
Annual Report and Accounts 2022

Compensation Report

Letter from the Chair of the Remuneration Committee

Dear Shareholder,

On behalf of the Board of Directors (the 'Board') and the Remuneration Committee (the 'RemCo'), I am pleased to introduce ARYZTA's Compensation Report for the financial period 2022 ('FY 2022'), which was characterized by significant business progress despite the external economic challenges. To enhance transparency and readability, the Compensation Report 2022 was significantly reshaped.

During FY 2022, the RemCo keenly absorbed last year's feedback in our compensation practices. In direct response, no retention or discretionary payments were made, and we will refrain from making any such payments in the future. Additionally, we significantly increased transparency and strategic alignment of our short-term incentive plan ('STIP'). This includes the disclosure of our CEO's individual measures and a discontinuation of regional measures in line with the make-up of the Executive Committee ('ExCo'). Thus, all ExCo members are compensated based on group measures incl. Group Total Revenue which was newly introduced to foster consistency and incentivize close collaboration.

To further align with shareholders' expectations and market practice, our long-term incentive plan ('LTIP') was refined. Most notably, while still retaining an important incentive component, the maximum opportunity level was reduced from 200% to 150%. This also includes a rebalancing of the weighting of the LTIP measures as greater emphasis has been given to shareholder friendly EBITA and ROIC denoting the importance of business performance and the depth of the turnaround situation, while still keeping the relative Total Shareholder Return measure. It is noted that the LTIP award granted in FY 2022, and the total compensation stays within the maximum compensation previously approved by shareholders.

At the upcoming AGM, we will ask you to approve, as last year, prospectively in a binding vote the maximum compensation of the Board of Directors for the period from this AGM until the next 2023 AGM, and the maximum aggregate compensation for the newly constituted ExCo for FY 2024. Furthermore, you will have the opportunity to register your opinion on this Compensation Report in a consultative vote.

Looking ahead, we will continue refining our compensation framework in order to ensure alignment with the company strategy, market practice and evolving developments such as sustainability. To further ensure a uniform performance assessment among the ExCo, as of FY 2023, it is intended to introduce carefully conceived individual STIP measures for all ExCo members.

On behalf of ARYZTA and the RemCo, I would like to thank you for your support and valuable feedback.

Chair of the Remuneration Committee



Hélène Weber-Dubi,
30 September 2022

Compensation Report (continued)

Introduction to Compensation

ARYZTA's Compensation Report for FY 2022 has been prepared in accordance with Swiss laws and regulations, including the Ordinance against Excessive Compensation of Listed Stock Companies and the Directive on Information relating to Corporate Governance, issued by SIX Swiss Exchange. The report also takes into account the recommendations set out in the Swiss Code of Best Practice for Corporate Governance of *economiesuisse*.

Compensation Governance

The compensation governance at ARYZTA is mainly comprised of three key bodies: The RemCo which advises the Board in compensation-related matters; the Board which ultimately decides on compensation-related matters; and the shareholders of ARYZTA at the AGM who approve the maximum aggregate amount of remuneration of the Board for the period until the next AGM and the Executive Management for the subsequent financial year. The Organizational Regulations, the Terms of Reference of the RemCo and the Articles of Association describe and define the roles and responsibilities of these three bodies. The Articles of Association contain the following relevant provisions on compensation:

- Compensation principles for the compensation of the Board and the Executive Management (Art. 21 and 22)
- Approval of compensation by the AGM (Art. 23)
- Supplementary amounts available for members joining the Executive Management or being promoted within the Executive Management to CEO after the relevant approval of compensation by the AGM (Art. 23 lit.e)
- Retirement benefits and pensions (Art. 24)
- Duration and Termination of Employment Contracts (Art. 26)

The Articles of Association can be found on our website: <https://www.aryzta.com/wp-content/uploads/2019/11/AoA-English.pdf>

Compensation Report (continued)

The general division of duties, responsibilities, and powers between the three key bodies of compensation governance (RemCo, Board and AGM) is shown in the table below.

	CEO	RemCo	Board	AGM
Compensation strategy and guidelines		P	A	
Compensation principles (Articles of Association)		P	A (subject to AGM approval)	A (binding vote, in case of changes)
Key terms of compensation plans for Board and Executive Management		P	A	
Total compensation for the Board		P	A (subject to AGM approval)	A (binding vote)
Total compensation for the Executive Management		P	A (subject to AGM approval)	A (binding vote)
Individual total compensation for the CEO		P	A	
Individual total compensation for other members of the Executive Management	P	R	A	
Employment and termination agreements for the CEO		P	A	
Employment and termination agreements for other members of the Executive Management	P	R	A	
Compensation Report		P	A	A (consultative vote)

A: Approve, P: Propose, R: Review

Role of the Shareholders regarding the AGM

The AGM approves the maximum aggregate amount of compensation of the Board for the period from AGM until the next AGM and the maximum aggregate amount of compensation for the Executive Management for the subsequent financial period (Art. 23 lit. a of the Articles of Association). Shareholders will be asked at the 2022 AGM, to be held on 30 November 2022, to approve the maximum aggregate amount of compensation of:

- The Board for the period from AGM until the next AGM (i.e. the period until the 2023 AGM); and
- The Executive Management for the following financial period (i.e. the financial period ending 31 July 2024).

In addition, as in prior periods, the Board will submit this Compensation Report to a separate advisory vote for the shareholders at the 2022 AGM in line with the Swiss Code of Best Practice for Corporate Governance.

At the 2021 AGM, the Board submitted three separate compensation-related resolutions.

