

2021

ESG Report

ARYZTA
SERVING INSPIRATION



ARYZTA Sustainability Report

About this report

Welcome to ARYZTA's Annual Sustainability report which is based on our fiscal year.

This report is covering the 2021 fiscal year to 31 July 2021 (FY21) in line with our reporting to the GDP global reporting framework. The report covers ARYZTA's key progress made in FY21. It outlines our ambitions and our new sustainable performance strategy focused on our global operations and supply chain.

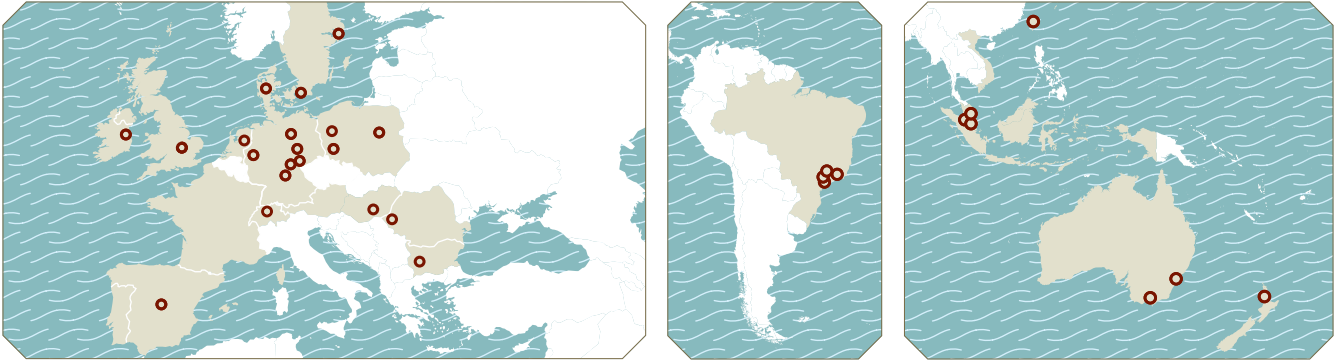
During FY21, our North American business was discontinued, therefore excluding their data from this report. Our Brazil business was continuing operations in FY21, however, it was sold in FY22; their data is excluded from this report. As a result of the company re-organisation, we have not made any direct comparisons with previous reports. We will use FY21 as our baseline for future reporting.



ARYZTA Sustainability Report

About ARYZTA

ARYZTA Group (Continuing Operations)



Revenue
€1.525bn

32
Bakeries

28
Countries

ARYZTA AG (ARYZTA) is an international bakery company with a customer base across multiple channels: Retail, Quick Service Restaurants (QSR) and Other Foodservice.

ARYZTA is based in Schlieren, Switzerland, with operations in Europe, Asia, Australia, New Zealand and South America. ARYZTA is listed on the SIX Swiss Exchange (SIX: ARYN). ARYZTA Europe operates 21 bakeries across the region. ARYZTA APAC operates 10 offices and 7 bakeries across 7 countries, with an extensive distribution network that spans across 20 countries within the region. Brazil operated 4 bakeries.

Key statistics FY21

– Employee numbers - globally 9,251
(2,068 in Rest of World, 7,183 in Europe)

ARYZTA Sustainability Report

CEO & Board Sponsor's Introduction

The year 2022 has been a period of reflection and planning for ARYZTA, following the sale of the North American business and a removal of the restrictions related to COVID-19 lockdowns in most markets. Our corporate strategy of focusing on organic growth and business improvement is reflected in our results despite the broader market challenges we have seen relating to the pandemic, war in Ukraine and resulting supply chain disruptions and rising inflation.

This was the backdrop in which we explored the key drivers of sustainable performance in our business to create a strategic, value-driven response. Our vision is to be a socially responsible organisation and leverage resources to improve our environmental, social and governance topics. This has inspired a nine-month project to explore how we can leverage sustainability to drive internal efficiencies, unlock innovation opportunities, manage our contribution to climate change, and to help our customers in their own sustainability targets.

