Please refer to the Compensation Report 2017, Appendix II, page 17

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



Board Remuneration Structure

in CHF

372,000	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)

- ✓ The structure for Board remuneration has remained effectively the same since 2009.
- ✓ All fees are paid 100% in cash.
- ✓ In recognition of the additional commitment, time and effort, associated with transatlantic travel and the value of having North American Directors, an allowance of CHF 15,000 per annum was introduced in FY17 for Board members based in North America.
- ✓ Non-executive members of the Board are not eligible for performance-related payments or the LTIP.
- ✓ Remuneration level reflects time, commitment and responsibilities for the respective roles and duties undertaken by each Board member.
- ✓ Members of Executive Management who are also members of the Board receive no additional remuneration for their role as a Board member.

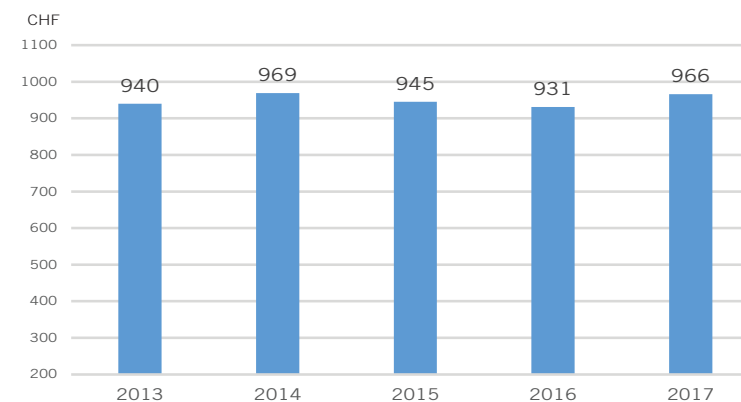
Evolution of Board Remuneration

in CHF	2016-2017 AGM	2017-2018 AGM
Chairman of the Board ¹	350,000	350,000
Other Members of the Board ²	616,000	734,000
Total	966,000	1,084,000

¹ Annual fee of EUR323,000 - Final CHF amount subject to currency movement.

² Would enable an increase in the number of non-executive Board members.

ARYZTA Board Remuneration



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

The Board of Directors proposes that shareholders approve a maximum aggregate amount of remuneration for the 2019 financial year of CHF 21,000,000 to the members of the Executive Management.

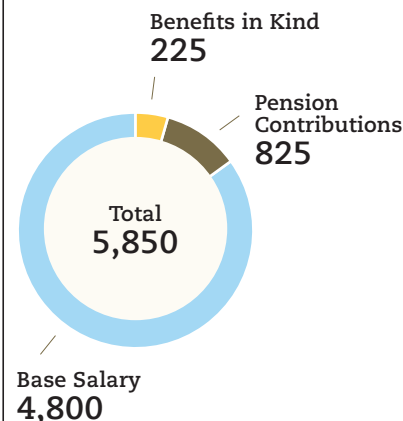
At the 2016 AGM, Executive Management included **4** individuals.

For FY 2019 Executive Management is expected to comprise of up to **10** individuals.

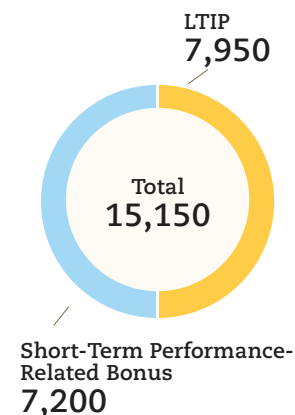
Note: It is the intention to put in place a more conventional group executive management committee for ARYZTA, comprising Group CEO, CFO, Company Secretary/General Counsel; regional COOs; heads of specialist functions (Chief People Officer, Chief Manufacturing/Engineering Director, etc). They will each report to the Group CEO and with him will run the business.

Please refer to Appendix I on page 13, explanatory note 1

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



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



» to a maximum CHF 21,000,000

Agenda Item 5.2: Remuneration Consultation Process

As part of the process of reviewing the remuneration framework and establishing appropriate performance measures, targets and vesting schedules, the Board consulted with institutional shareholders after our FY17 results announcement.

This provided shareholders with the opportunity to express their views on the Committee's proposals and our remuneration framework.

As communicated to shareholders during our consultation, due to the unique and exceptional circumstances facing the business, we have been unable to finalise the performance targets for the awards under the LTIP for FY18.

The Board is committed to disclosing the targets for the LTIP in advance of the granting of any awards.

