



Board Rationale for continuation of Chairman/ Interim CEO mandate

Background

In the period FY17-20, ARYZTA's consolidated net loss from continued operations was €2.497 billion. Over this four-year period, the share price lost 80% of its value and closed down to CHF 0.58 at end of FY20 (July 2020). This followed a €800m capital increase in FY18 which was required to assure business continuity.

In September 2020 an Extraordinary General Meeting was requested by a group of shareholders. In this meeting four directors resigned and were replaced by three new directors, among them Urs Jordi, who was also appointed Chair of the Board. In December 2020 an AGM appointed four new directors after the resignation of other four directors.

Urs Jordi had at that time a long and successful track record on this industry:

1. extensive international experience of the food business and specifically the B2B frozen bakery industry,
2. knowledge of the Company due to his prior experience in the Group,
3. leadership skills and proven track record in initiating and successfully delivering operational improvements; and
4. a high approval rating for his appointment as Chairman with support from significant investors and stakeholders.

In November 2020 the former CEO ceased his role and Urs Jordi was appointed as interim CEO.

Turnaround Plan delivers on all targets since EGM

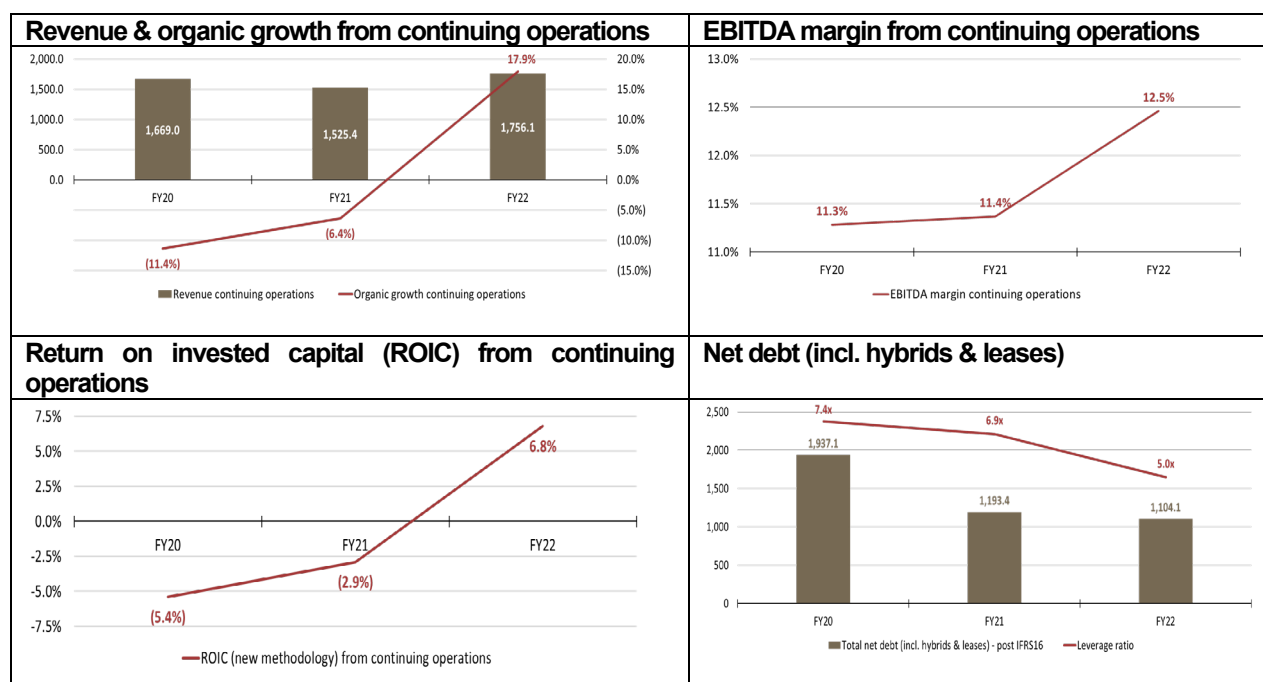
Beginning in 2021, under Urs Jordi's leadership, the Company underwent a turnaround process in which the North America and Brazil operations were sold, and the total net debt declined from €1.937 billion at end of FY20 to €1.104m at end of FY22.