1. The maximum aggregate amount of compensation for the members of the Board for the period from the 2021 AGM until the 2022 AGM (binding vote): CHF 1,300,000.
2. The maximum aggregate amount of compensation for the Executive Management for the FY 2023 (binding vote): CHF 10,000,000.
3. The compensation report for FY 2021.

Compensation Report (continued)

The first two resolutions were binding votes and were approved by shareholders; the third was a non-binding advisory vote and was not approved by shareholders. The result of this advisory vote was keenly noted by the Board in order to absorb the feedback from our shareholders into our ongoing compensation practices. In direct response to this feedback we have not paid any retention payments for FY 2022 and refrain from making any such payments in the future; we have ceased the use of any discretionary bonus payments thus ensuring STIP payments are solely based on performance criteria for FY 2022; and additionally, we provide more transparency on the measures for our STIP pay outs than in prior years.

In addition and without further approval by shareholders, ARYZTA is authorised to use, as needed, supplementary amounts of 40% of the approved maximum aggregate amount (in full and not pro rata) of the compensation for the Executive Management for the relevant financial periods for members joining the Executive Management and/or being promoted from a member of the Executive Management to CEO after the AGM has approved the relevant maximum aggregate amount (Art. 23 lit. e of the Articles of Association).

Role of the Remuneration Committee

The RemCo has the duties of supervision and governance of ARYZTA's compensation framework and philosophy as well as the purpose to assist the Board in fulfilling its responsibilities regarding the compensation of the members of the Board and the Executive Management of ARYZTA.

The RemCo consists of three to four independent non-executive members of the Board who are elected annually and individually by the AGM pursuant to Swiss law for a one-year period until the next AGM. The RemCo Chair is appointed by the Board (Art. 20a of the Articles of Association).

Post the AGM 2020, the RemCo consisted of three members: H el ene Weber-Dubi, Heiner Kamps and Gordon Hardie, with H el ene Weber-Dubi approved by the Board as Chair of RemCo. Please refer to the Corporate Governance Report section for further details on RemCo composition, duties, and election.

As in prior periods, in FY 2022 the RemCo acted within the limits of the relevant shareholder approvals, being responsible for (Art. 20 lit b. of the Articles of Association):

- Considering and determining all elements of the compensation of the members of the Board and the CEO.
- Approving the compensation of other members of the Executive Management, upon the recommendation of the CEO.
- Reviewing and recommending to the Board on an annual basis a proposal regarding the total compensation amount of the Board and the Executive Management for approval at the AGM.
- Preparing and recommending to the Board the Compensation Report for approval at the AGM in a non-binding vote.

Compensation Report (continued)

The RemCo reviews the level and structure of the compensation for the Executive Management on an annual basis to ensure that executives are remunerated in line with the level of their authority and responsibility within the Group and so as to ensure ARYZTA's capacity to recruit and retain a high calibre of professional managers (for details with regards to the conducted compensation benchmarking in FY 2022, see page 68).

After each RemCo meeting, the RemCo Chair reports to the Board at the following Board meeting, ensuring that the Board members are kept informed in a timely and appropriate manner of all material matters within the RemCo's area of responsibility. In addition, all RemCo papers (e.g. agenda, minutes, presentations, etc.) are available to all members of the Board. When the RemCo considers it appropriate to do so, it may directly ask members of the Executive Management or members of the Human Resources department to attend meetings as a guest. The RemCo regularly holds private sessions (i.e. without the presence of members of the Executive Management, members of the Human Resource department or third parties). Executives and the Chair of the Board do not participate during the sections of the meetings where their own performance and/or compensation are discussed. The RemCo is authorised to obtain appropriate external advice and to invite those persons to attend at meetings of the RemCo. In such cases, and where applicable, the Board has availed of the services of HCM International to provide such advice.

The RemCo Chair convenes meetings of the RemCo as often as the business affairs of ARYZTA requires. During FY 2022, the RemCo held seven meetings with an average duration of two hours each.

The agenda items covered by the RemCo during the seven meetings of FY 2022 are described in the table below.

	Agenda item	Sep 2021	Dec 2021	Jan 2022	Mar 2022	May 2022	June 2022	Aug 2022
General Framework	Committee Terms of Reference	•						
	Annual Work Plan	•						
Executive Management compensation	Management Compensation Packages				•			•
	Maximum aggregate compensation amount FY 2023						•	
	STIP							
	– Review of STIP FY 2023 design						•	•
	– Performance achievement FY 2021	•						
	– Target setting for STIP FY 2023						•	•
	LTIP							
	– Design LTIP grant FY 2022	•	•	•				
	– Target setting LTIP FY 2022		•	•				
	– Review of LTIP Regulations		•	•				
Board compensation	Benchmarking				•			
	Maximum aggregate compensation amount from 2021 AGM until the 2022 AGM	•						
Reporting & Communication	Compensation for Lead Independent Director					•		
	– Compensation Report FY 2021	•						
	– Review FY 2021			•	•			
	– Compensation Report FY 2022				•	•	•	•

Compensation Report (continued)

Compensation Principles

ARYZTA's compensation framework and principles are designed to attract and retain top talent, to underpin the implementation and support of the Group's strategic plans and to provide a balance between motivating and challenging the members of the Executive Management to deliver ARYZTA's near-term business priorities together with achieving sustainable, long-term success (Art. 21lit. a of the Articles of Association). Furthermore, ARYZTA's compensation framework aims to be aligned with shareholders' interest and driving the creation of shareholder value. The RemCo gives careful and detailed consideration to the Board and Executive Management compensation. As one reference point, the RemCo regards market data on compensation to assess its competitiveness in the market environment.