The Board thanks those shareholders that engaged with us during the review of the remuneration framework. We value the views of our shareholders and other stakeholders and continue to be open to further feedback.

Remuneration framework:

- ✓ CEO base salary of €858k (CHF969k) as against €1.1m (CHF1.277m) in FY17.
- ✓ Maximum potential annual bonus for the CEO, based on EBITDA (50%) and Net debt:EBITDA (50%) performance measures, capped at 150% of salary.
- ✓ Other members of Executive Management bonuses are based on a mix of Group performance; geographic or divisional responsibility; and, individual performance with measureable targets.
- ✓ No guaranteed pay-out under the annual bonus.
- ✓ The CEO and other members of Executive Management are eligible to receive long-term incentives (LTIP), in the form of performance shares and share options.
- ✓ The level of award for the CEO is capped at 200% of salary.
- ✓ The level of award for other Executive Management is capped at up to 175% of salary.

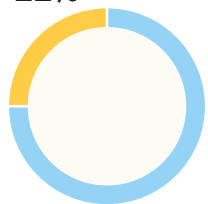
Please refer to Appendix III for the "Consultation Letter" on page 28

Agenda Item 5.2: CEO Remuneration

When reviewing the remuneration arrangements for the new CEO, the Committee included shareholding guidelines of 300% to promote alignment between his interests and those of shareholders. The CEO will have up to five years to meet this requirement.

CEO Base Salary vs. Variable Contingent Pay

Base Salary
22%



Variable Contingent Pay
78%

- ✓ **Annual bonus maximum of 150% of base**
 - EBITDA (50%)
 - Net Debt to EBITDA (50%)
- ✓ **Long-term incentives ('LTIP') capped at 200% of base**
 - Free cash flow (33%)
 - ROIC (33%)
 - Strategic measures (33%)

- ✓ CEO LTIP performance measures are (i) Free Cash Flow (33%); (ii) ROIC (33%); and (iii) strategic measures (measurable metrics) (33%)
- ✓ The Board is committed to disclosing the actual targets for the LTIP in advance of granting any awards.
- ✓ Performance shares and share options will be valued using generally accepted valuation models to determine their fair value at grant.
- ✓ Under each of the measures, which will be assessed independently from one another, the Committee will set threshold and maximum targets.
- ✓ Performance below the threshold target will result in zero vesting. From the threshold target level the amount of the award vesting will rise from 25% to 100% of maximum opportunity on a straight line basis for achievement of the maximum target.
- ✓ Market standard malus and clawback provisions will be included in the LTIP.

Please refer to Appendix I on pages 13-14, explanatory note 2

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



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

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

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

No compensation expense has been recognized to date for LTIP awards made in FY 16, as the required minimum performance targets have not been achieved.

Please refer to Appendix I on page 13, explanatory note 1

Key Takeaways

Agenda Item

5.1: Remuneration of the Board until the next AGM

5.2: Remuneration of Executive Management for the next financial year (i.e., the financial year from 1 August 2018 to 31 July 2019 (FY19))

Motion

The Board proposes that shareholders approve a maximum aggregate amount of the remuneration of the Board for the period from the 2017 AGM to the next AGM of CHF 1,200,000.

The Board proposes that shareholders approve a maximum aggregate amount of remuneration for the next financial year of CHF 21,000,000 to the members of Executive Management.

Why you should vote to approve

- ✓ ARTZTA non-executive director compensation has remained largely unchanged since 2008.
- ✓ Majority of remuneration is 'at-risk' and based on financial performance achievements.
- ✓ The program structure includes shareholder-friendly features and mitigates risk-taking behavior.

Appendix I: Explanatory Notes

Note 1

As detailed in the Compensation Report, actual remuneration in FY17 was significantly below the maximum proposed amount approved at the 2015 AGM (CHF 17,750,000). Following the significant change at senior management level during FY 2017, Executive Management going forward is planned to be more conventional and to comprise substantially more than four or five individuals. We recently announced the appointment of our new CFO and we continue to make progress in identifying and appointing a new CEO of North America and a Chief People Officer. For FY 2019, we anticipate Executive Management will consist of up to 10 individuals.

Note 2

Kevin Toland commenced employment as CEO on 12 September 2017 and we have made significant progress in establishing a new senior leadership team with the requisite skills to stabilise the business and return ARYZTA to performance and growth. A central part of that aim is ensuring the incentive arrangements are aligned with our refocused strategy and our shareholders' interests.