Our new sustainability strategy covers key environmental, social and governance topics, to support us in managing foundational topics and expanding our sustainability ambitions. It demonstrates our broader corporate strategy to transform the global business into a value creative model through strong engagement with customers, superior product innovation and high service levels. In 2023, our focus will be to integrate this strategy in our business, measuring baseline progress against our goals, and developing action plans to achieve our ambitions. To demonstrate our commitment to integrating sustainability into the processes of our business, we have appointed an ESG sponsor at board level, representing the commitment of our senior leadership to drive our strategic vision. As well as managing our impacts and improving efficiencies in our business, our new strategy will build resilience to global challenges such as climate change and respond to growing customer and regulatory needs.

‘Sustainability helps drive productivity which is the cornerstone transformation. Our new strategy helps us identify the elements we need to make sustainability a differentiator for us, identifying where we need to be brilliant and the foundational topics to manage.’ — Gordon Hardie

In a volatile global economic environment, we look to the future with optimism, convinced of the combined integrity and value of our corporate and sustainability plans and thank our hard-working staff for their commitment to delivering these. We believe that sustainable performance is a cornerstone of the future of our business, and we will strive to measure tangible benefits from our efforts to ultimately drive the businesses' performance going forward. We welcome your feedback on our approach and performance.

ARYZTA Sustainability Report

CEO & Board Sponsor's Introduction

With rising customer and stakeholder expectations around ESG, in 2022, the ARYZTA board commissioned a major review of our sustainability strategy and how it will fuel the growth ambitions of the business in the coming years. We conducted an extensive consultation of both our internal and external stakeholders to understand the key drivers of sustainable performance in our business and the needs of our stakeholders.

Our sustainability strategy, sets the priorities and direction for our business for the coming years, built around three value creation opportunities: Purpose driven Governance, Social Value and Environmental Efficiency.

Our aim is to be a strategic enabler of sustainable growth both for ourselves and for the customers we serve. We want to bake sustainability into every product we make; creating clean, varied products from responsibly sourced ingredients whilst significantly reducing our climate impact. We recognize that we are still early in our journey, but we are committed to making large strides with speed. With our priorities in place, we are now integrating sustainability throughout the business and identifying the targets to set our ambition and KPIs to monitor our performance.



‘ESG is an important topic for our customers, shareholders and us. We have a significant interest to address this, to be correct and be better and that is our intention with our new sustainability approach.’
— Urs Jordi

ARYZTA Sustainability Report

Our Approach

We have created working groups to implement the three pillars of the strategy and these teams are working on detailed roadmaps, goals and milestones integrating impact and company performance. We will share more detail on this as it is completed in the next reporting cycle.

1. Purpose-driven Governance

We strongly believe that sustainability is a value-creating agenda and our new strategy is fully aligned with our overall business ambition ‘To become the best partner for bake-off solutions across all our channels and markets’. Our approach has been informed by a detailed materiality assessment, to understand and address the drivers of sustainability performance in our business. With a strategy in place, we are now getting down to the hard work of implementing programmes to drive sustainable performance.



2. Environmental Efficiency

‘Delivering the gold standard in bake-off’ is our value proposition. Whilst on this journey, we want to build environmental efficiencies into our everyday operations and our supply chains. This involves particular focus on reducing our carbon footprint, in reducing all types of waste (i.e. food waste and packaging waste) and improving our water footprint.

3. Social Value

Great tasting food should be for everyone, we want to produce something for every taste, using clean, nutritious ingredients that consumers trust. We already have strong relationships with our suppliers and want to work with them to implement more sustainable practices. As a business we rely on ecosystems to deliver our raw ingredients and are committed to protecting the biodiversity on which these ecosystems rely. Our ambition is to build regenerative agriculture into our supply chain to increase the positive impact we have with our products. We want to build on our existing food safety standard certifications and ensure our packaging delivers transparent nutritional guidance and ingredient traceability for our customers and their consumers.