Compensation objectives and principles



The company aims to retain and incentivize top talent to support delivery of the strategic plan



A balance between a motivation and challenging environment is established to achieve near-term business objectives and drive long-term success



Compensation outcomes shall be aligned with shareholder interests to reward management for creating shareholder value



Equal opportunities are provided in recruitment, selection, promotion, employee development, succession planning, training and compensation

Compensation Report (continued)

Compensation Framework for the Board of Directors

Compensation Approach for the Board of Directors

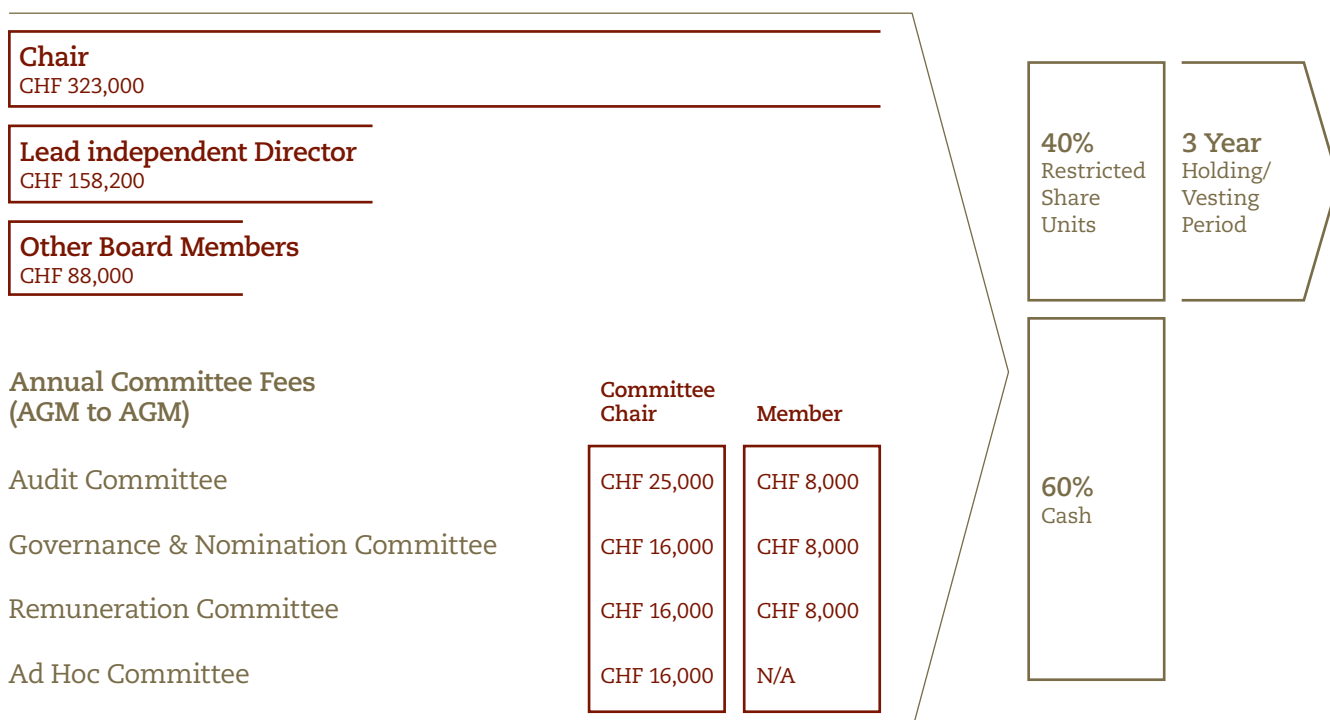
The total compensation of the Board consists of an annual base fee and an additional fee for individual assignments to Committees of the Board (Art. 21 lit. c of the Articles of Association).

In order to assure the independence of the members of the Board in executing their supervisory duties, the total compensation of the Board is fixed and does not include any performance-related, variable compensation component.

For FY 2022, non-executive Board members were paid a fixed annual base fee, reflecting the time commitment and responsibilities of the role, and additional compensation for non-executive directors for service on a Board Committees was paid (see image below).

The compensation structure and fee levels for the members of the Board remained unchanged compared to the previous term, however due to the dual role of the Chairman and in line with good corporate governance, the role of the Lead Independent Director entailed a supplementary workload in FY 2022 which led to an upwards review of the additional fee. This appointment was made in line with the Swiss Code of Best Corporate Governance practices and the Board prescribed specific powers and responsibilities to the LID as set out on our website in the ARYZTA Organizational Regulations. In addition we introduced an Ad Hoc Committee Chair role to allow for Board governance on certain initiatives associated with our turnaround.

Annual base fee for board membership for non-executive Directors



Compensation Report (continued)

The individual sum of the fixed annual base fee and, where applicable, the fixed annual committee fee per member are compensated 60% in cash and 40% in the form of restricted shares, entitling the recipient to receive ARYZTA shares upon expiration of the three-year holding period. This equity component further strengthens the long-term focus of the Board in performing its duties as well as the alignment of the Board's interests with those of ARYZTA's shareholders.

The compensation of the Board is subject to regular social security contributions. On the cash component, ARYZTA pays the employer contribution of social security, on the share component, ARYZTA pays both contributions. The Company made pension contributions for certain Swiss-based non-executive directors in line with its obligations under the Federal Law on Occupational Old Age, Survivors' and Disability Pension Plans (BVG / Berufliche Vorsorge). No additional compensation components such as lump-sum expenses or attendance fees are awarded to the members of the Board.