Explanatory Notes - CEO Remuneration

	Overview	Changes	Performance Framework
Salary	€858,000 (CHF969,000)	Reduction from €1.1m (CHF1.277m) to place additional emphasis on 'at risk' remuneration.	N/A
Pension	20% of salary	Increase of 5% (remains lower in absolute terms)	na
Annual Bonus	Maximum opportunity of 150% of salary	Altered performance measures to align with the refocused strategy, particularly the restoration of stability through deleveraging of the business. Awards subject to clawback.	EBITDA (50%); and, Net Debt:EBITDA (50%). For target performance, the CEO will be eligible to receive a bonus of 100% of salary. Targets for the annual bonus will be disclosed in the Compensation Report in the year of payment. There is no guaranteed minimum bonus.
Long-term incentive plan	Maximum opportunity of 200% of salary (half in share options and half in performance shares)	Altered performance measures to align with the refocused strategy. In particular, the revised LTIP is designed to promote cash generation and efficient use of capital. There has also been the introduction of measures to reflect strategic priorities, including customer retention, employee engagement, deleveraging and a review of non-core and underperforming assets. Each of these strategic measures is central to returning the business to performance and growth. All vested awards will now be subject to a holding period, released 50% four years from grant and 50% five years from grant. Awards subject to malus and clawback.	Free Cash Flow (33%); ROIC (33%); and, Strategic Measures (33%). Performance below threshold results in no awards vesting. For performance at threshold, 25% of the award will vest, with vesting levels increasing on a straight line basis to 100% for the achievement of the maximum performance target. The performance targets for each of the measures will be communicated to shareholders prior to grant in FY 2018.

Note 2

For other members of Executive Management, annual bonuses will be based on a mix of Group performance; geographic or divisional performance (depending on responsibility); and, individual/strategic measures. This blend of performance assessment is designed to promote a culture of engagement and ownership among employees; and, incentivise employees at all levels to drive individual, regional and Group performance to promote the best outcome for ARYZTA and our stakeholders. Awards under the LTIP for other members of Executive Management will include a mix of performance measures and be capped at up to 175% of salary.

Element	Purpose
Holding Period on LTIP	Alignment with shareholders' interests over a five-year time horizon; and, to encourage the right values and behaviour to drive the business for the long term
Shareholding Guideline	Ensure alignment with shareholders through the requirement for the CEO to obtain shares worth 300% of salary within five years of appointment.
Recovery Provisions	Protect against the payment of unmerited remuneration by allowing the company to reduce or recover sums paid in the event of a material misstatement, fraud or misconduct.

Note 3

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 has included a shift away from share options.

In line with that development of market practice, the Committee will revisit the award structure during FY18 to ensure it continues to provide a robust incentive structure and strong alignment between the interests of Executive Management and shareholders. Currently, the Committee envisages transitioning to performance shares only by 2020.

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, fostering performance and growth. In summary, the Committee considers that at this particular time, as the business progresses through this period of turnaround, stability and in time, growth, the mix provides the most appropriate tool.

Note 4

LTIP and TSR

FY17 has seen a significant review of the business, strategy and the remuneration framework. The introduction of TSR as an LTIP metric in 2016 was prior to the change of management; the strategic review; and, the development of the refocused strategy. Subsequent to that review, as communicated to the market, the key measures for the business to restore stability, performance and growth over the medium to long-term, are: ROIC, Cash Flow and the basket of strategic measures.

In line with the communication in the consultation letter, the revised remuneration arrangements have been developed giving primary consideration to the following:

- ✓ The recent changes to business, industry and strategy;
- ✓ The necessity to significantly improve operational performance and balance sheet liquidity; and,
- ✓ The Committee's objective of aligning remuneration with the delivery of the refocused strategy, improved performance and shareholder returns.

The Committee remains firmly of the view that strong performance under the revised framework will be reflected in returns to shareholders, and the medium term priorities of establishing stability and restoring performance are reflected in the measures employed under the LTIP.

Given the focus on equity under the incentive schemes (57% of variable remuneration for the CEO), and the requirement for the CEO to build up three times his salary in equity, the Committee is satisfied that the remuneration framework provides strong alignment with shareholder interests, while also focusing management on the key measures central to the restoration of stability, performance and growth. Furthermore, the inclusion of share options in the LTIP further augments alignment with shareholders, as share price is required to grow over the performance period for value to accrue to participants in relation to half of the LTIP awards.

Appendix II: Compensation Report 2017

Annual Report and Accounts 2017

Compensation Report

Introduction

FY17 was a difficult year for ARYZTA and one of significant change at Board and Executive Management level.