ARYZTA Sustainability Report

Our Approach

Materiality

To help us develop the strategies and capabilities to achieve our goals, we've continued to build and nurture strong, reciprocal relationships with our stakeholders. In 2022, this included an extensive consultation of both our internal and external stakeholders, to identify the key topics that will be critical to the sustainable performance of our business and that are seen as important by our partners and stakeholders. In total, we spoke to 43 stakeholders covering multiple functions and geographies in the organization including our CEO, CFO and COO and commercial and operational teams. Outside ARYZTA, we spoke with major customers and suppliers and conducted a study including several of our major investors.

The overall outcome of this work has been to help us shape a new set of strategic priorities that integrate impact with performance. All our stakeholders appreciated the good work we have undertaken in compliance especially with the Food Safety & Quality and Health & Safety standards. These are customer expectations but also the compliance expectations of our investors, especially given the fast-changing nature of regulation in Switzerland, our home market and where many of our investors are based. Stakeholders also flagged the importance of good corporate governance to the success of our strategy, good environmental management, sourcing and the opportunity to meet varied dietary needs. These topics have been mapped and prioritised to our strategic pillars as illustrated on the materiality matrix.



ARYZTA Sustainability Report

Our Approach



- **Purpose driven governance:** corporate governance driven by a purpose, supporting and developing people
- **Environmental Efficiency**
- **(include plastics & packaging/ water use):** addressing our climate impact, waste such as food waste and packaging waste
- **Social Value:** responsibly sourced and meeting consumer preferences

ARYZTA Sustainability Report

Purpose-driven governance

We believe that sustainability is a critical driver of continued business performance, and that making measurable, demonstrable progress against our goals generates shared value across our stakeholders. Creating a strong governance process helps us remain accountable and promote best practice. The changes following the sale of the North American part of the business, represents an opportunity for us to standardise our global approach to sustainability. We want to continue our progress to integrate sustainability into our business operations, with our aim to achieve sustainable performance.

Governance

Driving strong sustainability performance in our business starts with governance. Sustainability at ARYZTA is led by our board director Gordon Hardie, our ESG sponsor. Gordon chairs the sustainability committee, which has taken full responsibility for our ESG agenda and reports on progress at board level at least quarterly. Comprising representatives of key departments, the committee leads the work to define our strategy, implement sustainability projects, integrate sustainability into the business, and track performance against our goals.

We have created three working groups to implement the strategy and these teams are working on detailed roadmaps, goals and milestones integrating impact and company performance. We will share more detail on this as it is completed in the next reporting cycle.

For full details about our corporate governance please see our <https://www.aryzta.com/about-aryzta/corporate-governance/>

Business ethics

We have detailed our expectations of our employees and suppliers in our Employee and Vendor Codes of Conduct, which employees and suppliers sign up to. These codes establish key policies and expectations covering employee behaviours and ethics, anti-bribery and corruption, freedom of association, child labour, modern slavery, human trafficking, and forced labour. We have an independently operated hotline to enable employees, customers and suppliers to confidentially raise grievances and concerns. We operate best practice systems in relation to data and cyber-security for employees and other data we hold.

ARYZTA Sustainability Report

Purpose-driven governance

Our people

The safety of our people is our number one priority. Our efforts continued throughout FY21 to protect our people during the COVID-19 pandemic with revisions of our Safe Working During Covid-19 Protocols; many of these protocols continue today.

We created a Zero Harm Health & Safety strategy along with a vision of 'Everyone Home Safe Every Day'. This strategy, outlined in our Health & Safety Policy Statement, focuses on 4 Zero Harm Pillars of Safety Leadership Excellence, Safe Working Rules and Procedures, Safe Plant and Equipment and Behaviour Based Safety. A key programme, launched as part of our strategy, was the ARYZTA 10 Life Saving Rules, which focus on high hazard activities across our business and outline the behaviours needed to safeguard our people, our contractors and our visitors exposed to such activities. Our people are a key priority and therefore we continue to ensure a best practice approach to risk control through our ARYZTA Health & Safety Standards.