The Company evolved from an inefficient and costly global structure to a lean, multi-local business model with local responsibility for profitability and customer engagement. This removed substantial costs and complexity resulting in a reduction in group overhead costs and an increase in EBITDA margins.

As consequence of the Plan, in FY22 the Company was able to make a consolidated net profit for the first time since FY16. Organic revenue was at 17.9%, EBITDA margin improved by 110bps to 12.5% and free cash increased from prior year to €109.7m.

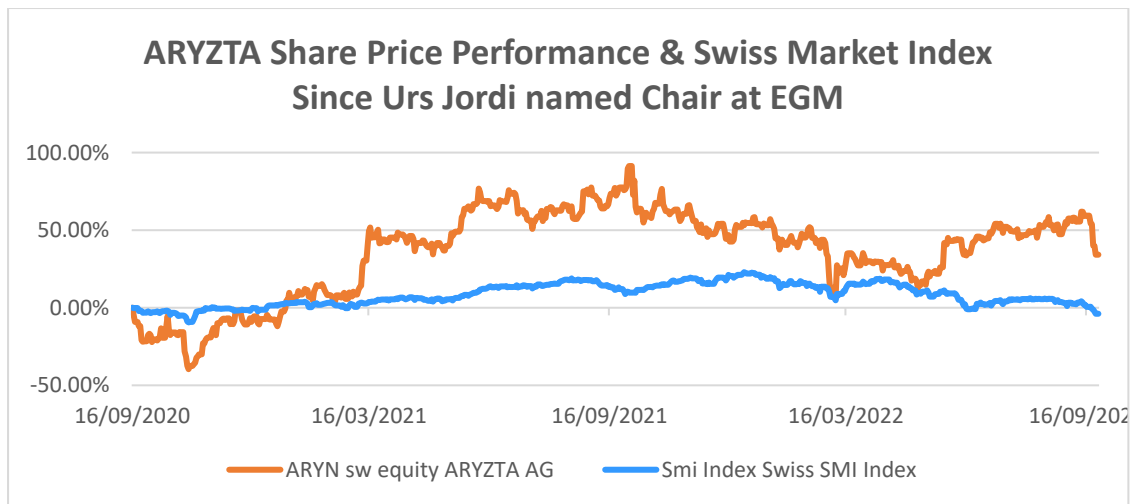
Under the current leadership structure, ARYZTA in FY22 repurchased €50m of its Euro Hybrid bond, at a discount of 4%, financed by improved performance of the business and confirmed plans to reduce the size of this bond further depending on the continued business improvement performance.

The charts below clearly highlight the turnaround and improvements in the Company operations and leverage which is also reflected through the share price performance since Urs Jordi became Chairman and Interim CEO.



In June 2022 the Company presented to shareholders a medium-term Plan FY23-25, with a target for FY25 of revenue exceeding €2 billion (FY22 pricing), 14.5% EBITDA margin, and 3x Total net Debt to EBITDA ratio.

All the work done since 2021 has been under an increasingly negative and volatile international economic environment, as the extraordinary challenges of the new inflationary environment, increases the price of energy, raw materials, interest rates. A potential economic slowdown now looms which Urs Jordi and his team have to navigate.



Rationale on the extension of dual mandate Chair/ Interim CEO No suitable candidate emerged in initial process

Over the course of 2021, several potential candidates were interviewed, leading to a shortlist of candidates who were interviewed by the Board.

The Board was keen to identify a candidate with (i) proven track record in delivering operational transformation; (ii) in-depth knowledge of and senior management experience in the food manufacturing industry; (iii) capable of delivering multi-year revenue growth; and (iv) strengthening the capabilities needed to be competitive in the future.

While the Board met with a number of candidates, given where the business is in terms of its turnaround progress and the extraordinary challenges ahead, the Board is convinced that it is in the best interests of the business and its key stakeholders to preserve the stability and momentum of the current leadership. Indeed, a poorly timed appointment of a new CEO could disrupt the current performance dynamics and market perception (see analyst opinions below), especially in the current volatile macro environment.