In the context of these changes, the Board, and the Remuneration Committee ("The Committee") in particular, invested significant time in reviewing our remuneration framework. The Board and the Remuneration Committee were supported by independent external consultants in this work (PricewaterhouseCoopers, Pearl Meyer and FTI Consulting).

Details regarding our future remuneration framework, which will be informed in advance by feedback from major shareholders and proxy advisors, will be set out in our AGM materials and put to shareholders at our December 2017 Annual General Meeting ('AGM'). Also, as in prior years, the Board will submit this Compensation Report to a separate advisory vote of the shareholders at the AGM.

Executive Management Changes

In connection with their departure from the Group, ARYZTA entered Termination Agreements with Owen Killian, Patrick McEniff and John Yamin whereby any claims arising under their Employment Contracts were extinguished at a cost to ARYZTA substantially below the maximum potential contractual amount.

Specifically, the Employment Contracts expressly provided for:-

- 12 month notice period - fully remunerated, i.e. base salary, pension and other annual benefits, short term bonus and LTIP; and
- 12 month post termination non-compete - remunerated at base salary plus short term bonus).

The Termination Agreements provided for a settlement of any potential claims on the following basis:-

- 12 month notice period - base salary, pension and other annual benefits, 33.33% of the maximum short term bonus (or, to express it differently, 50% of the target short term bonus) and 0% re LTIP; and
- 12 month post termination non-compete - remunerated at base salary plus 33.33% of the maximum short term bonus (or, to express it differently, 50% of the target short term bonus).

As set out in Note 31 to the FY17 Group Consolidated Financial Statements, in accordance with IFRS, ARYZTA has, provided in its FY17 accounts for the entire amounts payable under the three Termination Agreements and the Group's current estimate for any potential claims by Ronan Minahan - assuming the same treatment - i.e. €10,368,000 of which €5,398,000 relates to the 12 month notice period and €4,970,000 relates to the 12 month post termination non-compete.

The table on page 54 of this Compensation Report presents total FY17 remuneration for Executive Management in accordance with applicable Swiss law (rather than IFRS). For greater transparency, this is broken out further in the table on page 55 where a distinction is drawn between current and former Executive Management.

Compensation Report (continued)

CEO Remuneration

In May 2017 we announced the appointment of Kevin Toland as our new Group CEO. The appointment was made following a rigorous recruitment process, which was international in scope, and had unanimous Board support.

The Committee has given careful and detailed consideration to the 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 was also provided with information on 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, incorporating both robust structural elements and an emphasis on performance, and that they promote the long-term success of the company.

To further align with shareholders' interest and reflect current market conditions for executive remuneration, reductions have been made to the CEO's remuneration package in comparison to the previous arrangements.

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. A significant part of the proposed performance related reward will be delivered through shares. This ensures that the CEO has a meaningful long-term investment in the business, and that his interests are aligned with shareholders.

While the Committee is still finalising the performance measures and targets for 2018, in line with a commitment to best-practice, this report sets out the framework under which the CEO will be remunerated in the year ahead.

Compensation Report (continued)

Key Changes to the remuneration framework for 2017/18

Increased alignment with shareholders	Inclusion of post-vesting holding period for long-term incentives
Reduction in fixed pay	Emphasis on performance-based compensation to further align the interests of the CEO and shareholders

Overview of CEO's 2017/18 Remuneration

	FY18	FY17	Rationale
Salary	CHF 969,000	CHF 1,277,000	Competitive market salary
Pension	20% of salary	15% of salary	Competitive pension arrangement
Annual Bonus	Maximum opportunity of 150% of salary	Maximum opportunity of 150% of salary	Promote the delivery of strategy and shareholder value by including challenging performance measures
Long-term incentive plan	Maximum opportunity of 200% of salary	Maximum opportunity of 150% of salary	Increase alignment with shareholders through extended holding period Promote the delivery of strategy and shareholder value by including challenging performance measures

It is the Committee's intention to continually review the CEO's remuneration arrangements, performance relative to targets and evolving best-practice. In the event that any material alterations are proposed, the Committee would engage with shareholders regarding any changes prior to confirming those decisions.

Performance Measures and Targets

The Board and our new CEO continue to review our strategy with the aim of narrowing the focus to our core B2B business. Our remuneration framework will be designed to align the interests of management and shareholders and incentivise management's pursuit of goals that the Committee consider central to our refocused strategy and the restoration of performance. This will include a focus on building increased trust with our key stakeholders (customers, employees and suppliers) which is critical to delivering ARYZTA's strategy.