Our safety performance is measured as LTIR (Lost Time Incident Rate) and RIR (Recordable Incident Rate)

- Both LTIR and RIR decreased compared to previous year with particular improvements in our European Bakeries with a 40% decrease in LTIR and 29% decrease in RIR
- Milestones on 1 Year LTI Free were reached by several sites, such as our bakeries in Stockholm, Strzegom and Dunstable



Diversity and Inclusion

We believe that bread is a universal source of sustenance and pleasure embedded in diverse cultures globally – thus we want to build a company which is enriched by a range of cultures. ARYZTA is committed to diversity and inclusion and provides equal opportunities in recruitment and development to attract and retain the diverse, talented workforce we rely on. We offer a comprehensive benefits package, to reward our talented workforce and support employee retention and engagement.

We believe that the wise use of natural resources is critical to a sustainable future for all. As a food business, we understand the importance of nature. We rely on it for our ingredients. We want to protect the ecosystems we rely on and use the ingredients we buy efficiently. We understand the threat of climate change to biodiversity and ecosystems around the globe. Therefore, we are committed to reducing our carbon impact across our value chain.

In understanding the value and impact of the food we make and ingredients we buy, we are committed to wasting as little as possible. We are developing plans to minimise food waste and support others to do the same.

ARYZTA Sustainability Report

Environmental Efficiency

Carbon reduction

The food and agriculture industries are significant contributors to global carbon emissions – we understand and appreciate our obligation to reduce the carbon footprint of our operations and products. In 2023, we will begin work to set our commitments for Science Based Targets (SBTi) which will support us in making reductions in our carbon emissions in our factories, offices and our supply chain. This builds on existing work streams across our sites to reduce energy use and carbon, which have made wide ranging improvements to operational and transportation footprints. Several sites are certified to ISO14001 Environmental Management System. A number of our sites, which include those in the Fornetti Group and our German operations, have the ISO50001 certified energy management system to identify energy savings across our operational activities. This has led to investments in LED-lighting, efficient refrigeration, and more efficient machinery to increase production with no increase in energy use. We have also installed solar panels at our site in Liverpool, Australia, with other sites in Spain and Ireland under review. In Germany, projects were implemented in several sites, to replace existing refrigerant gases with more environmentally friendly gases. We are investing in lower impact transportation through electric cars and fleet, electric vehicle charging stations and providing eco-driver training with our operations in France leading the way on this.

We are also working to reduce the carbon intensity of the ingredients and materials we buy including insourcing ingredients, and changing suppliers, packaging materials and ingredients to reduce transportation miles and impact. As we mature, we also see the opportunity and value in regenerative farming, to improve resilience in our supply chain, support biodiversity and sequester carbon, an avenue we will be exploring in the coming years.

Case study: Carbon neutral bread

At a product level our Swiss team have launched a carbon neutral bread with a retail customer. The sourdough bread is baked in a wood-fired oven (using FSC wood) which makes it environmentally friendly and tasty. The flour in the bread is sourced from within Switzerland to reduce miles. The production of this flour is using hydroelectric power. Residual carbon is offset via a certified forest protection project in South America. What is more, for every loaf sold, a donation is made to protect and maintain Swiss mountain forests.



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Environmental Efficiency

Case study: Heat recovery in Denmark

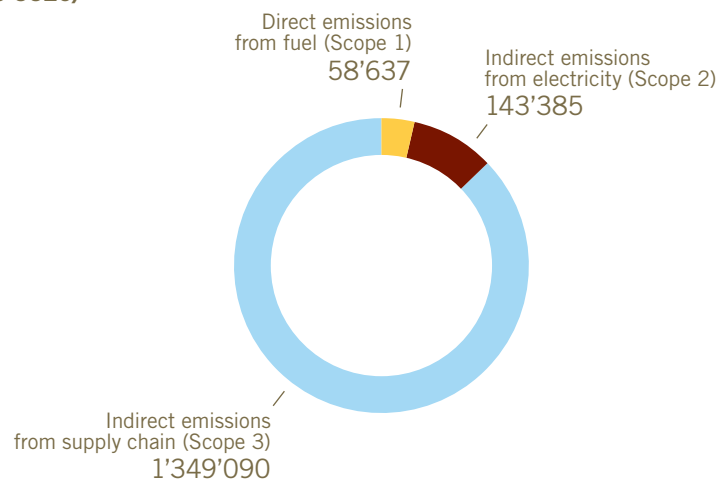
In our own production facility in Odense, Denmark, we have implemented several climate-friendly and CO₂-saving initiatives in recent years in the areas of lighting, air, water and heat consumption. A reorganisation of the flushing system during cleaning has resulted in savings of more than 1,000 litres of hot water a day, while the recovery of surplus heat has meant that the factory is now 47% self-sufficient in heating. In another large heat recovery project, we have reduced our electricity consumption from approximately 45,000 kWh/year to a to zero/year.