Compensation Report (continued)

Compensation Awarded to the Board of Directors (audited)

The following table reflects the total compensation of the Board for FY 2022 including information of the prior financial period. The total compensation of the Board for FY 2022 amounted to CHF 1,116,000 which is within the maximum amount approved at the AGM 2021 of CHF 1,300,000.

in CHF'000	Board	Independent Director	Audit Committee	Governance and Nomination Committee	RemCo	Ad Hoc Committee	Settled in cash	Settled in shares ¹	Total compensation FY 2022	Total compensation FY 2021
Current Board members										
Urs Jordi ²	Chair						194	129	323	283
Gordon Hardie ⁴	•		•	Chair	•		67	48	115	65
Heiner Kamps	•			•	•		58	38	96	90
Jörg Riboni ⁴	•	•	Chair				89	73	162	71
Hélène Weber-Dubi ⁴	•		•		Chair	Chair	75	48	123	75
Alejandro Legarda Zaragüeta ⁵	•			•			58	38	96	100
Former Board members										
Luisa Delgado ³							44	-	44	130
Gary McGann ⁶							-	-	-	41
Mike Andres ⁷							-	-	-	43
Greg Flack ⁷							-	-	-	43
Dan Flinter ⁶							-	-	-	14
Annette Flynn ⁶							-	-	-	14
Jim Leighton ⁷							-	-	-	41
Tim Lodge ⁷							-	-	-	44
Rolf Watter ⁶							-	-	-	14
Armin Bieri ⁸							-	-	-	16
Total							585	374	959	1,084
Social security payments									88	104
Pension contribution									69	-
Total including social security									1,116	1,188

1 Equity is awarded once a year at 40% of the total annual compensation with the number of shares based on the average closing price of the ARYZTA shares on the SIX over the five trading days immediately preceding the award date. The balance of the compensation for the financial year is settled in cash.

2 U. Jordi became a member and Chair of the ARYZTA Board on 16 September 2020 and was appointed by the ARYZTA Board as interim CEO on 19 November 2020.

3 L. Delgado became a member of the Board on 14 November 2019 (2019 AGM) and was appointed Lead Independent Director in November 2020. She stepped down from the Board at the ARYZTA AGM 2021 on 17 November 2021.

4 G. Hardie, J. Riboni and H. Weber-Dubi were elected to the Board effective 15 December 2020 (2020 AGM).

5 A. Legarda Zaragüeta was elected to the Board effective 14 November 2019 (2019 AGM).

6 G. McGann, D. Flinter, A. Flynn and R. Watter retired from the Board with effect from the conclusion of the EGM on 16 September 2020.

7 M. Andres, G. Flack, J. Leighton and T. Lodge retired without seeking re-election at the ARYZTA 2020 AGM on 15 December 2020.

8 A. Bieri stepped down from the Board 6 November 2020.

Compensation Report (continued)

The following table shows the shareholdings of the Board as of 30 July 2022 including information of the prior financial period. This table includes registered shares purchased privately as well as fully vested shares allocated in connection with compensation.

Furthermore, unvested RSUs and restricted shares are included. In total, the members of the Board held 61,904,615 shares or 6.2% of the share capital (FY 2021: 17,251,761 shares or 1.7% of the share capital).

Beneficial interests at 30 July 2022 and 31 July 2021 were as follows:

Shares in ARYZTA at CHF 0.02 each	No. of	No. of	No. of	No. of	Total	Total
	ordinary shares	restricted shares (issued FY 2022)	restricted shares (issued FY 2021)	restricted shares (issued FY 2020)		
	2022	2022	2022	2022	2022	2021
Directors						
Urs Jordi	266,500	123,660	159,526	-	549,686	266,526
Gordon Hardie	-	45,942	51,364	-	97,306	51,364
Heiner Kamps ¹	59,146,873	36,753	47,413	-	59,231,039	15,740,120
Jörg Riboni	1,430,000	70,138	55,809	-	1,555,947	805,809
Hélène Weber-Dubi	-	45,942	59,267	-	105,209	59,267
Alejandro Legarda Zaragüeta	132,000	36,753	47,413	38,281	254,447	217,694
Former Directors						
Luisa Delgado	-	-	72,700	38,281	110,981	110,981
Total	60,975,373	359,188	493,492	76,562	61,904,615	17,251,761

¹ Includes total holding of a shareholder group of which Heiner Kamps is a member

Compensation Framework for the Executive Management

General compensation approach for the Executive Management

The compensation of the Executive Management consists of fixed and variable components. The fixed compensation consists of an annual base salary, additional fixed compensation in the form of pension and other benefits. The variable compensation includes short-term and long-term incentive plans. These variable elements are dependent on the achievement of performance which includes the financial performance of the Group, performance relative to the market, and, in some cases, individual performance (Art. 21 lit. d and 22 lit. a of the Articles of Association). It should be noted that in the 'Outlook' section later in this report (see Page 71) we outline the intention to introduce qualitative individual measures for all members of the Executive Management in the future. The overview of the compensation elements of the Executive Management is summarised in the following table:

Compensation Report (continued)

	Base salary	Pension and other benefits	Short-term incentive plan (STIP)	Long-term incentive plan (LTIP)
Basis	Fixed	Fixed	Variable	Variable
Purpose	Attraction, retention, reward for scope and complexity of the function as well as level of responsibility	Participation in pension plans, insurance and health care plans in line with local market practice	Motivation, reward for achieving annual business objectives	Retention, alignment with shareholders, reward for delivering long-term performance
Performance period	-	-	One year	Three years
Performance measures	-	-	Group and (if relevant) regional measures, qualitative individual measures (except CEO and CFO)	Three equally weighted financial measures (Underlying EBITA ¹ , ROIC, relativeTSR)
Payout range	-	-	0 to 150% of individual target award	0% to 150% of number of granted PSUs
Payment	Cash	Contributions to pension and insurance plans, other in-kind benefits	Cash	Shares

¹ As disclosed in financial statements.