As part of the process to establish appropriate performance measures, targets and vesting schedules and our commitment to transparency, ARYZTA will be consulting

Compensation Report (continued)

with shareholders to provide them with the opportunity to express their views on the Remuneration Committee's proposals and our remuneration framework. Subsequent to that initial consultation, and the setting of a detailed three year plan under the strategic direction communicated to shareholders at the time of our FY17 results, we will finalise targets to be employed under our LTIP in FY18. We will advise shareholders before finalising our position.

Looking Ahead

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.

Compensation Process

Role of the Remuneration Committee of the Board

As in prior years, for the financial year ending 31 July 2017 ('FY 2017') 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.

Shareholder Approval and Payouts

At our December 2016 AGM, shareholders ratified the FY 2016 Compensation Report in a separate advisory vote. Also, at that meeting, shareholders fixed CHF 1,000,000 as the maximum remuneration of the Board of Directors for the period ending at the next AGM. As per the table on page 53, directors fees for FY17 total CHF 966,000.

At our 2015 AGM, subject to the Articles of Association, shareholders fixed, CHF 17,750,000 as the maximum FY17 remuneration for Executive Management. As per the table on page 54, Executive Management FY17 remuneration totals CHF 6,539,000.

Employment Contracts

As reported in prior years, the Employment Contracts for Owen Killian, Patrick McEniff, John Yamin and Pat Morrissey, include (a) 12 month notice periods (fully remunerated) and (b) 12 month non-compete periods (remunerated at base salary plus short term bonus). Contracts in the same terms were put in place for Dermot Murphy, COO Europe, Robert O'Boyle, COO APMEA and Ronan Minahan, former COO Americas on their appointment to Executive Management as announced on 13 March 2017.

Compensation Report (continued)

Compensation to members of the Board of Directors – FY 2017

For FY 2017, consistent with the shareholder approval, non-executive board members were paid a yearly fee (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 introduced 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.

Executive directors received no additional compensation for their role as a board member.

The following table reflects the payments received by Board members during the years ended 31 July 2017 and 2016 (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.

in CHF `000	Direct payments year ended 31 July 2017	Direct payments year ended 31 July 2016
Denis Lucey ¹	135	323
Gary McGann ¹	215	–
Charles Adair	104	100
J Brian Davy ²	–	43
Dan Flinter ²	104	69
Annette Flynn	104	100
Shaun B. Higgins ¹	43	104
Owen Killian	–	–
Patrick McEniff ²	–	–
Andrew Morgan	96	96
Rolf Watter ¹	69	–
Wolfgang Werlé	96	96
John Yamin ²	–	–
Total	966	931

¹ 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.

² The terms of office as Members of the Board of Directors of J.B. Davy, P. McEniff and J. Yamin expired on 8 December 2015 and on that date D. Flinter was elected to the Board.

Compensation Report (continued)

Compensation to members of Executive Management

As per pages 42 to 43 of the Corporate Governance Report, for financial year 2016, Group Executive Management consisted of Owen Killian (former Group CEO), Patrick McEniff (former Group CFO / COO), John Yamin (former CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO).

For financial year 2017, Group Executive Management comprised Owen Killian (former Group CEO), Patrick McEniff (former CFO / COO), John Yamin (former CEO of the Americas) and Pat Morrissey (Group General Counsel, Company Secretary and CAO), until the resignations of Owen Killian, Patrick McEniff and John Yamin, effective 31 March 2017.

On 13 March 2017, ARYZTA announced the appointment of David Wilkinson as Interim Group CFO and a new Executive Management team comprising Pat Morrissey (Group General Counsel, Company Secretary and CAO), Dermot Murphy (COO Europe); Ronan Minahan (COO Americas), and Robert O'Boyle (COO APMEA). On 20 June 2017, ARYZTA announced the departure of Mr. Minahan.

As of 31 July 2017, the Group Executive Management comprised Pat Morrissey (Group General Counsel, Company Secretary and CAO), Dermot Murphy (COO Europe); and Robert O'Boyle (COO APMEA).

The elements of the remuneration package for Executive Management for financial years 2017 and 2016 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).