Carbon footprint

We have calculated our carbon footprint since 2017 and report on our carbon footprint and management practices to CDP (CDP is a global disclosure system on environmental impacts). Due to the sale of the North America business, our carbon footprint is no longer comparable year-on-year. Our performance data in Scope 1-3 is based on submission to CDP FY21. Carbon intensity vs production in FY21 was 0.29 tonnes CO₂e/tonne production. We will be using FY21 as our baseline.

FY21 Carbon Footprint (tonne CO₂e)

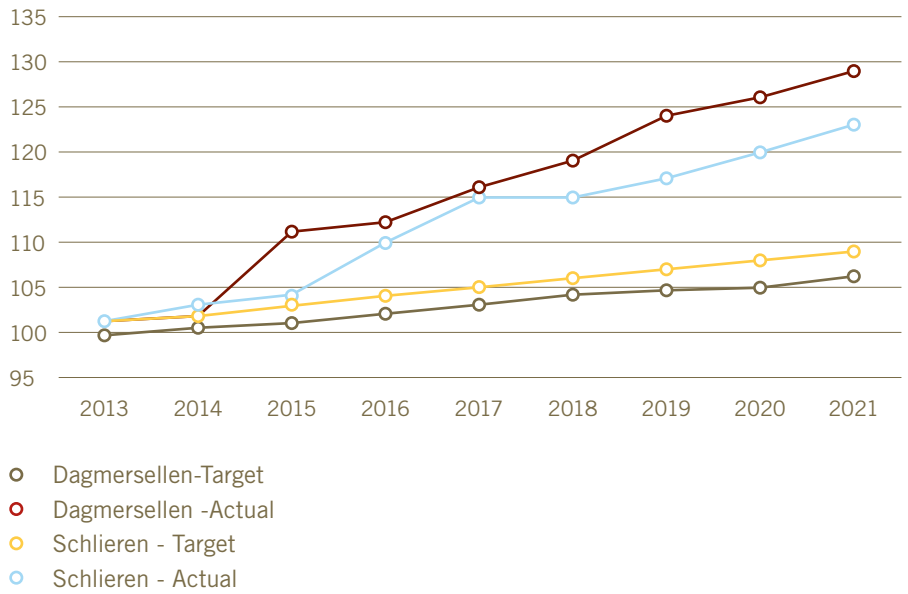


We scored a C on our 2021 CDP Carbon submission demonstrating our awareness of the issues, risks and opportunities.

ARYZTA Sustainability Report

Environmental Efficiency

Swiss Manufacturing sites Performance vs targets



Our Swiss operations are exceeding the energy efficiency targets agreed with the government by 10-20%. In fact, both sites have reduced energy use by over 20% since 2013.

We are reporting location-based scope 2 emissions (based on geographic electricity grid carbon factors). Our market-based (based on purchase electricity) emissions are 208,231 tCO₂e.

ARYZTA Sustainability Report

Environmental Efficiency

Reducing Food Waste

With a growing population and the carbon embedded in the ingredients we buy, we cannot afford to waste food. We want to play our part in reducing food waste in our operations and in our value chain.

In our business this means looking at ordering practices, cleaning schedules, line changes and other operational processes to identify what, when, why and how we waste in order to prevent this.

Moreover, food waste is an issue along the value chain - we will be looking at ways to not only reduce food waste in our business but also to partner with suppliers and customers to find solutions to reduce the amount of edible ingredients and finished products wasted outside our factory gates. This approach will be based upon existing strong relationships and good practice in partner businesses.