Urs Jordi has demonstrated that he has ideal skillset and track record to lead the team through the current challenges. Therefore, the Board concluded that it is in best interests of the Company to temporarily extend Urs Jordi's tenure as interim CEO until 31 December 2024 when the Board will have selected a permanent CEO, so he can focus on delivering the next stage of development of the business. Further business improvements should also assist the recruitment of a new CEO at the right time as it is likely to attract more candidates as the business success and recovery improves.

Strong Corporate governance rules in place to manage Chair/Interim CEO role

The Company has a strong set of corporate regulations in case the Chair has a dual role as Chair and Interim CEO, under the Organizational Regulations. These regulations are best in class and compliant with the Swiss governance code and proxy advisors recommendations:

“The Lead Independent Director may call and any Board Member has the right to request a non-executive session, without the presence of the Group CEO, at any time to discuss any matters”.

“The Lead Independent Director is required to:

(a) lead the Board in the absence of the Chair to ensure independence and leadership for the independent directors, in particular, if the following items are on the agenda:

(i) assessment of the work of the Group CEO or any matter involving the Group CEO's conduct or capacity; (ii) decision on the compensation package of the Group CEO; (iii) decision on the Board's proposal to the General Meeting for the re- election of the Chair;

(b) create an appropriate information flow and communication system among the independent Board members;

(c) collect and relay any issues or concerns of independent Board members to the Chair;

(d) handle communication on behalf of the independent Board members and facilitate communication, where appropriate, between shareholders and independent Board members; and

(e) be available to act as a point of contact for shareholders and stakeholders who wish to conduct discussions with an independent Board member, including with concerns that have not been resolved or are not raised through the normal channels.

(f) undertake such specific additional duties or functions as the Board may entrust to the Lead Independent Director from time to time”.

Other facts safeguarding the best in class governance are the following:

The Board has 6 directors of which 5 are considered independent according to the “*Swiss code of best practice for corporate governance*”, and according to proxy advisor classifications.

The lead independent director (“LID”) chairs the audit committee, convenes frequent non-executive Board sessions, leads the Board self-evaluation with a focus on the dual role, and separately meets the Interim CEO and the CFO.

The Chair and interim CEO does not sit on the Audit Committee, Governance and Nominations Committee, or Remuneration Committee. These Board sub-committees are comprised of independent directors only.

All non-executive Board members demonstrate independence of judgement, in line with the Swiss governance code guidelines and have significant international business experience in other board and executive roles.

Positive feedback and support from analysts and leading shareholders

When the FY22 annual report was released on 3 October 2022, the Board informed the market about its decision to extend the dual role of Chairman and Interim CEO. Analysts that usually follow ARYZTA made the following positive comments about this decision:

- Baader Helvea, “Urs Jordi to remain (interim) CEO until 31 December 2024: *“Given Mr. Jordi is seen as a key factor for the successful transformation (unlike his CEO predecessors) we see the contract extension as positive for investor sentiment”.*

- Vontobel, report dated 3/10/2022: *“Stability in the management team: Urs Jordi will remain ad interim CEO until the end of FY24”*.
- UBS, *“Current CEO Urs Jordi will remain in his position until end 2024, being good news to us”*.
- ZKB *“Chairman Urs Jordi will also remain as CEO until December 2024, which we welcome”*.

No negative comments about the dual role were found in other analyst reports.

After the FY22 annual report was released, ARYZTA management held the normal round of shareholder meetings to discuss the results. These included meetings with a significant number of its top 20 shareholders. The feedback was overwhelmingly positive with all welcoming and supporting the Board’s decision to temporarily extend the Chairman’s role as interim CEO. They viewed this decision as preserving management continuity and stability in a volatile macro environment and underpinning confidence around the delivery of the midterm plan.

Given the strong balancing governance oversight mechanisms in place, the Board is of the unanimous opinion that shareholders’ interests are best served by supporting the prudent proposal to temporarily extend the dual mandate combining Chairman and interim CEO till end of 2024.

END