The highest total compensation in financial year 2017 was earned by Owen Killian, and his total remuneration is disclosed separately in the following table.

in CHF `000	Total Executive Management 2017	Owen Killian 2017	Total Executive Management 2016	Owen Killian 2016
Basic salaries	4,340	1,277	4,077	1,277
Benefits in kind	316	83	205	83
Pension contributions	487	192	489	192
Performance and contractual related bonus and retention	1,396	213	3,058	958
Long-term incentives (LTIP) ¹	–	–	–	–
Total compensation paid to members of ARYZTA Executive Management	6,539	1,765	7,829	2,510
Average total compensation per member of ARYZTA Executive Management	1,090		1,566	

¹ No compensation expense has been recognized to date for LTIP awards made in FY 2016, as the required minimum performance targets have not been achieved.

The compensation to members of Executive Management, during financial years 2017 and 2016, includes compensation for their roles as members of the Board or Company Secretary of ARYZTA and, in the case of Owen Killian, Patrick McEniff and Pat Morrissey, for their service as officers of Origin Enterprises plc (respectively, Chairman,

Compensation Report (continued)

non-executive director and Company Secretary) until October 2015. Amounts for Dermot Murphy, Ronan Minahan and Robert O'Boyle reflect their compensation since becoming members of executive management on 13 March 2017.

The total remuneration for Executive management during 2017 is allocated between current and former Executive Management as follows:

in CHF `000	Current Executive Management 2017	Former Executive Management 2017	Total Executive Management 2017
Basic salaries	859	3,481	4,340
Benefits in kind	112	204	316
Pension contributions	101	386	487
Performance and contractual related bonus and retention	633	763	1,396
Long-term incentives (LTIP)	–	–	–
Total compensation paid to members of ARYZTA Executive Management	1,705	4,834	6,539

Severance

Outside of contractual entitlements, no severance or termination payments were made to any member of Executive Management during financial years 2017 and 2016.

As detailed on page 52, the Termination Agreements entered into with Owen Killian, Patrick McEniff and John Yamin in connection with their departure are fully in line with the terms of their Employment Contracts.

One-off Retention Payments

Given the extent of management change during the year and the risk of further upheaval from consequent flight risk, to ensure senior executive continuity payments of 50% of base salary were awarded to the Executive Management team (Pat Morrissey, Dermot Murphy, Rob O'Boyle and Ronan Minahan). These payments are one-off in nature and reflect the exceptional circumstances and challenges facing ARYZTA during FY17, including the need to ensure continuity and stability within the business, particularly for our customers, our employees and shareholders. The Remuneration Committee does not envisage making similar payments in the future.

Performance Payments

In addition, Dermot Murphy and Robert O'Boyle were awarded performance related bonuses based on criteria in place prior to their joining Executive Management of CHF 377,088, of which CHF 188,544 has been reflected as part of Executive Management compensation during FY 2017 as the proportionate amount associated with the period of their service since becoming members of 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 2017 (2016: none).

Compensation Report (continued)

Executive Management basic salary and benefits

At the 2015 AGM, shareholders approved the maximum base salaries for Executive Management for FY2017 (CHF 4,250,000).

Also, at the 2015 AGM, the shareholders established the ratio between base salaries and maximum variable contingent income – 1:3 of which up to 1.5 times base salaries by way of short-term performance-related bonus; and up to 1.5 times base salaries for long-term incentive plans (based on fair value at grant).

Employment related benefits consist principally of a car allowance and pension. Pension benefits are determined solely in relation to basic salary.

At the 2016 AGM, shareholders approved the maximum possible remuneration for Executive Management for FY2018 (CHF 15,050,000) and shareholders have the authority to set the maximum remuneration for Executive Management for future years.

Executive Management short-term performance-related bonus

At the 2015 AGM, shareholders approved the FY 2017 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.

In connection with their departure, the Group entered Termination Agreements with Owen Killian, Patrick McEniff and John Yamin, consistent with the terms of their Employment Contracts and providing for, inter alia, payment of 50% of their base salaries (33.33% of the maximum short term performance related bonus) in settlement of any and all claims to any short term performance related bonus.

As disclosed on page 55, retention payments, set at 50% of their base salaries, were established for the other members of FY2017 Executive Management (Pat Morrissey, Dermot Murphy, Rob O'Boyle and Ronan Minahan).

In addition, Mr Murphy, and Mr O' Boyle were awarded performance related bonuses put in place prior to their joining Executive Management.

Executive Management Long-term Incentive Plan (LTIP)

No LTIP awards were made in FY17.

LTIP awards in favour of Executive Management made in FY2015 lapsed as at 31 July 2017 as the performance criteria were not satisfied.

No expense has been recognized to date for LTIP awards made in FY 2016, as the required minimum performance targets have not been achieved. Benefits under the 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 Committee) on the basis of independent, external, professional advice. Otherwise, the agreements and plans benefiting Group Executive Management are unaffected by a change of control.