Amendments to Measures and Pay Out Range

It should be noted that ARYZTA made some amendments to both the LTIP measures and the pay-out range.

EBITA has replaced EBITDA as a measure within our LTIP as it was decided to be a more relevant KPI for the Executive Management to assess returns in an environment where ARYZTA has considerable depreciation associated with its fixed assets.

Additionally, the maximum pay out under ARYZTA's LTIP has reduced from 200% to 150%. This aligns with a benchmarking exercise undertaken by ARYZTA and, while retaining an important incentive component for the Executive Management, is more aligned with shareholder interests.

These changes supplement continued alignment with shareholders' expectations as demonstrated by the fact that one of the LTIP performance measures includes relative TSR to reflect Aryzta's shareholder value created next to a relevant group of peers.

Annual base salary

The annual base salary is the main fixed compensation component paid to the members of the Executive Management. Typically, it is paid in cash in twelve equal monthly instalments unless local laws require otherwise. The annual base salary is contractually agreed in local currency. The level of base salary is determined considering the scope and complexity of the function, level of responsibility, and other relevant factors deemed appropriate. Furthermore, the compensation for the role in the location where ARYZTA competes for talent is considered. Fixed base salaries of the Executive Management

Compensation Report (continued)

members are reviewed every year based on the above mentioned factors and adjustments are made according to market developments.

Pension and other benefits

ARYZTA may establish one or more independent pension fund(s) for occupational pension benefits or may join such funds. Contributions to such pension funds on the part of the employer, but not contributions which are paid out by such pension funds, are deemed part of the compensation. Retirement benefits accumulated or paid directly by the employer based on country-specific regulations on occupational pension benefits are treated the same way as contributions to and benefits by pension funds (Art. 24 lit. a of the Articles of Association). Members of the Executive Management participate in the pension plans, which consist primarily of retirement, insurance and health care plans designed to provide an adequate level of protection for employees and their dependents in the event of retirement, sickness, disability or death. The plans vary according to legal conditions, but at least meet the legal requirements of the countries concerned. The members of the Executive Management are also granted certain benefits and benefits in-kind in accordance with competitive market practice, e.g. a car allowance.

Short-term incentive plan (STIP)

The short-term incentive plan ('STIP') is a variable compensation element designed to reward eligible participants for delivering strong short-term performance and contribution to ARYZTA's annual business objectives, whilst limiting the Group's exposure to downside risk in the case of financial underperformance, over a time horizon of one year. The STIP for the Executive Management drives alignment across the Group by a shared philosophy with common core measures; measures which cascade into our business where Senior Management are also, therefore, measured by common KPIs.

In FY 2022 the STIP consisted of financial performance measures on Group level, as well as, in the case of the CEO, qualitative individual performance measures (as shown in the table below).

Measures	Other Executive Management	
	CEO	Members
Group Total Revenue	10%	10%
Group EBITA	50%	60%
Group Operating Free Cash Flow	20%	30%
Qualitative Individual Targets ¹	20%	
Total	100%	100%

¹ As of FY 2023, it is intended to introduce qualitative individual targets for all members of the Executive Management

The Board or the RemCo determines performance metrics and target levels, and their achievement (Art. 22b of the Articles of Association). At the beginning of the financial period, STIP targets are set for each financial performance measure in a calibration process in accordance with the overall business plan and a robust budget of the respective year. Minimum and maximum performance achievement levels are defined considering, amongst other elements, the previous year's performance level. A rigorous approach is conducted in order to define the individual objectives for the CEO for whom the individual objectives are specific, and taking into account his scope of influence and responsibilities as well as focusing on value-addition to the business. The STIP targets represent commercially sensitive information and are therefore not disclosed.

Compensation Report (continued)

The individual target level for the STIP is expressed as a percentage of the annual base salary. Depending on achieved performance, this element of compensation may amount up to a pre-determined multiplier of target level.

For the STIP FY 2022, the individual STIP targets vary between 50% and 100% of the base salary for members of the Executive Management.

For the financial performance measures, overachievement is driven by their respective performance. For the qualitative individual performance measure, the Remuneration Committee rigorously and comprehensively assess performance achievement. Qualitative performance measures included elements associated with key country turnaround plans, talent & succession management and Group funding initiatives.

For each performance measure, a minimum threshold performance, below which there is no payout, as well as a maximum performance, at which payout is capped at 150% of target, applies. In case of termination of employment during the performance period, the STIP payout may be reduced or forfeited depending on country- specific forfeiture rules and subject to applicable law.

	Actual performance FY 2022 v Target	STIP Achievement factor in %	CEO Achievement factor in %
Group Total Revenue	106%	130%	130%
Group EBITA	98%	90%	90%
Group Operating Free Cash Flow	112%	150%	150%
Qualitative Individual targets ¹	120%		120%
Total Pay Out (accounting for KPI weights)		112%	112%

¹ As of FY 2023, it is intended to introduce qualitative individual targets for all members of the Executive Management

During FY 2022, payments under the STIP were made to incumbent members of Executive Management according to the level of achievement of the defined short-term targets (Group Revenue, EBITA & Operating Free Cash Flow and Qualitative Individual Targets). Performance levels were achieved at different levels and resulted in an overall pay out range of 112% for the Executive Management.