Our factories are already considering this, making operational and recipe changes to reduce waste and in some instances partnering with NGOs to ensure edible food is used.

In our Swiss factories, no edible food was incinerated in 2021, instead we have removed the waste through process optimisation, where unavoidable it is given to charities, employees or used as animal feed. The only exception was some sesame seeds, which were contaminated in a case that affected manufacturers globally.

Mette Munk in Denmark is Refood certified and collaborates with DAKA REFOOD to send all catering waste to produce biogas, a lower carbon alternative to incineration.

ARYZTA Sustainability Report

Environmental Efficiency

Plastic Reduction & Packaging Optimisation

The choices we make in our operations can have a significant impact on the sustainability of our products. We are working to improve and reduce our packaging and to optimise the water we use to promote efficiency and reduce waste.

Packaging can play a valuable role in preserving food and preventing food waste. But we need to be thoughtful and considerate about it. We want to use packaging that is appropriate, made from recycled and recyclable materials and plastic-free where possible. Our intention is to start with the hardest-to-recycle materials, finding alternatives to phase these out first. We also have opportunities to reduce carbon, using alternative materials or by optimising packaging for transportation.

The design of packaging can have broader impacts than waste and recycling. In Australia, we have redesigned packing crates to improve transportation efficiency. This has reduced the associated carbon footprint of long-haul transportation by 15% and removed over 220 trucks from the road. Based on this success, the team is investigating a redesign of secondary packaging for banana bread by reducing dimensions and optimizing pallet utilization to reduce material and transportation needs.

Case study: Packaging optimisation

We are working across the business to optimise packaging to use fewer materials and reduce logistics needs. In Ireland, we have worked with a customer to increase units per case and per pallet. As a result, we have reduced cartons, plastic carton liners, pallets and transport by 13%, saving over 60k cartons or 32 tonnes of cardboard annually.

In Germany, we are completely redesigning the cartons used, streamlining the current 87 cartons, to just 34 unprinted cartons. This project has allowed us to optimise materials – using more recycled material, and logistics by increasing the units packed per case and per pallet. We expect this will reduce our annual usage of cartons by 1 million pieces (4% less), or 330 tonnes of cardboard, and remove of 25,000 pallets from our supply chain.

Our Swiss operations have reduced the film thickness of cardboard liners from 40µm to 27µm in recent years. The current reduction from 30µm to 27µm will save up to 8 tonnes of plastic in 2021, a saving of approximately 10%.

ARYZTA Sustainability Report

Environmental Efficiency

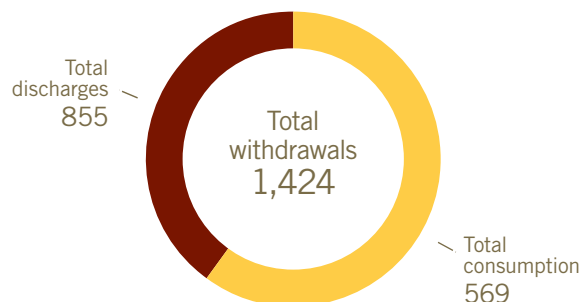
Water Use Optimisation & Pollution Reduction

Water is vital to the growing of our raw materials, our recipes, and for sanitation and food safety needs. By 2025, it is estimated that 50% of the world could be living in areas facing water scarcity and by 2030, 700 million people could be displaced by intense water scarcity. Water stress poses a risk on food production and supply chains. To minimise production risk and play our part in reducing global water stress, we are committed to optimising our water use in all our bakeries and in our supply chain.

We measure our incoming freshwater and outgoing wastewater in all bakeries with a goal of reducing operational water use by 10% over 5 years. We have several water use reduction programmes aimed at balancing water use in cleaning our plant and equipment with maintaining robust food safety and hygiene standards. We also manage wastewater quality at our sites, through routine sampling and, at some locations pre-treat wastewater before discharging to local municipalities. We are also evaluating our product portfolio to identify opportunities to develop and market products with lower environmental impacts including lower water usage.