In prior years, the ARYZTA long-term incentive remuneration of Executive Management has consisted of a Matching Plan and an Option Equivalent Plan awards.

Compensation Report (continued)

The Option Equivalent Plan

Vesting of awards under the Option Equivalent Plan is conditional on compound annual growth in underlying fully diluted EPS in three consecutive accounting periods exceeding the compound growth in the Eurozone Core Consumer Price Index, plus 5%, on an annualised basis.

Awards under the Option Equivalent Plan are 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 its weighted average cost of capital for awards granted before financial year 2016 and not less than 120% of its weighted average cost of capital for awards granted thereafter; and
- (c) the requirement that annual dividends to shareholders are at least 15% of the underlying EPS during the performance period.

The Option Equivalent Plan awards granted in the years before financial year 2016 can be exercised as of the time the performance conditions described above have been met, but no longer than ten years after grant date. Awards granted during financial year 2016, which meet the conditions for vesting after the initial three year performance period, are subject to additional conditions, including notably an additional two year holding period before they can be exercised.

The vesting and net exercise of (1) all Option Equivalent Plan awards outstanding (based on the closing share price of CHF 31.08 on 31 July 2017), plus (2) the impact of any LTIP awards that have already been exercised, would result in a dilution of 2.32% of total shares outstanding (or 0.26% annualised) in the period since 2008.

Executive Management Option Equivalent Plan Allocation

Executive Management were granted no Option Equivalent Awards under the Option Equivalent Plan during FY 2017. As shown in the table on page 54, no expense was recognised for Executive Management LTIP awards in FY 2017 or FY 2016.

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

	Options carried forward 1 August 2016	Granted during the year	Forfeited during the year	Closing position 31 July 2017	Of which Vesting criteria have been fulfilled ¹
Executive Management					
Owen Killian	1,570,000	–	(410,000)	1,160,000	750,000
Patrick McEniff	1,210,000	–	(300,000)	910,000	610,000
John Yamin	300,000	–	(150,000)	150,000	–
Pat Morrissey	340,000	–	(120,000)	220,000	100,000
Dermot Murphy	125,000	–	–	125,000	50,000
Ronan Minahan	120,000	–	–	120,000	–
Robert O'Boyle	32,500	–	–	32,500	22,500
Total	3,697,500	–	(980,000)	2,717,500	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 39.22 (the exercise prices of which range from CHF 37.23 to CHF 46.70).

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2017

We have audited the remuneration report of ARYZTA AG for the year ended 31 July 2017. 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 within the tables on pages 53 to 54.

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 2017 complies with Swiss law and articles 14–16 of the Ordinance.



PricewaterhouseCoopers AG

A handwritten signature in black ink, appearing to read 'Sandra Böhm'.

Sandra Böhm
Audit expert
Auditor in charge

A handwritten signature in black ink, appearing to read 'Garrett Young'.

Garrett Young

Zurich, 2 October 2017

Appendix III: Consultation Letter

October 5, 2017

Mr Charles Adair
Chairman, Remuneration Committee
Talacker 41
8001 Zurich
Switzerland

Dear Shareholder,

I am writing to provide you with initial details of the Remuneration Committee's proposals for FY2018.

ARYZTA's FY2017 financial performance has been disappointing. This performance has informed Board and Remuneration Committee ("Committee") discussions as it deliberates on future remuneration. The Board has dedicated significant time reviewing our strategy and, simultaneously, has appointed a proven CEO capable of leading the business and delivering strategically, operationally and financially for stakeholders. We recognise the role the remuneration arrangements will play in motivating our CEO to deliver our refocused strategy against the significant challenges facing the business.

As part of the wider review of our business, we also took the opportunity to critically assess our corporate governance practices, remuneration framework and related disclosures. We are making progress enhancing our remuneration structure; increasing transparency; and, improving our engagement with shareholders. While this is a constantly evolving process, we recognize the important role shareholder feedback will play as we confirm our approach to remunerating our CEO.

The revised remuneration arrangements have been developed giving primary consideration to the following:

- The recent changes to our business, industry and strategy;
- The necessity to significantly improve operational performance and balance sheet liquidity
- The Committee's objective of aligning remuneration with the delivery of the refocused strategy, improved performance and shareholder returns; and,
- The aim of simplifying incentive structures and providing a more transparent remuneration framework to management and shareholders.