Long-term incentive plan (LTIP)

ARYZTA's long-term incentive plan ('LTIP') has historically been designed to reward eligible participants for delivering long-term performance.

The purpose of the equity-based LTIP is to provide the participants with performance-driven future rewards for the accomplishment of the Group's long-term financial and strategic goals. The LTIP is intended to retain and motivate and to promote behaviour towards enhancing the value of ARYZTA for the benefit of its shareholders.

ARYZTA's LTIP is granted in the form of Performance Share Units ('PSUs'), which represent an unsecured contingent right to receive ARYZTA shares at the end of the three-year performance period, subject to the achievement of certain pre-defined performance targets and subject to continuous employment.

Compensation Report (continued)

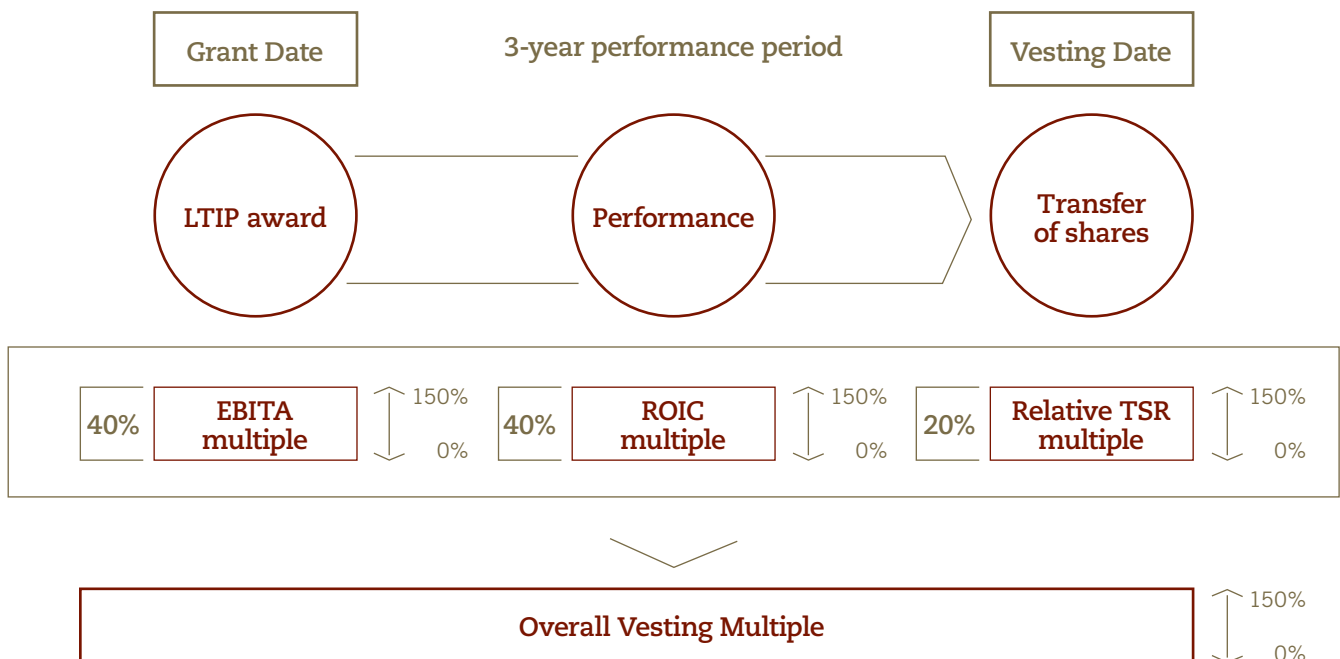
The number of granted PSUs depends on the individual LTIP grant, which were determined by the Board each year and the fair value of one PSU at the grant date. The individual target grant levels under the LTIP are expressed as a percentage of the annual base salary (Art. 22 lit. c of the Articles of Association) and cannot exceed the equivalent of 125% of participants' base salaries in any year.

As mentioned in FY 2021 we are now able to confirm that, in light of the challenges facing the business, the depth of the turnaround required and the significant level of change at a leadership level, the RemCo did not grant a LTIP in respect of FY 2021.

In FY 2022 the RemCo granted a LTIP to members of Executive Management, including the CEO, at an individual target grant level amounting to 66% of base salary.

The vesting of granted PSUs solely depends on the achievement of financial performance measures and is subject to continued service (see image below).

It is worth noting that the target grant level expressed as a % of base salary, and the maximum vesting range (of 1.5x) are both reductions on ARYZTA's most recent awarded LTIP. The Awards fall well within the maximum compensation previously approved by shareholders for FY 2022. More details can be found in the Compensation Booklet prepared for the AGM.



Compensation Report (continued)

The underlying EBITA (as disclosed in the financial statements) improvement measure provides a focus on profitability. It is weighted at 40% and is calculated as actual versus target % improvement in underlying EBITA.

The Return on Invested Capital (ROIC) measure provides a focus on capital efficiency. It is weighted at 40% and is calculated as the actual versus target % improvement in ROIC.

The relative TSR measure adds a stock market perspective to ARYZTA's LTIP and is designed to reward management for outperformance as well as to create alignment with shareholder experience. It is weighted at 20% and calculated as the percentage point difference over the three- year performance period between ARYZTA's TSR and the TSR of the iSTOXX® Europe Total Market Food Producers Capped 30-15 index.

It is to be noted that the weighting for the LTIP measures have been rebalanced. Greater weighting has been given to the shareholder friendly measures of EBITA & ROIC denoting the importance of business performance measures and the depth of the turnaround.