We are investing in water recycling to reduce the volume of water needed whilst maintaining high standards for plant hygiene. Our performance data on water intensity is based on submission to CDP FY21. Water intensity vs. production in FY21 was 2.01 m³/tonne production. We will be using FY21 as our baseline.

FY21 Water Footprint (megaliters)



We scored a C on our 2021 CDP Water Security submission demonstrating our awareness of the issues, risks and opportunities.

ARYZTA Sustainability Report

Social Value

Social Value Great tasting food should be for everyone, we want to produce something for every taste, using clean, nutritious ingredients that consumers can trust. This begins with the ingredients we purchase, so we are building on the strong relationships we have with our suppliers to implement more sustainable practices.



Responsible Sourcing

Many of our ambitions will rely on support within our supply chain - leveraging our strong relationships and ongoing work to improve quality and animal welfare. We are on our way to our goal of 100% cage free eggs by 2023, with 80% currently cage-free. We have committed to deforestation free materials where possible, removing soy from our products. We purchase a limited amount of palm oil, as it is used in less than 10% of our products and is generally a minor component (less than 2%). In APAC in 2021, we successfully established a palm oil supply chain certification for 100% of the palm oil used. Nevertheless, we are working to transition to RSPO certified sources globally with 71% currently certified.

As buyers of agricultural products, we understand the potential of the impact of climate change on the availability and quality of raw materials, due to higher temperatures, extreme weather events and water stress. We are evaluating alternative ingredients and sources of supply, and diversifying products to include more plant-based ingredients in order to reduce our climate impact.

ARYZTA Sustainability Report

Social Value

We hold our suppliers to high standards and require them to sign our Vendor Code of Conduct which sets our basic requirements in relation to human rights and labour standards.

Case study: British flour for a buns customer

A functional supply chain is all about collaboration. A project to make a bun for a buns customer with 100% British flour has brought together four levels of the supply chain – farmers, flour suppliers, bakers and customers.

Through this project we are committing to buying flour from UK farmers at volume, enabling them to plant in line with demand. In return, they are planting varieties that meet our corporate and customers' needs and, focusing on biodiversity and responsible farming with hope that the formidable relationships we have built will facilitate further improvements in the future.

Through this project, we plan to replace Canadian wheat in the existing blend and instead use 100% UK wheat for this buns customer by 2023.



changing to more local suppliers for cartons, labels, eggs, corn broth, and baking agent, our Swiss operations have saved over 107,000km in logistics.

71% of Palm Oil we buy is RSPO certified

We scored a C for Palm oil on our 2021 CDP Forest submission demonstrating our awareness of the issues, risks and opportunities, with Ds scored for Soy and Timber.

ARYZTA Sustainability Report

Social Value

Varied and Nutritious

We believe that bread is a universal source of sustenance, but diets are varied and changing. Consumers make choices about what they eat for health, environmental, cultural, ethical and taste reasons. What is more, customers, consumers, and regulators are all looking for healthier more nutritious products, that meet the needs of varied diets, with fewer, cleaner ingredients.

We are innovating to create and reformulate products to meet these varied consumer needs. This includes delivering cleaner labels, with fewer ingredients and additives as well as reducing salt and sugar. This is supported by transparency on-pack, helping people to make informed decisions about the food they eat and supporting dietary choices and restrictions. We are also investigating plant-based alternatives and researching preferences in our various markets to deliver delicious baked products to more people.

Case study: Amazingly similar. Decidedly different.

Aryzta's operation in Switzerland, HIESTAND's "planted.chicken" curry snack is designed for people on plant-based diets, or who just want to reduce how much meat they eat. The result of a collaboration between HIESTAND and PLANTED, the meat alternative in the snack uses half the land and water and saves two-thirds of greenhouse gas emissions compared to conventional meat production. What's more, many say that the planted.chicken curry snack tastes even better than „real chicken“.

In closing, we want to reiterate our commitment at ARYZTA to best practice governance and sustainable performance; to minimising our carbon footprint and to contributing social value to the communities in which we both operate and serve.



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