Performance Measures

To focus ARYZTA's human and financial resources, the Committee firmly believes the following five financial metrics are key measures for our business during this rebuilding period:

- EBITDA;
- ROIC;
- Net Debt:EBITDA
- Cost efficiency; and,
- Free cash generation.

The judgement on what the right measures are goes to the heart of rebuilding the business for the long term. While the financial measures are central to our refocused strategy, there are also key strategic imperatives that will play a pivotal role in the stability and performance of ARYZTA. The Committee has determined the following strategic measures that will supplement the financial measures employed under our incentive plans:

- Review and reorganisation of the Group;
- Customer retention and satisfaction;
- Corporate culture and employee engagement; and,
- Review and address underperforming assets.

CEO Remuneration

With all of the above in mind, and subject to feedback from this consultation process with major investors, the Committee is proposing the following framework for the CEO's remuneration:

Annual Bonus

As disclosed in our FY2017 Results Presentation, the CEO will be eligible to receive a bonus of up to 150% of salary. Pay-outs under the annual bonus plan will be determined by performance under the following measures:

- EBITDA - 50%
- Net Debt:EBITDA - 50%

LTIP

In addition, the CEO will receive an award of shares on an annual basis at up to 200% of salary. Payouts under the LTIP will be determined by performance over a three-year period under the following measures:

- Free Cash Flow (after investment capex and including disposals): 33%
- ROIC: 33%
- Strategic measures, focusing on customer retention, employee engagement, de-leveraging and review of non-core and underperforming assets and devising/implementing an appropriate action plan: 33%

The awards under the long term incentive plan will be made utilising a mix of performance share awards and market value options (likely 50:50 in FY2018). We intend to transition to the use of performance shares only by FY2020.

Performance Targets

As detailed in our results release on 25 September, we have made good progress defining our strategic direction and we have determined where and what we will focus our resources on. While the CEO has played a key role in this, he has only been with us since 12 September. Given the ongoing review of the business and the CEO's recent employment, we have determined that it is prudent to wait to grant the FY2018 long term incentive awards until there is a clearer line of sight over performance, the challenges facing the business and specifically the financial targets derived from the operationalisation of the strategy.

This will put the Committee in a stronger position to confirm appropriately stretching, but motivational targets that will stabilise the business, drive the delivery of strategy and subsequently return the business to growth. Currently, we envisage the target-setting process will be finalised within approximately six months.

Shareholder Alignment

As a Committee, we respect the importance of best-practice structural elements in ensuring the alignment of CEO and shareholder interests and incentivising the right kind of performance. When reviewing the remuneration arrangements for the new CEO, the Committee sought to update the features of the arrangements to reflect evolving best practice:

- Annual bonus deferral 33% of pay-out deferred
- LTIP holding / deferral period: 100% and subject to malus clawback terms
- Shareholding guidelines of 300% (to be accumulated over time)

Executive Management Changes

As disclosed in our 2017 Annual Report, the Group entered Termination Agreements with Owen Killian, Patrick McEniff and John Yamin whereby any claims arising under their Employment Contracts were extinguished at a cost substantially below the maximum potential contractual amount. In connection with those departures (and that of Ronan Minahan), ARYZTA provided in its FY2017 accounts for €10,368,000, of which €5,398,000 relates to the 12 month notice period and €4,970,000 relates to the 12 month post termination non-compete.

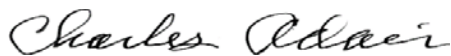
Also disclosed in our 2017 Annual Report is the payment of one-off retention payments to the Executive Management team (Pat Morrissey, Dermot Murphy, Rob O'Boyle and Ronan Minahan). These payments were one-off in nature and reflect the exceptional circumstances and challenges facing the business during FY2017, including the need to ensure continuity and stability within the business and particularly our customers and shareholders. In addition, Dermot Murphy and Robert O'Boyle were awarded performance related bonuses based on criteria in place prior to their joining Executive Management of which CHF 188,544 has been reflected in 2017 Compensation Report (being the proportionate amount associated with the period of their service since becoming members of Executive Management).

Shareholder Dialogue

Key to ensuring that we adhere to the highest standards of corporate governance is ongoing dialogue with our major shareholders and, before we proceed, the Committee is very keen to hear your views. We welcome feedback in written form or, if desired, please let us know if you would like to arrange a call with the Chairman of the Board, CEO and/or myself in the coming weeks.

We very much hope that you will be able to provide feedback to enable us to hear a broad range of views to report back to the Committee and the Board.

Yours sincerely



Charles Adair
Chairman, Remuneration Committee