The TSR is the total shareholders' return, considering the variations of the share price and dividends distributed over the performance period, assuming the reinvestment of any dividends paid during the performance period into ARYZTA shares.

The iSTOXX® Europe Total Market Food Producers Capped 30-15 Index includes 55 stocks (as of September 27, 2022) and is a capped version of the STOXX Europe Total Market Food Producers Index. Members of this peer group include, amongst others, Nestle, Danone, Kerry Group, Lindt & Spruengli, Barry Callebaut, Emmi & Orior.

STOXX is the service provider and administrator of the index, therefore responsible for quality standards and legal compliance of the index as well as maintenance in terms of rebalancing and handling of corporate events of index constituents.

The index is rebalanced on a quarterly basis, whereas the largest component is capped at 30% and the second largest at 15%. The threshold for a payout of the rTSR measure is at – 20 percentage points, while the cap for a 1.50 vesting multiple is at + 10 percentage points. The payout curve provides for stretching and, at the same time, sets statistically reasonable performance corridors, and therewith supports symmetrical performance and payout situations below and above the target. In doing so, potential excessive risk-taking around the kink of payout curves is avoided.

In the case of termination of employment or a change in control regarding ARYZTA before the end of the three-year performance period, modified vesting rules apply (Art. 22 lit. e of the Articles of Association).

In the case of death or disability, the number of unvested PSUs will be adjusted pro-rata and will vest immediately with an overall vesting multiple of 1.00. In the case of retirement or termination of employment by ARYZTA without cause, the number of unvested PSUs will be adjusted pro-rata and will vest at the ordinary vesting date according to the effective overall vesting multiple. Furthermore, in case of engagement in a competitive activity without prior consent of the Board, all unvested PSUs will lapse without any compensation. In all other cases (e.g. termination for cause), then effective on the date notice of termination is provided by either party, all unvested PSUs will lapse without any compensation.

Compensation Report (continued)

In the event of change of control, the number of unvested PSUs will also be adjusted pro-rata.

Additionally, a clawback clause, in the event of a serious breach of ARYZTA's Articles of Association, Organizational Regulations, any applicable policies, procedures or guidelines, gives the Board the right to recoup all or part of the vested shares or forfeit all or part of any unvested PSUs.

In FY 2020 the Board awarded a LTIP to Executive Management. The table below defines the vesting criteria associated with this award. The performance period associated with the first two measures, namely EBITDA and ROIC, was the 3 consecutive Financial Years ending on 31 July 2022.

In this period the targets were not met and consequently there will be no award associated with these measures.

The performance period associated with the third measure, relative TSR, was defined as grant date until vesting date. This vesting date has not yet been reached and therefore any potential award cannot yet be defined.

LTIP grant FY 2020	Minimum threshold (0.0 vesting multiple)	Target (1.0 vesting multiple)	Maximum (2.0 vesting multiple)
Three-year average Underlying EBITDA¹	78.5% of target	100% target as set by the Board	121.5% of target
Three-year average ROIC	76.3% of target	100% target as set by the Board	136.8% of target
Three-year relative TSR	-20 p.p. of index	0 p.p.	+20 p.p. of index

¹ As disclosed in financial statements.

Peer group and benchmarking

As previously mentioned, the RemCo reviews the compensation of the Executive Management and Senior Management annually with the support of the global organizational consulting firm Korn Ferry Hay Group as part of a peer compensation benchmarking analysis. The benchmarking serves as an additional external reference point to ARYZTA in order to remain competitive in its compensation arrangements.

The selection criteria for the peer group included comparability to ARYZTA with regards to business model, size (in terms of headcount, revenue, and market capitalization), respective roles and responsibilities, and relevant geographic presence. The composition of the peer group for benchmarking is reviewed on a periodical basis, every two to three years.

Compensation Report (continued)

Compensation awarded to the Executive Management (audited)

The following table summarises the total compensation for the current and former members of the Executive Management during the FY 2021 and FY 2022. The total compensation for the Executive Management amounted to CHF 4,641,000 which is within the maximum amount approved at the AGM 2020 of CHF 18,000,000.

In the case of termination of employment or a change in control regarding ARYZTA before the end of the three-year performance period, modified vesting rules apply (Art. 22 lit. e of the Articles of Association).

in CHF'000	Total Executive Management incl. highest paid FY 2022 ²	Highest paid Executive Management member, Urs Jordi ² FY 2022	Total Executive Management incl. highest paid FY 2021 ^{1,2}	Highest paid Executive Management member, Kevin Toland ² FY 2021
Basic salaries ¹	1,563	750	4,418	738
Benefits in kind	61	-	379	34
Pension contributions	316	126	672	148
STIP (payout for respective FY) ¹	1,627	840	2,937	-
Long-term incentives (LTIP) ^{5,6}	1,074	510	-	-
Exceptional retention payments ³	-	-	391	-
Ex-gratia payments	-	-	4,062	1,767
North America disposal related bonus ⁴	-	-	1,385	-
Total compensation awarded to members of ARYZTA Executive Management	4,641	2,226	14,244	2,687

1 In FY21 Urs Jordi received a Base Salary in the amount of CHF468,000 for his role as Interim CEO. Additionally he received a discretionary bonus payment in the amount of CHF702,000.

2 On 19 November 2020 the Board appointed Urs Jordi as interim CEO and Kevin Toland ceased his role as CEO.

3 Given the significant changes at senior management and Board level during the financial year and the particular challenges facing ARYZTA during FY21 including the approach from Elliott Advisors UK, and the disposal of ARYZTA North America and Brazil, retention payments were made on an exceptional one off basis to ensure continuity and stability within the business. The Board does not envisage making similar payments again.

4 On 4 May 2021, ARYZTA completed the disposal of its ARYZTA North American business. Tyson Yu remained as part of the disposed business and ceased his role with ARYZTA AG. As recognition of his pivotal role in the transaction, Tyson Yu was awarded a bonus.

5 The number of PSUs is calculated by dividing the LTIP award amount by the allocation value per PSU. The allocation value at time of grant was CHF 1.04.

6 Represents the target value of the FY22 LTIP awarded. The value may change depending on the achievement of operating performance measures at vesting. All awards were unvested as of 30 July 2022.

The employment contracts of the Executive Management are in compliance with the Swiss Ordinance Against Excessive Compensation in Listed Stock Companies and other applicable laws and regulations (Art. 26 lit. a and 26 b of the Articles of Association).

Shareholding Guidelines

As of FY 2020, Shareholding Guidelines for members of the Executive Management had been introduced to further strengthen the long-term focus and to additionally increase the alignment of the Executive Management's interests with those of ARYZTA's shareholders. The Shareholding Guidelines applied to the Executive Management starting from FY 2020. Each member of the Executive Management had been expected to build up an ownership of shares of ARYZTA worth the equivalent of 150% of their annual base salary or 300% in the case of the CEO.

Compensation Report (continued)

As we refine our Remuneration Strategy and LTIP scheme we will revisit these Shareholding Guidelines ensuring the concept of Executive Management being aligned with shareholder interests and retaining a long-term focus.

Shareholdings of the Executive Management

The following table shows the shareholdings and interests in equity of the Executive Management as of 30 July 2022 and 31 July 2021. The number of shares held corresponds to the amount of directly or beneficially held ordinary registered shares of ARYZTA. The number of interests in equity held corresponds to the amount of PSUs granted through former LTIP awards and, in the case of the Interim CEO, through his dual role as Chairman. PSUs are disclosed at target. The vested number of PSUs will depend on performance achievement levels at vesting. In total, the members of the Executive Management held 467,500 shares or 0.05% of the share capital (FY 2021: 283,000 shares or 0.03% of the share capital. FY 2021 amount includes former executive management).

	No. of shares Closing position FY 2022	No. of PSUs Closing position FY 2022	No. of shares Closing position FY 2021	No. of RSUs Closing position FY 2021	No. of PSUs Closing position FY 2021
Urs Jordi	266,500	760,248	107,000	159,526	-
Martin Huber	201,000	318,042	-	-	-
Rhona Shakespeare	-	502,047	-	-	291,916
Total executive management	467,500	1,580,337	107,000	159,526	291,916

Further Information

Previous and Discontinued Compensation Plans

Option equivalent plan

Vesting of the awards under the Option Equivalent Plan issued during FY 2012 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 annualized basis. The awards were also subject to additional conditions, including:

- the requirement to remain in service throughout the performance period;
- 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
- the requirement that annual dividends to shareholders are at least 15% of underlying EPS during the performance period.

The vested Option Equivalent Plan awards still outstanding as of 30 July 2022 can be exercised no longer than ten years after grant date.

	No. of options carried forward FY 2022	Expired during the year	No. of options Closing position FY 2022	No. of options of which vesting criteria have been fulfilled ¹
Owen Killian	2,116,177	(2,116,177)	-	-
Patrick McEniff	1,692,941	(1,692,941)	-	-
Pat Morrissey	470,261	(470,261)	-	-
Dermot Murphy	235,131	(141,079)	94,052	94,052
Total former executive management	4,514,510	(4,420,458)	94,052	94,052

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 9.93.

Compensation Report (continued)

Loans Granted to the Board of Directors or the Executive Management

No loans or advances were made by the ARYZTA Group to members of the Board or of the Executive Management during FY 2022 or were outstanding at 30 July 2022 (2021: Nil).

As advised in the Corporate Governance section of the FY 2022 Annual Report, as of 1 August 2021 the Executive Management was comprised of Urs Jordi (Interim CEO), Martin Huber (CFO) and Rhona Shakespeare (General Counsel and Company Secretary).

During FY 2022 no payments were made to former members of the Executive Management or of the Board or to related parties, nor were any loans or credits made or outstanding.

Outlook

As we enter FY 2023 the Remuneration Committee continues to rigorously assess the applicability of the various compensation elements for the Group's Management, in line with market practice and shareholder's interests.

Conforming to our turnaround situation and as already stated, we have altered the award level (from 100% to 66% of base salary) and maximum pay out (from 200% to 150%) of the LTIP.

To ensure a uniform performance evaluation and further incentivise close collaboration across regional units, for FY 2023 it is foreseen that qualitative individual targets will be introduced within the short-term incentive plan for all members of the Executive Management. Such measures will be carefully aligned with the continuing performance expectations of ARYZTA and our shareholders.

Report of the statutory auditor to the General Meeting of ARYZTA AG on the compensation report 2022

We have audited the compensation report of ARYZTA AG for the period ended 30 July 2022. 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 labeled “audited” on pages 61 and 69 of the compensation report.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.



Auditor's responsibility

Our responsibility is to express an opinion on the compensation 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 compensation 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 compensation 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 compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation 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 compensation report for the period ended 30 July 2022 of ARYZTA AG complies with Swiss law and articles 14–16 of the Ordinance.



Ernst & Young Ltd

Olivier Mange
Licensed audit expert
Auditor in charge

Jennifer Mathias
Certified public accountant

Zurich, 30 September 2022